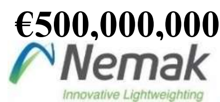
OFFERING MEMORANDUM

€500,000,000



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

2.250% Senior Notes due 2028

We are offering €500,000,000 aggregate principal amount of our 2.250% Senior Notes due 2028 (the "notes"). We will pay interest on the notes annually in arrears on July 20 of each year, beginning on July 20, 2022. The notes will bear interest at a rate of 2.250% per annum and, from the Interest Rate Step Up Date (as defined below), at a rate of 2.500% per annum, unless in respect of the year ended December 31, 2026, the Issuer has notified the Trustee that the Sustainability Performance Target (as defined below) has been satisfied, as confirmed by the External Verifier (as defined below), in each case as described in "Description of the Notes—Principal and Interest." The notes will mature on July 20, 2028.

We may redeem the notes, at our option, in whole or in part, at any time and from time to time, prior to April 20, 2028 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to the greater of 100% of the outstanding principal amount of the notes to be redeemed and the applicable "make-whole" amount plus in each case accrued and unpaid interest and additional amounts thereon, if any, to the redemption date. In addition, we may redeem the notes at our option, in whole or in part, at any time and from time to time, beginning on April 20, 2028 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed, plus accrued and unpaid interest and additional amounts thereon, if any, to the redemption date. In the event of certain changes in tax laws applicable to payments of interest or amounts deemed interest under the notes, we may redeem the notes in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest and additional amounts thereon, if any, to the redemption date. Upon the occurrence of a change of control triggering event, we will be required to offer to repurchase the notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts thereon, if any, to the date the notes are repurchased. There is no sinking fund for the notes.

The notes will be our 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 existing and future senior unsecured indebtedness. The notes will rank effectively junior in right of payment to any of our 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.

Concurrently with this offering, we announced the commencement of a cash tender offer for any and all of our outstanding 3.250% senior notes due 2024 and a solicitation of consents for the adoption of certain proposed amendments to the Nemak 2024 Notes and the indenture governing such notes (the "Tender Offer and Consent Solicitation"). The net proceeds from this offering were used (i) to pay, in whole or in part, the consideration for the Tender Offer and Consent Solicitation and accrued and unpaid interest and additional amounts on the Nemak 2024 Notes validly tendered and accepted by us, (ii) to pay fees and expenses incurred in connection with the Tender Offer and Consent Solicitation, and (iii) the remainder, if any, for debt repayment or reduction and other general corporate purposes, including the redemption of any Nemak 2024 Notes not validly tendered and accepted by us in connection with the Tender Offer and Consent Solicitation. See "Use of Proceeds." The Tender Offer and Consent Solicitation is not being made pursuant to this offering memorandum. This offering memorandum is not an offer to buy or a solicitation of an offer to sell any of our securities in the Tender Offer and Consent Solicitation. The settlement of the Tender Offer and Consent Solicitation is contingent upon the closing of this offering.

No public market currently exists for the notes. This Offering Memorandum constitutes a Listing Particulars for the purposes of listing on the Official List of the Irish Stock Exchange plc, trading as Euronext Dublin ("Euronext Dublin"). Application has been made to Euronext Dublin for the notes to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin. Euronext Dublin has approved this Listing Particulars.

Investing in the notes involves risks. See "Risk Factors" beginning on page 19.

Issue Price: 100% plus accrued interest, if any, from July 20, 2021.

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 INFORMATION 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 INSTITUTIONAL OR QUALIFIED INVESTORS IN MEXICO, PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF 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. We expect that delivery of the notes will be 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 July 20, 2021.

Joint Lead Book-Running Managers and Joint Sustainability-Linked Bond Structuring Agents

BBVA **BNP PARIBAS** **HSBC**

Passive Bookrunners

BofA Securities **Citigroup** **J.P. Morgan** **Santander**

The date of this offering memorandum is November 17, 2021.

TABLE OF CONTENTS

	Page
Notice to Investors	ii
Enforcement of Civil Liabilities	iii
Available Information	iv
Forward-Looking Statements	v
Certain Definitions	viii
Presentation of Financial and Certain Other Information	xii
Summary	1
The Offering	12
Summary Historical Financial Data and Other Information	16
Risk Factors	20
Exchange Rates	40
Use of Proceeds	42
Capitalization	43
Selected Historical Financial Data and Other Information	44
Management's Discussion and Analysis of Financial Condition and Results of Operations	47
Industry	68
Business	75
Management	95
Principal Shareholders	99
Related Party Transactions	100
Description of the Notes	103
Book-Entry, Delivery and Form	126
Transfer Restrictions	130
Taxation	133
Plan of Distribution	140
Legal Matters	150
Independent Auditors	151
Index to Consolidated Financial Statements	F-1

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" refers 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. 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 U.S. Securities and 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 is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico. In addition, almost all of the directors, executive officers and controlling persons of the Issuer 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 Issuer or its directors or executive officers, or to enforce judgments obtained in U.S. courts against the Issuer or such persons predicated on civil liability provisions of the U.S. securities laws. We have appointed C T Corporation System, with current address at 28 Liberty Street, 42nd Floor, New York, NY 10005, 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 jurisdiction of organization of the Issuer will enforce judgments obtained in other jurisdictions, including the United States, against the Issuer or its directors or officers under the securities laws of such jurisdiction or entertain actions in such jurisdiction against the Issuer or its directors or officers under the securities laws of other jurisdictions.

No treaty exists between the United States and Mexico for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts would enforce final judgments rendered in the United States if certain requirements are met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy (*orden público*), provided that U.S. courts would grant reciprocal treatment to Mexican judgments issued in analogous cases. Additionally, there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated, in whole or in part, on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws.

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, García, Nuevo León, C.P. 66017 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 deliver 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 Euronext Dublin for the notes to be admitted to listing on the Official List and to trading on the Global Exchange Market, a market of Euronext Dublin, in accordance with its rules. This offering memorandum forms, in all material respects, the listing memorandum for admission to Euronext Dublin. We will be required to comply with any undertakings given by us from time to time to Euronext Dublin in connection with the notes, and to furnish to them all such information as the rules of Euronext Dublin 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," "can," "could," "continue," "would," "will," "estimate," "expect," "intend," "may," "might," "potential," "plan," "predict," "project," "goals," "target," "seek," "shall," "should," "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:

- changes in economic, political, social and other conditions in the United Mexican States ("Mexico"), the United States and elsewhere as a result of the pandemic caused by the coronavirus identified as SARSCoV- 2 that causes the disease known as COVID-19 ("COVID-19");
- the ongoing impact of the COVID-19 pandemic and of other pandemics on our business and on our results of operations, financial situation and cash flows, as well as our ability to timely and efficiently implement any necessary measures in response to, or to mitigate, the impacts of the COVID-19 pandemic on our business, operations, cash flows, prospects, liquidity and financial condition;
- general economic conditions in North America, Europe, South America and Asia, and any significant economic, political or social 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 OEMs' "captive" foundries 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, labor, tax 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 and changes to existing trade policies or changes to, or withdrawals from, free trade agreements, including the United States–Mexico–Canada Agreement ("USMCA"), to which Mexico is a party and which as of July 1, 2020 replaced the North American Free Trade Agreement ("NAFTA");
- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions or joint ventures;
- risks inherent to international operations;
- 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;
- “Alfa” means Alfa, S.A.B. de C.V.;
- “Audi” means Audi AG and its relevant 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 will 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;
- “Board of Directors” means the Board of Directors of Nemak, S.A.B. de C.V.;
- “BMW” means Bayerische Motoren Werke AG and its relevant subsidiaries in different countries;
- “CAGR” means compound annual growth rate;
- “capacity utilization rate” means the percentage utilization of production capacity;
- “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 the process of casting aluminum into automotive components;
- “Cevher Döküm” means Cevher Döküm Sanayii A.S. (currently known as Nemak İzmir Döküm Sanayi A.S.), a Turkish producer of aluminum cylinder heads and other engine components acquired by us in 2016;
- “complex automatic transmission” means those transmissions that have more than six forward shifts or speeds;
- “Controladora Nemak” means Controladora Nemak, S.A.B. de C.V., our former parent company;
- “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 its relevant subsidiaries in different countries;

- “Dollars,” “U.S. Dollars,” “US$,” or “USD” means the lawful currency of the United States of America;
- “Ducker Worldwide” refers to Ducker Worldwide, LLC, a consulting and research firm specializing in trend analysis of the automotive sector;
- “electric vehicle components” or “e-mobility components” means electric motor housings, e-drive housings, battery housings and reduction gear housings, among others. For the purposes of Nemak, components for electric vehicles are parts designed to protect the batteries that store the electricity necessary to propel the vehicle, as well as the motors and transmissions of those vehicles. Unless otherwise expressly referred to herein, any reference to electric vehicle components to be produced by Nemak, means electric vehicle components made of aluminum;
- “equivalent volume” means the total amount of cylinder heads, engine blocks, transmission components, e-mobility components, structural components, 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, and Sweden;
- “Fiat-Chrysler” or “FCA” means Fiat Chrysler Automobiles and its relevant subsidiaries in different countries;
- “Ford” means Ford Motor Company and its relevant subsidiaries in different countries;
- “GMC” or “GM” means General Motors Company and its relevant 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” means Hyundai Motor Company and its relevant subsidiaries in different countries;
- “IASB” means the International Accounting Standards Board;
- “IFRS” means International Financial Reporting Standards, as issued by the IASB;
- “Jaguar Land Rover” means Jaguar Land Rover Automotive PLC, a subsidiary of Tata Motors Group, and its relevant 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;

- "Kia" means Kia Motors Corporation and its relevant subsidiaries in different countries;
- "light vehicles" means passenger cars and light trucks under 3.5 tons;
- "LIBOR" means London Interbank Offered Rate which is the interest rate used for short-term inter-bank financing transactions in London and serves as a reference for calculating financing interest worldwide;
- "Lost Foam" refers to a casting technology used to produce engine blocks and bed plates;
- "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.;
- "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 its relevant subsidiaries in different countries;
- "powertrain" means the group of components that generate power and deliver it to the road surface, water or air. These include 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 Citroën S.A. and its relevant 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, and is currently known as Nemak Europe GmbH;
- "Renault" means Renault S.A. and its relevant subsidiaries in different countries;
- "Renault-Nissan" means the joint venture between Renault and Nissan Inc. and its relevant subsidiaries in different countries;
- "R&D" or "Research and Development" 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";

- “Stellantis” means Stellantis N.V. and its relevant subsidiaries in different countries, the new automotive group resulting from the merger of Fiat Chrysler Automobiles and PSA Group, effective as of January 2021;

- “structural components” means components that 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 in 2007;

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

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

- “tons” means metric tons (one metric ton is equal to 1,000 kilograms or 2,204.6 pounds);

- “Toyota” means Toyota Motor Corporation and its relevant subsidiaries in different countries;

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

- “USMCA” means the United States–Mexico–Canada Agreement, which entered into force on July 1, 2020 and which replaced NAFTA, which took effect in 1994; and

- “Volkswagen Group” means Volkswagen AG and its relevant subsidiaries in different countries.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

Our annual audited consolidated financial statements as of December 31, 2020, 2019 and 2018 and for the years ended December 31, 2020, 2019 and 2018, 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. Our unaudited condensed consolidated interim financial statements as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020, together with the notes thereto (the "Interim Unaudited Financial Statements"), as well as the other financial information of Nemak included in this offering memorandum related to these Interim Unaudited Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as issued by the IASB, applicable to the preparation of interim financial statements.

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 and generally accepted accounting principles in the United States ("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, references to "U.S. Dollars," "Dollars," "US$," "USD" or "$" are to United States dollars, the legal currency of the United States and references to "€," and "Euro" are to the lawful currency of the member states of the European Monetary Union that have adopted or that will adopt the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union.

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 included in this offering memorandum, 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, 2020 (Ps. 19.9487 to US$1.00) or on March 31, 2021 (Ps. 20.6047 to US$1.00), as applicable; and

- with respect to financial information other than statement of financial position data included in this offering memorandum, in order to more closely approximate the figures presented in U.S. Dollars and particularly given the volatility in exchange rates in recent years, we utilized the daily average of the Official Exchange Rate on each day during the year ended December 31, 2020 and for the three-month periods ended March 31, 2021, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, as applicable.

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, 2020, 2019 and 2018, and for the three-month periods ended March 31, 2021 and 2020, we define Adjusted EBITDA to mean consolidated income or loss before income taxes after adding back or subtracting, as the case may be, (i) depreciation and amortization, (ii) impairment of property, plant and equipment, (iii) financial results, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments) and (iv) equity in income of associates recognized using the equity method.

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 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 property, plant and equipment and the impact of derivative instruments (except when designated as hedge accounting in accordance with 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 income or loss before income taxes for the years ended December 31, 2020, 2019 and 2018 and for the three-month periods ended March 31, 2021 and 2020, 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. 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.

The Issuer accepts responsibility for accurately reproducing this information and as far as the Issuer is aware and is able to ascertain from information published by these sources, no material facts have been omitted which would render such reproduced information inaccurate or misleading.

Intellectual Property

This offering memorandum includes some of our trademarks and trade names, including our logos. Each trademark and trade name of any other company appearing in this offering memorandum belongs to its respective owner.

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 powertrain, e-mobility, and structural components. We believe that our product portfolio, which consists of cylinder heads, engine blocks, transmission components, battery housings, electric motor housings, body-in-white and chassis 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 energy-efficient vehicles. We provide our components primarily as a Tier 1 supplier to OEMs. Our global manufacturing footprint, which consists of 38 modern facilities in 15 countries throughout North America, Europe, South America and Asia, allows us to efficiently serve all major global automotive manufacturers.

For the three-month period ended March 31, 2021, we generated revenue, Adjusted EBITDA and net profit for the period of Ps. 21.1 billion (US$1.0 billion), Ps. 3.4 billion (US$169 million) and Ps. 0.8 billion (US$40 million), respectively. For the year ended December 31, 2020, we generated revenue, Adjusted EBITDA and net loss for the year of Ps. 66.3 billion (US$3.2 billion), Ps. 8.9 billion (US$432 million) and Ps. -0.9 billion (US$-34 million), respectively. From 2018 to 2020, our revenue, Adjusted EBITDA and net profit for the period decreased at a CAGR of -10%, -14% and -35%, respectively, mainly due to the effects of COVID-19-related customer production stoppages on our 2020 production volume. Our total assets as of December 31, 2020 were Ps. 98.7 billion (US$4.9 billion).

We focus on the production of complex components for the automotive industry, primarily for propulsion and structural applications. The propulsion segment includes engine components (mainly cylinder heads and engine blocks), transmission components (mainly transmission cases, torque converter housings and transfer cases) and electric vehicle components (mainly battery housings and electric motor housings). Together, the cylinder head and engine block form the main body of the internal combustion engine. Transmission cases serve as the primary housing for various parts of the transmission system. Battery housings and electric motor housings are used in plug-in hybrid and fully electric vehicles to enclose the lithium-ion battery packs and electric motors, respectively. Structural components are used to integrate the body and chassis of the vehicle, including shock towers, longitudinal members, cross members, pillars, door frames, window frames, roof beams, liftgates and connection tunnels, among other components. As part of our efforts to capitalize on the vehicle electrification trend, we have been growing our business over the past several years in e-mobility and structural components. During 2020, our revenue from our e-mobility and structural components business segment was approximately US$171 million. As of the date of this offering, we have obtained production contracts for the same products representing a total of approximately US$900 million in annual revenue. We expect to have initiated production of most of this business by 2023.

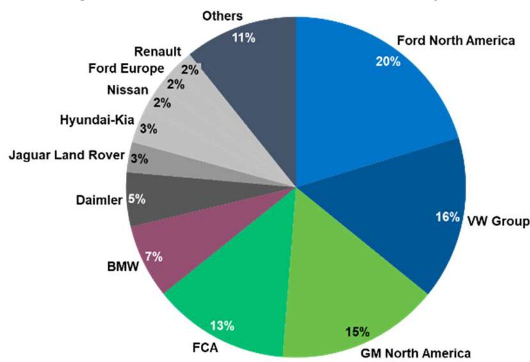
A portion of our product portfolio is manufactured using a variety of casting technologies involving the application of molten aluminum to a mold, offering a broad range of advanced casting technologies with complementary machining and secondary processes expertise. We believe this broad range of casting 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.

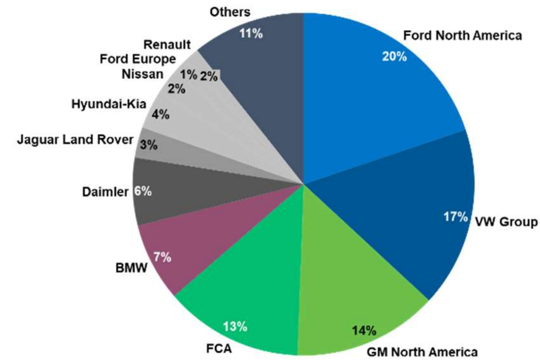
Additionally, some of the products that we manufacture undergo a casting process as well as an assembly process, such as certain battery housings for hybrid and fully electric vehicles. In these cases, we weld certain

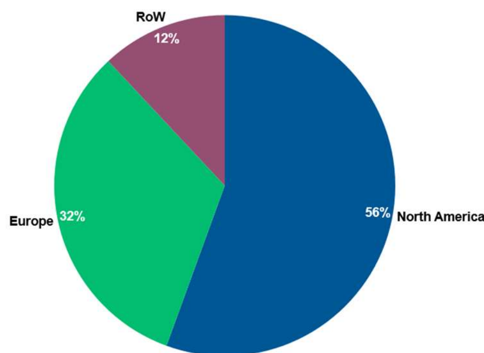
components to the battery housings using different technologies, such as riveting and friction-stir welding, among others. We are also manufacturing fully assembled battery housings, which are housings that do not have any cast parts. This process consists of gluing, welding, and mechanically joining together dozens of individual components, all manufactured using different materials and manufacturing processes other than casting, such as stamping and extrusion.

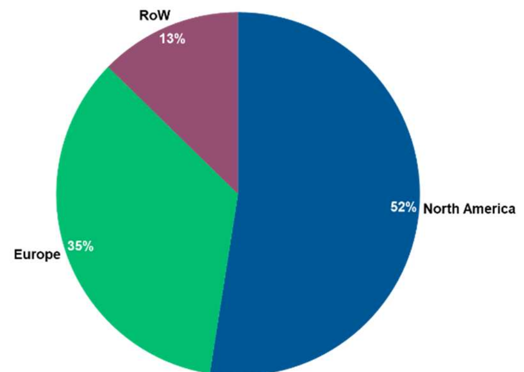
Among our broad customer base, comprised of over 60 customers we supply worldwide, are 10 major global manufacturing groups and their subsidiaries, including: BMW, Daimler, Ford, GM, Hyundai, KIA, Nissan, Renault, Stellantis, Toyota and the Volkswagen Group. We estimate that, as of March 31, 2021, we supplied over 200 different engine, transmission, e-mobility, and structural components used in internal combustion engine, hybrid, plug-in hybrid and fully electric vehicle platforms currently in production or under development globally. We believe our strong customer relationships have helped us position ourselves in approximately 520 vehicle nameplates of which approximately 100 are PHEV and BEV to be sold in the next 4 years. 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 to five years for interior components, body and exterior components.

The following charts show our equivalent volume distribution by customer and region in 2020 and for the three-month period ended March 31, 2021:









(1) The "other" category includes American Axle, Borg Warner, Bosch, BRP, Cummins, Ford CAF, Ford India, Ford South America, Getrag, GM Holden, GM Korea, GM Shanghai, GM South America, GM Thai, International, IBC, Köhler, Lombardini, Magna, Nexteer, Opel, Pierburg, Samsung, Toyota, TRW, Vinfast and Volvo.

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

We have a global presence with 50% of our revenue coming from North America, 38% from Europe and the remainder from the rest of the world for the three-month period ended March 31, 2021. We have approximately 23,000 employees globally, with a presence in high-growth regions, including facilities in North America, Europe, South America and Asia. Our manufacturing facilities are strategically located in close proximity to leading OEMs in the automotive industry.

We place great emphasis on our R&D footprint, which consists of ten strategically located state-of-the-art 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 hold a wide portfolio of trademark registrations, commercial advertisements and industrial designs. We have registered the name "Nemak" and our unique logo, as well as all of the trademarks used to produce our products in all of the regions where we operate. These trademarks, as well as the related commercial advertisements and industrial designs, are registered with the competent authorities of each country where they are used.

Our sales are driven by the number of vehicles produced by the OEMs, which ultimately depends on consumer demand for automotive vehicles. In 2020, 90% of our sales were made to 10 global automotive groups (BMW, Daimler, Ford, GM, Hyundai-Kia, Jaguar Land Rover, Renault-Nissan, Stellantis, Toyota and the Volkswagen Group).

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 on March 12, 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 the search for additional growth opportunities in the aluminum casting sector, we began producing aluminum engine blocks in 1999.

Our growth strategy over the last 20 years has been complemented by strategic acquisitions and greenfield projects in high-growth regions such as North America, Europe and Asia. We currently own 38 production facilities in 15 countries worldwide, giving us strategic access to the fastest-growing global automotive markets, with a diverse customer base. These plants are dedicated primarily to the production of aluminum cylinder heads, engine blocks, transmission components, battery housings, electric motor housings, body-in-white components, and chassis components using state-of-the-art casting technology, such as HPDC, among others. In 2019, a new facility – the Electric Mobility Center – was built in Mexico that is focused on producing assembled battery housings for fully electric vehicles. We expect that this facility, which began production in 2020, will be a major provider of e-mobility components going forward.

Competitive Strengths

- ***Leading position as a lightweighting 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 extensive operations result in significant economies of scale for us and cost reduction opportunities for our customers. We estimate that one out of every four new light vehicles sold worldwide includes at least 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 OEMs' internal foundries. The e-mobility and structural components markets represent an important avenue of growth that we believe will enable us to reinforce our position as a leading 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 that we believe are superior to those offered by most other independent manufacturers of aluminum components. Due to the wide 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, battery housings, electric motor housings, body-in-white components, and chassis components, among other components. Our main technologies include: Gravity Semi-Permanent Mold (GSPM), ROTACAST®, Sand Package, LPDC, HPDC, and Tilt Casting. In contrast, based on our research, we believe that most of our competitors generally focus merely on one or two of the major casting technologies, and hardly any of the large, independent competitors have the capacity to provide as many as three of the primary aluminum casting technologies. In addition, we are vertically integrated into machining and secondary operations, which allows us to offer broader solutions to our customers. We have received numerous accolades from our customers, recognizing our high-quality standards, including, among many others: GM Supplier of the Year Award (2020, 2019 and 2018); Volkswagen Group "Launch of the Year" (2020) due to our outstanding performance in the development, innovation, and manufacture of battery housings for plug-in hybrid electric vehicles; recognition by Audi for excellence in the quality of supply of structural components for its Q5 SUV (2018); Jaguar-Land Rover Quality Award (2017); 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) and Renault's Quality Supplier Award (2014).

- ***Leading product development capabilities supported by skilled workforce.*** Product development is a key part of our business, and we have invested on average approximately 2% of our annual revenue in research and development over the last three years. We have product development centers that 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 have enabled us to launch over 200 programs per year since 2015. We have over 500 employees dedicated to this task and an additional 600 employees indirectly involved in product development. At the end of 2020, we had approximately 18,000 hourly employees and approximately 4,000 salaried employees in 15 countries. 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 hold a wide portfolio of trademark registrations, commercial advertisements and industrial designs. We have registered the name "Nemak" and our unique logo, as well as all of the trademarks used to produce our products in all of the regions where we operate. These trademarks, as well as the related commercial advertisements and industrial designs, are registered with the competent authorities of each country where they are used.

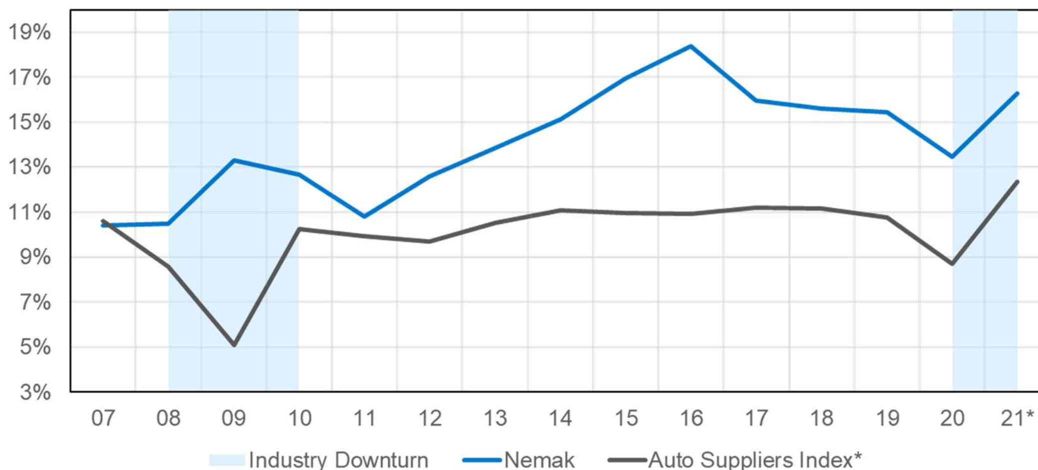
- ***Solid customer relationships offering diversified revenue streams.*** We believe that early participation in the conceptual design process through simultaneous engineering enables us to develop strong, long-term customer relationships and provides a significant barrier to entry to our competitors. We estimate that close to 81% of our sales volume for the three-month period ended March 31, 2021 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 2010 through 2020 was approximately 90% 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 200 engine, transmission, e-mobility, and structural components to more than 60 customers worldwide, including 10 major global OEMs. For the three-month period ended March 31, 2021, 50% of our revenue was derived from our operations in North America, 38% 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 38 modern facilities operating in 15 countries throughout North America, Europe, South America and Asia. Most of our facilities are strategically located close to our customers' plants, which is a key factor in reducing transportation costs and allowing just-in-time delivery of components. We believe that our global footprint helps us to best serve our customers regionally as they look for suppliers that can manufacture key components in their major business regions with global consistency. Over the last seven years, we have launched several greenfield projects, including facilities in India, 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 strategic acquisitions that add incremental value for our shareholders, such as the facilities of Rautenbach, Hydro Aluminum, J.L. French, selected facilities from Teksid, and Cevher Döküm. From 1993 to 2020, both our revenue and Adjusted EBITDA grew at a CAGR of 22%. During the same period, our revenue grew from Ps. 0.3 billion (US$87 million) in 1993, to Ps. 66.3 billion (US$3.2 billion) in 2020, while our Adjusted EBITDA grew from Ps. 49 million (US$16 million) in 1993 to Ps. 8.9 billion (US$432 million) in 2020.

  The following graph illustrates our Adjusted EBITDA margin, compared to the Auto Suppliers Index. Our Adjusted EBITDA margin for 2019 and 2020 was 15.5% and 13.7%, respectively. The data for 2021 considers an Adjusted EBITDA margin for the first quarter of 2021 of 16.3%:



  Source: Nemak Financials / Bloomberg

- ***Experienced management team.*** Our senior management team has an average of 24 years of experience in the automotive 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.

- ***Comprehensive Approach to Sustainability.*** We strive to maximize value for our stakeholders while simultaneously minimizing our environmental impact. Our value proposition remains centered on devoting significant efforts to help our customers make their vehicles lighter and, therefore, more efficient in terms of energy consumption, which in turn enables them to achieve a variety of goals linked to the long-term sustainability objectives of their business, including meeting CO2 emissions and fuel-efficiency regulations, and consumer expectations regarding the performance and driving range of next-generation vehicles. As part of our efforts to drive innovation and shape the future of automotive lightweighting, we seek to harness our technology, operations, and business practices to contribute to the automotive

industry's goal of reducing its carbon footprint. We understand that advancing technology is only part of the picture, and that we must also actively protect the environment and the communities where we operate.

Business Strategy

Our business strategy is based on strengthening 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 business 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 contain a high degree of manufacturing complexity. Customers are developing increasingly complex casting designs that 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. As a provider of state-of-the-art aluminum components, our objective is to drive organic growth in high value-added products with high barriers to entry and superior margins, and to 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.

- ***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. 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 respond better and more efficiently to the requirements of such programs. We plan to continue investing in these rapid-growth regions, leveraging our capacity to serve our clients globally, particularly in those regions that represent the greatest opportunities for future growth. A case in point is the facility in Chongqing, China, which has been operating since the first quarter of 2014. There is also a plant in Russia, which began operations at the end of 2015, as well as HPDC facilities in Mexico and Slovakia, which initiated production in 2017. In 2019, a new facility – the Electric Mobility Center – was built in Mexico, which is focused on producing components for electric vehicles and began production in 2020.

- ***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.

- ***Assure a leadership position in lightweight e-mobility and structural components.*** Weight reduction is a key lever for automakers to achieve goals linked to the long-term sustainability of their business, including meeting stricter CO_2 emissions and fuel economy regulations, and consumer expectations regarding vehicle performance and driving range. We believe that, as emissions regulations tighten and battery technologies advance, electric vehicles will become a significant source of growth for the automotive industry. In fact, a wide array of OEMs have already announced their intentions or commitments to eliminate or reduce production of internal combustion engine vehicles, and increase or solely manufacture hybrid or fully electric vehicles within a specified period. Those vehicles include new components, such as battery housings and electric motor housings, which we can produce harnessing a variety of solutions ranging from casting, design simulation, prototyping, and alloy development to joining and assembly processes such as bonding, riveting, friction stir-welding, laser welding, and MIG and TIG welding, among others.

  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

components that are currently built with steel and other metals 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, including electric vehicles, we believe the aluminum structural components market will continue to grow. We believe that we are well situated to continue to strengthen our position as a provider of lightweighting solutions for structural applications and capture part of this growing market given our technical expertise spanning casting as well as joining and assembly processes.

As OEMs are working to minimize vehicle weight, we believe these components are viable candidates to be produced as aluminum castings, and that we are well positioned to capture a segment of that new market with our products. Some products we manufacture using casting processes also undergo an assembly process, which may require joining components to battery housings, for example, using different technologies such as riveting or friction stir welding. We have also made inroads into manufacturing fully assembled battery housings that do not contain cast parts. In addition, we believe that this wide portfolio of technologies enables us to provide value to our customers, and will help us to maintain and gain market share in the automotive industry.

Since 2010, we have obtained 10 global clients with several high-volume production contracts for e-mobility and structural components, valued at approximately US$900 million annually. We expect to have initiated production of most of this business by 2023. During 2020, our revenue from our e-mobility and structural components business segment was approximately US$171 million. To increase efforts to achieve this market objective, we have teams that are fully dedicated to developing this business, which includes a specialized sales force, personnel in technological centers in Poland and Mexico, and engineering teams in Germany, the United States, China, and Mexico. We believe that our technology portfolio and our global footprint will allow us to compete in this market, and to successfully meet the needs of our customers.

- ***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. This amount decreased to approximately 35% in 2013, then increased in subsequent years as a result of our efforts, and subsequently reached approximately 60% in 2020. Through renewed investment in this area, we anticipate outsourcing less of our machining of components and we believe that we may continue to increase the share of our production machined in-house in the next few years. 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.*** We will continue to selectively evaluate and pursue 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 and geography, and to 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.

- ***Continue to be a leader in the automotive industry's transition towards sustainability.*** Our sustainability strategy is focused on enhancing our contributions over the long-term toward a more sustainable future. These strategic efforts include decarbonisation, a circularity and recycling strategy, energy and water management, health and safety management, and a social well-being and community framework. To manage these efforts and address our sustainability goals, we have created a dedicated sustainability team to improve global collaboration and multisite coordination and a climate task force responsible for developing and implementing its roadmap to net zero. Overall, based on our sustainability model, the following long-term goals have been established:

	Objective	Description
Empowerment	Climate Protection	Reduce GHG emissions Scopes 1 & 2 by 28% by 2030 based on 2019; Scope 3 by 14% by 2030 based on 2019, based on Science Based Targets methodology
	Energy Efficient & Renewable Energy	Continuous improvement and energy efficiency by implementing ISO 50001 in all Locations globally. Nemak will increase the percentage of renewable energy in its production processes to 25% by 2025, and to 70% by 2030
	Water & Waste	Minimize water withdrawals and ensure that wastewater discharge meets purity and water quality standards. Reduce the volume of the solid waste stream by implementing waste reduction and recycling programs
Economic Governance	Responsible Management	Continuous improvement in governance and sustainability practices using external ratings as benchmarks and guiding principles
	Responsible Supply Chain	Sustainability as a key fundamental prerequisite for building successful business relations along the value chain
	Circularity & product Stewardship	Continuously reduce the impact of Nemak's products by life cycle assessment of products
Social Well-Being	Diversity & Inclusion	Create an inclusive culture that reflects the diversity of the company and the communities in which the Company operates
	Stakeholder Engagement & Communities	Nemak continuously strives to implement stakeholder tools and mechanisms of interaction, as well as shared value-creating opportunities
	Health & Safety	Continuous reduction in the frequency and severity of actions measured by year-over year reduction in TRIR (20%), and 10% year-over-year reduction of incidents that result in temporary or permanent Lost-time or restrictions

Concurrent Tender Offer and Consent Solicitation

Concurrently with this offering, we announced the commencement of the Tender Offer and Consent Solicitation, consisting of a cash tender offer for any and all of our outstanding Nemak 2024 Notes and a solicitation of consents for the adoption of certain proposed amendments to the Nemak 2024 Notes and the indenture governing the notes, which will eliminate substantially all of the restrictive covenants, certain events of default and certain additional covenants and rights contained therein and shorten the minimum notice period to noteholders required for a redemption. The net proceeds from this offering were used (i) to pay, in whole or in part, the consideration for the Tender Offer and Consent Solicitation and accrued and unpaid interest and additional amounts on the Nemak 2024 Notes validly tendered and accepted by us, (ii) to pay fees and expenses incurred in connection with the Tender Offer and Consent Solicitation, and (iii) the remainder, if any, for debt repayment or reduction and other general corporate purposes, including the redemption of any Nemak 2024 Notes not validly tendered and accepted by us in connection with the Tender Offer and Consent Solicitation. See "Use of Proceeds."

The Tender Offer and Consent Solicitation is not being made pursuant to this offering memorandum. This offering memorandum is not an offer to buy or a solicitation of an offer to sell any of our securities in the Tender Offer and Consent Solicitation. The settlement of the Tender Offer and Consent Solicitation is contingent upon the closing of this offering.

Recent Developments

Nemak Spin-Off from Alfa and Merger of Controladora Nemak

On December 4, 2020, our former parent company, Alfa, received authorization from the CNBV to list the shares of Controladora Nemak in the RNV maintained by the CNBV. Under the transaction, Alfa's shareholders received one share of Controladora Nemak for each Alfa share they owned as of the close of the market on December 11, 2020. The number of our shares remained unchanged. Controladora Nemak began trading on the Mexican Stock Exchange on December 14, 2020. As a result of the transaction, Alfa transferred control of the Issuer to Controladora Nemak.

In order to help achieve operating efficiencies and increase liquidity and valuation transparency in the Issuer's common shares, Nemak merged Controladora Nemak with and into the Issuer on July 29, 2021, with the Issuer as the surviving company. Controladora Nemak was a non-operating company with no liabilities and no assets other than its 75.24% ownership interest in the Issuer. The merger was conducted on a share for share basis.

Bond Issuance and Redemption of Nemak 2025 Notes

On June 28, 2021, we issued 3.625% Sustainability-Linked Senior Notes due 2031 (the "New USD Notes") in an aggregate principal amount of US$500 million, the proceeds of which were used for the redemption in whole of our US$500 million 4.75% Senior Notes due 2025 (the "Nemak 2025 Notes"). On July 29, 2021, using the net proceeds of the New USD Notes offering, we completed the redemption in whole of the Nemak 2025 Notes in accordance with the terms of the indenture governing such notes.

Tender Offer and Redemption of Nemak 2024 Notes

Using the proceeds of this offering we (i) paid the consideration for the tender offer and consent solicitation and accrued and unpaid interest and additional amounts on our €500 million 3.250% Senior Notes due 2024 (the "Nemak 2024 Notes") validly tendered and accepted by us, (ii) paid fees and expenses incurred in connection with such tender offer and consent solicitation and (iii) redeemed the remaining Nemak 2024 Notes not validly tendered and accepted by us in connection with such tender offer and consent solicitation. On August 19, 2021, we completed the redemption in whole of our Nemak 2024 Notes in accordance with the terms of the indenture governing such notes.

Board of Directors Appointment

On July 29, 2021, Mónica Aspe Bernal was appointed to our Board of Directors.

Sustainability-Linked Bond Framework

In June 2021, we adopted a Sustainability-Linked Bond Framework setting out our sustainability goals with respect to one of our key performance indicators: Scope 1 and 2 Greenhouse Gas Emissions ("GHG Emissions", as defined below). Nemak has established a goal to reduce our GHG Emissions by 28% by the end of 2030 as measured against the 2019 baseline year. This goal was validated by the Science Based Targets Initiative ("SBTI") as being consistent with a well-below 2°C global warming scenario and was announced by Nemak in March 2021. Based on this long-term science-based goal we have established a Sustainability Performance Target to reduce our GHG Emissions by 18% by the end of 2026 as measured against the 2019 baseline year, year, subject to certain exclusions related to significant acquisitions and changes in laws and regulations. We intend to engage an External Verifier to verify our GHG Emissions data and engage with SBTI regarding our GHG data calculations. As a result of these engagements, we may adopt new SBTI-approved goals in the future. We intend to evaluate if such SBTI-approved goals imply a higher reduction in GHG Emissions than the Sustainability Performance Target defined in our Framework and are committed to raise the Sustainability Performance Target to align with our SBTI-approved goals that are in effect at any point in time.

For the year ended December 31, 2019, our GHG Emissions in scope 1 and 2 were 1,418,978 tCO2e.

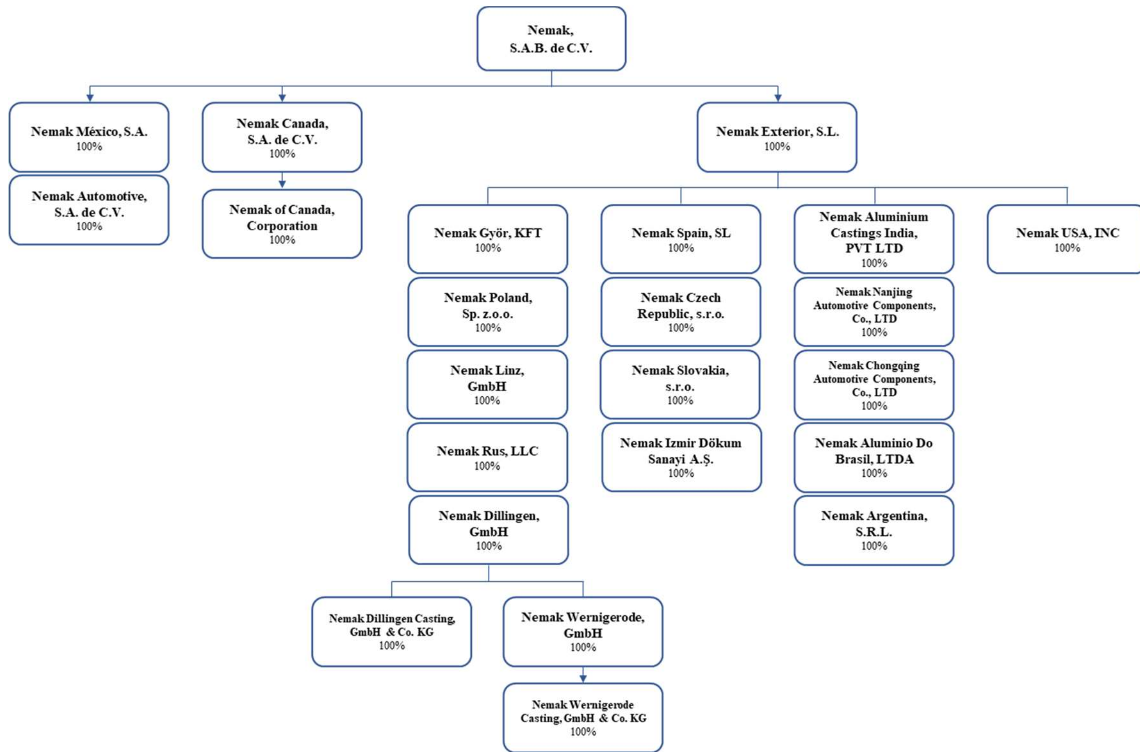
Under the terms of the notes, if we do not satisfy the Sustainability Performance Target and provide confirmation thereof to the Trustee together with a related confirmation by the External Verifier at least 30 days prior to July 20, 2027, the interest rate payable on the notes will be increased by 25 basis points from and including July 20, 2027, to and including the Maturity Date. See "Description of the Notes—Principal and Interest."

Additionally, pursuant to the Sustainability-Linked Bond Framework, we have committed to publish annually on our website a sustainability-linked instrument report within our Annual Sustainability Report, which will include up-to-date information on our performance with respect to the key performance indicator GHG Emissions, together with a verification assurance report issued by the External Verifier.

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

We are a former subsidiary of Controladora Nemak, which, prior to the merger of Controladora Nemak with and into the Issuer (as described below), beneficially owned approximately 75.24% of our outstanding common shares, while the remaining 24.76% are publicly traded on the Mexican Stock Exchange. We understand that Controladora Nemak was substantially owned by the controlling shareholders of Alfa. In order to help achieve operating efficiencies and increase liquidity and valuation transparency in the Issuer's common shares, we merged Controladora Nemak with and into the Issuer on July 29, 2021, with the Issuer as the surviving company. See "Summary—Recent Developments—Nemak Spin-Off from Alfa and Merger of Controladora Nemak" and "Principal Shareholders." As of March 31, 2021, 4,152,599 shares were held in our treasury as a result of our share repurchase program.

Nemak is organized and exists under the laws of the United Mexican States since 1979. The Issuer is registered with the Public Register of Property and Commerce of the State of Nuevo León under commercial folio number 43888. Our corporate offices are located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, 66017 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 2.250% Senior Notes due 2028.
Issue Price	2.250%, plus accrued interest, if any, from July 20, 2021.
Maturity	July 20, 2028.
Interest Rate and Payment Dates	Interest will accrue at an annual rate of 2.250% and will be payable in cash annually on July 20 of each year, beginning on July 20, 2022.
Subsidiary Guarantors	Upon issuance, the notes will not be guaranteed. In the event any of the Issuer's outstanding €500 million 3.250% Senior Notes due 2024 or US$500 million 4.750% Senior Notes due 2025 (collectively, the "Old Notes") remain outstanding after November 30, 2021, the Issuer will cause the notes to be guaranteed on a *pari passu* basis by any guarantors of the Old Notes for so long as such Old Notes remain outstanding. The Old Notes were redeemed in full as of August 19, 2021.
Subsequent Rate of Interest	From and including July 20, 2027 the interest rate payable on the notes shall be increased by 25 basis points unless the Issuer has notified the Trustee at least 30 days prior to July 20, 2027, that in respect of the year ended December 31, 2026: (i) the Sustainability Performance Target has been satisfied and (ii) the satisfaction of the Sustainability Performance Target has been confirmed by the External Verifier in accordance with its customary procedures.
Ranking	The notes will be the Issuer's senior unsecured obligations and will rank: • equal in right of payment to all other of the Issuer's 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 will effectively rank junior to all of the Issuer's existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes will be structurally subordinated to all liabilities and guarantees of our non-guarantor subsidiaries. As of March 31, 2021, we had total consolidated indebtedness of Ps.31,479 million (US$1,528 million). Of this amount: Ps.22,269 million (US$1,081 million) was unsecured indebtedness consisting of the Old Notes (including the related subsidiary guarantees); Ps.5,455 million (US$265 million) was additional unsecured

	indebtedness of the Issuer and its subsidiaries that may be required to become guarantors of the notes under the circumstances described under "Description of the Notes—Additional Guarantors", to which the notes will be structurally subordinated to the extent that such subsidiaries are not required to become guarantors of the notes; Ps. 3,750 million (US$182 million) was indebtedness of the Issuer's non-guarantor subsidiaries, to which the notes will be structurally subordinated; and Ps. 5 million (US$0.2 million) was secured indebtedness of the Issuer, to which the notes will be effectively subordinated to the extent of the value of the assets securing such indebtedness. After giving effect to the incurrence of US$500 million of debt in June 2021 under the New USD Notes (US$497 million, net of debt issuance costs) and the redemption in whole of the Nemak 2025 Notes, which are scheduled to be redeemed on July 29, 2021, we would have had total consolidated indebtedness of Ps. 31,392 million (US$1,525 million) as of March 31, 2021.
Optional Redemption	The Issuer may redeem the notes at its option, in whole or in part, at any time and from time to time, prior to April 20, 2028 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to the greater of 100% of the outstanding principal amount of the notes to be redeemed and the applicable "make-whole" amount, plus in each case accrued and unpaid interest and Additional Amounts, if any, to the redemption date. For purposes of optional redemption, interest will be calculated after the Interest Rate Step Up Date at the Subsequent Rate of Interest, unless the Sustainability Performance Target has been satisfied and the Issuer has provided the notice described in "Description of the Notes—Interest." See "Description of the Notes—Redemption—Optional Make-Whole Redemption." In addition, the Issuer may redeem the notes at its option, in whole or in part, at any time and from time to time, beginning on April 20 , 2028 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date. See "Description of the Notes—Redemption—Optional Redemption without a Make-Whole Premium."
Tax Redemption	The Issuer may redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued interest and Additional Amounts, if any, to the redemption date, upon the occurrence of specified events relating to withholding tax law that result in higher withholding taxes, with respect to payments of interest or amounts deemed interest under the notes, than the withholding taxes payable on the date hereof. See "Description of the Notes—Optional Redemption—Optional Redemption upon Tax Event."
Certain Covenants	The indenture will contain certain covenants, including limitations on liens, limitations on sale and leaseback transactions, and limitations on consolidations, mergers, and transfers of assets. However, all of these limitations and restrictions are subject to a

	number of significant exceptions. See “Description of the Notes—Covenants.”
Change of Control	Upon the occurrence of a Change of Control Triggering Event (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, as expected, 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 any 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; *provided, however,* that any additional notes subsequently issued that, for U.S. federal income tax purposes, are not issued pursuant to a "qualified reopening" of the notes, or that do not have less than a de minimis amount of original issue discount, are not treated as part of the same "issue" as the notes and shall have a separate CUSIP, ISIN or other identifying number from the previously outstanding notes.
Use of Proceeds...	The net proceeds from this offering were used (i) to pay, in whole or in part, the consideration for the Tender Offer and Consent Solicitation and accrued and unpaid interest and additional amounts on the Nemak 2024 Notes validly tendered and accepted by us, (ii) to pay fees and expenses incurred in connection with the Tender Offer and Consent Solicitation, and (iii) the remainder, if any, for debt repayment or reduction and other general corporate purposes, including the redemption of any Nemak 2024 Notes not validly tendered and accepted by us in connection with the Tender Offer and Consent Solicitation. 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.
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 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 Euronext Dublin for the notes to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin. Euronext Dublin has approved this Listing Particulars.
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 Interim Unaudited 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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 has been derived from our Annual Audited Financial Statements prepared in accordance with IFRS contained elsewhere in this offering memorandum. The condensed consolidated financial information set forth below as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020 has been derived from our Interim Unaudited Financial Statements prepared in accordance with IAS 34 contained elsewhere in this offering memorandum.

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[1]	2020	2019	2018	2021[2]	2021	2020
	(US$)	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.)
Statement of Operations:				(in millions)			
Revenues	3,151	66,325	77,363	90,327	1,039	21,125	17,841
Cost of sales	(2,762)	(58,343)	(66,276)	(76,878)	(879)	(17,866)	(15,109)
Gross profit	389	7,982	11,087	13,449	160	3,259	2,732
Administrative and sales expenses	(235)	(4,980)	(5,328)	(5,746)	(67)	(1,369)	(1,492)
Other (expenses) income, net	(47)	(1,035)	(795)	121	(4)	(72)	39
Operating income	107	1,967	4,964	7,824	89	1,818	1,279
Financial income	3	76	242	124	1	15	11
Financial expenses	(81)	(1,746)	(1,576)	(1,873)	(21)	(420)	(405)
Exchange fluctuation loss, net	(50)	(1,020)	(34)	(471)	(14)	(276)	(1,068)
Financial results, net	(128)	(2,690)	(1,368)	(2,220)	(34)	(681)	(1,462)
Equity in (loss) income of associates recognized using the equity method	(1)	(29)	41	136	3	57	10
(Loss) income before income taxes	(22)	(752)	3,637	5,740	58	1,194	(173)
Income taxes	(12)	(181)	(1,144)	(2,276)	(18)	(367)	(130)

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[1]	2020	2019	2018	2021[2]	2021	2020
	(US$)	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.)
Net consolidated (loss) income	(34)	(933)	2,493	3,464	40	827	(303)

	As of December 31,			As of March 31,	
	2020[1]	2020	2019	2021[2]	2021
	(US$)	(Ps.)	(Ps.)	(US$)	(Ps.)
Statement of Financial Position Data:			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	437	8,720	5,883	275	5,673
Restricted cash	6	121	120	6	122
Trade and other receivables, net	463	9,229	7,860	540	11,136
Inventories	636	12,685	11,146	704	14,497
Prepaid expenses	22	436	394	25	514
Total current assets	1,564	31,191	25,403	1,550	31,942
Non-current assets:					
Property, plant and equipment, net	2,580	51,491	48,140	2,523	51,976
Right-of-use asset	90	1,797	1,763	84	1,725
Goodwill and intangible assets, net	613	12,221	11,182	588	12,122
Deferred income tax	52	1,030	1,057	47	978
Other non-current accounts receivables	-	-	2	-	3
Other non-current assets	50	1,002	1,197	47	969
Total non-current assets	3,385	67,541	63,341	3,289	67,773
Total assets	4,949	98,732	88,744	4,839	99,715
Liabilities					
Current liabilities:					
Debt	225	4,490	2,297	121	2,495
Lease liability	21	422	372	34	689
Trade and other accounts payable	1,252	24,985	21,166	1,278	26,333
Income taxes payable	34	682	883	32	663
Other current liabilities	21	416	614	30	613
Total current liabilities	1,553	30,995	25,332	1,495	30,793
Non-current liabilities:					
Debt	1,339	26,723	24,440	1,314	27,077
Lease liability	78	1,554	1,481	60	1,218
Deferred income taxes	98	1,951	1,955	99	2,032
Employee benefits	79	1,568	1,408	77	1,595
Other non-current liabilities	14	273	184	13	277
Total non-current liabilities	1,608	32,069	29,468	1,563	32,199
Total liabilities	3,161	63,064	54,800	3,058	62,992
Stockholders' Equity					
Capital stock	331	6,599	6,599	320	6,599
Share premium	523	10,434	10,434	506	10,434
Retained earnings	511	10,201	11,373	520	10,725
Other reserves	423	8,434	5,538	435	8,965
Total stockholders' equity	1,788	35,668	33,944	1,781	36,723
Total liabilities and stockholders' equity	4,949	98,732	88,744	4,839	99,715

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[(1)]	2020	2019	2018	2021[(2)]	2021	2020
	(US$)	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.)
Other Financial/Operating Data:				(in millions)			
Adjusted EBITDA[(3)]	432	8,926	11,958	14,105	169	3,436	2,814
Cash Flows:							
Operating activities	423	8,603	11,833	12,942	42	795	2,708
Investing activities	(264)	(5,652)	(4,674)	(8,223)	(62)	(1,240)	(1,928)
Financing activities	33	344	(4,629)	(4,646)	(137)	(2,662)	10,325
Volume (millions of equivalent units)		35.1	44.3	50.0		10.7	10.5

	For the Three-Month Periods Ended				
	March 31,	June 30,	September 30, 2020	December 31,	March 31, 2021
			(US$) (in millions)		
Statement of Operations:					
Revenues	907	403	896	945	1,039
Cost of sales	(769)	(432)	(746)	(815)	(879)
Gross profit	138	(29)	150	130	160
Administrative and sales expenses	(76)	(48)	(50)	(61)	(67)
Other (expenses) income, net	3	(36)	-	(14)	(4)
Operating income	65	(113)	100	55	89
Financial income	1	1	1	-	1
Financial expenses	(20)	(21)	(20)	(20)	(21)
Exchange fluctuation loss, net	(52)	(8)	16	(6)	(14)
Financial results, net	(71)	(28)	(3)	(26)	(34)
Equity in (loss) income of associates recognized using the equity method	1	(1)	(1)	-	3
(Loss) income before income taxes	(5)	(142)	96	29	58
Income taxes	(8)	17	(6)	(15)	(18)
Net consolidated (loss) income	(13)	(125)	90	14	40
Adjusted EBITDA	142	(37)	178	149	169
Volume (millions of equivalent units)	10.5	4.4	10.1	10.1	10.7

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 19.9487 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2020, with respect to statement of financial position data and (ii) the daily average of the Official Exchange Rate on each day during the year ended December 31, 2020, 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) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 20.6047 per U.S. Dollar, the Official Exchange Rate in effect on March 31, 2021, with respect to statement of financial position data and (ii) the daily average of the Official Exchange Rate on each day during the three-month periods ended March 31, 2021, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, 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."

(3) 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 income or loss before income taxes after adding back or subtracting, as the case may be, (i) depreciation and amortization, (ii) impairment of property, plant and equipment, (iii) financial results, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), and (iv) equity in income of associates recognized using the equity method. 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 income or loss before income taxes for each of the periods presented.

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[1]	**2020**	**2019**	**2018**	**2021[2]**	**2021**	**2020**
	(US$)	**(Ps.)**	**(Ps.)**	**(Ps.)**	**(US$)**	**(Ps.)**	**(Ps.)**
		(in millions)					
(Loss) income before income taxes	(22)	(752)	3,637	5,740	58	1,194	(173)
Depreciation and amortization	318	6,826	6,079	6,166	80	1,614	1,535
Impairment of property, plant and equipment	7	133	915	115	-	4	-
Financial results, net	128	2,690	1,368	2,220	34	681	1,462
Equity in income of associates recognized using the equity method	1	29	(41)	(136)	(3)	(57)	(10)
Adjusted EBITDA	432	8,926	11,958	14,105	169	3,436	2,814

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

The COVID-19 outbreak could have an adverse impact on our businesses, financial situation, results of operations, and prospects.

On March 11, 2020, the World Health Organization declared a global pandemic caused by the outbreak of COVID-19. Following this announcement, the virus spread quickly in most markets where Nemak operates, impacting both the Company and the overall automotive industry.

From the start of the outbreak, Nemak has focused on providing the highest health and safety standards to its workers and their families. These efforts have included checkpoint screening, facility disinfection, physical distancing protocols, and travel restrictions, among others. Nemak has also remained in close contact with its stakeholders in all regions where it operates—including customers, suppliers, non-profit organizations, and government agencies—in order to identify and implement additional actions in support of worldwide efforts to minimize transmission of the virus.

To the same end, and to promote and safeguard the interests of their citizens, many countries have taken extraordinary preventive measures, such as issuing emergency declarations, closing borders, suspending work activities, suspending operations, imposing lockdowns, prohibiting travel, issuing mandatory quarantine orders, and in some countries even imposing curfews.

With respect to the automotive industry, the application of such measures has impacted the production of light vehicles, both as a whole as well as specifically among some of our customers. During the first half of 2020, COVID-related customer production stoppages led to a temporary reduction in the demand for the parts that we manufacture. Nemak implemented a variety of measures to optimize costs, expenses, and cash flow in the face of customer light-vehicle production cuts, including postponement of non-essential investment, implementation of flexible production schemes, and idling production at certain sites on a temporary basis, among others. Light-vehicle production levels recovered substantially in the second half of 2020. However, depending on the evolution of stoppages in the automotive industry, such effects could arise again in the future. Moreover, we may be limited in our ability to comply with customer orders as a function of the duration and scope of restrictions imposed on automotive production in the jurisdictions where we operate.

As this is a global public health emergency, whose effects and total scope are currently uncertain and unpredictable, COVID-19 may continue to have additional impacts in the countries where we have operations, which could cause an adverse impact on our businesses, financial situation, results of operations, and prospects.

We are an international company subject to the market risks 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, pandemics, epidemics, 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 of raw materials and vehicle components to be provided by other suppliers of our customers, 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 (BMW, Daimler, Ford, GM, Hyundai-KIA, Nissan, Renault, Stellantis, Toyota, and the Volkswagen Group) accounted for 92% of our equivalent volume in the year ended December 31, 2020, whereas for 2019 and 2018, they accounted for 94% of our equivalent volume. 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 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 successfully implement 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.

Our traditional business, which represents the majority of our total sales and mainly includes cylinder heads and engine blocks, is directly associated with internal combustion engines. The auto industry is shifting from internal combustion technology to emissions-free battery and hydrogen powertrains. Several traditional brands have also committed to a complete transition, with a target date of 2030 to switch entirely to battery-electric vehicles. OEMs such as General Motors, have announced plans to phase out gasoline- and diesel-powered vehicles globally by 2035. Therefore, if market penetration by electric vehicles accelerates, we may experience a reduction in revenue from the sale of parts for internal combustion engines, but there is no guarantee that we will offset that impact with revenue generated by the sale of other products, such as, for example, e-mobility and structural components, in which case there could be a material impact to our results of operations.

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 or structural components is replaced by that of other metals or elements, we may not achieve anticipated future growth.

One or more other metals or elements, or combinations of these, may emerge as an alternative to aluminum in the production of engine blocks, which 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 claims, product recalls 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 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. Depending on the political climate 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 approximately 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, or changes in the labor laws of the 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 84% 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.

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 pandemics, epidemics, earthquakes, floods, low temperatures, 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 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, 2020, we had Ps. 33,189 million (US$1,664 million) in 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 are 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, 2020, Ps. 5.5 billion (US$275 million), or 18%, 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 the 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 as such, 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, labor 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 federal, state and municipal 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 and labor laws and regulations) or the adoption of more stringent laws and regulations (including environmental and labor 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, (ii) impairment of property, plant and equipment, (iii) financial results, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), and (iv) equity in income of associates recognized using the equity method. 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.

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 that 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 that are 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, reputation, financial condition and results of operations.

Risks Relating to Mexico and the Mexican Regulatory Environment

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 publicly traded variable capital stock corporation (*sociedad anónima bursátil de capital* variable), and a significant portion of our assets and operations are located in Mexico, including many of our production facilities. As a result, we are subject to political, economic, legal and regulatory risks specific to Mexico, and our business, financial condition and results of operations may be affected by the general condition of the Mexican economy, the devaluation of the peso as compared to the U.S. dollar, restrictions on our ability to convert pesos into foreign currencies, including the U.S. dollar, price instability, inflation, changes in crude oil prices, interest rates, regulation, taxation, social instability, acts of terrorism, outbreaks of disease and pandemics and other political, social and economic developments in or affecting Mexico over which we have no control.

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 policy and regulation of the Mexican automotive industry could have a significant impact on Mexican private-sector entities, including our company.

Also, the Mexican government may implement significant changes in laws, public policies and or regulations that could affect political and economic conditions in Mexico, which could adversely affect our business and financial condition. Our business, financial condition and results of operations, may be adversely affected by changes in policies or regulations.

Presidential and federal congressional elections in Mexico were held on July 1, 2018. Mr. Andrés Manuel López Obrador, a member of the *Movimiento de Regeneración Nacional* party was elected President of Mexico and took office for a 6-year term on December 1, 2018, replacing Mr. Enrique Peña Nieto, a member of the *Partido Revolucionario Institucional* party. On June 6, 2021, mid-term federal and local elections were held in Mexico, as a result of which, effective as of September 1, 2021, the *Movimiento de Regeneración Nacional* party, through parliamentary alliances, will hold a simple majority in the Chamber of Deputies and will control the majority of the Mexican state congresses. This should facilitate the passing of legislation, which may increase political uncertainty. During his campaign and more recently while acting as president, Mr. López Obrador has proposed, among other things, modifying and/or terminating certain structural reforms undertaken by the prior administration. As of the date of this offering memorandum, the *Movimiento de Regeneración Nacional* administration canceled the construction of the new Mexico City international airport project, and announced the kickoff of the main

infrastructure projects that were promised during the campaign (including a new refinery at the Dos Bocas Port in Tabasco, the "Mayan train" and the construction of a new airport in Santa Lucía in the State of Mexico). In 2020, the Mexican federal government also carried out a referendum to solicit voter opinion in connection with the then pending construction and development of a brewing facility by Constellation Brands in Baja California. Based on the results of the referendum, the government decided to cancel the project, which had a negative effect on international investor perception of the business climate in Mexico. Investors and credit rating agencies may be cautious about the National Regeneration Movement administration's policies, which could contribute to a decrease in the Mexican economy's resilience in the event of a global economic downturn.

On January 29, 2020, Mr. López Obrador presented a proposal to reform the Mexican Electricity Industry Law (Ley de la Industria Eléctrica), which was approved on February 23, 2020 by the House of Representatives, and by the Senate on March 2, 2020. It was published on March 9, 2020 in the Official Gazette of Mexico (the "Reform"). Among other matters, this reform orders the Secretary of Energy, the Regulatory Energy Commission, and the National Center for Energy Control, to issue a secondary regulation to modify the priority order in which electricity will be sold, prioritizing electricity generated by the Federal Electricity Commission, which is more expensive and polluting, followed by cheaper and less-contaminating energy generated by self-supply and cogeneration plants, which currently supply us with electricity. While the Second District Court for Administrative Matters Specialized in Economic Competition, Broadcasting and Telecommunications, with residence in Mexico City has ordered the definitive suspension of the reform, with general effects, if the reform is allowed, its legal effects could cause a significant impact to our businesses, financial condition, operating results, and prospects.

We cannot predict the impact that political developments in Mexico will have on the Mexican economy nor can provide any assurances that these events, over which we have no control, will not have an adverse effect on the Mexican economy and, in turn, our business, results of operations and financial condition.

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 and labor 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 waste 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.

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.

Amendments to the Mexican Labor Law may prevent us from outsourcing our personnel.

On April 23, 2021, the Mexican executive branch published in the Federal Official Gazette (*Diario Oficial de la Federación*) certain amendments to the Mexican Federal Labor Law (*Ley Federal del Trabajo*), the Mexican Social Security Law (*Ley del Seguro Social*), the National Housing Fund Institute for Workers Law (*Ley del Instituto de Fondo de la Vivienda para los Trabajadores*), the Federal Fiscal Code (*Código Fiscal de la Federación*), the Income Tax Law (*Ley del Impuesto sobre la Renta*) and the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*), pursuant to which the outsourcing of personnel and other subcontracting arrangements, such as subcontracting of specialized services are intended to be made subject to limitations. Such limitations may impact our business in materially adverse ways. In particular, we will be required to incur additional costs to ensure our suppliers' compliance with labor, tax and social security obligations and may be designated as jointly liable with respect to employment obligations to the personnel of certain specialized service providers. Furthermore, if we were required to replace all or substantially all of our outsourced workforce with persons directly employed by us or by one or more of our subsidiaries, certain of our labor and administrative expenses and long term obligations, such as pension obligations and statutory employee revenue sharing (participación de los trabajadores en las utilidades de la empresa), are likely to increase. Such changes could adversely affect our business, financial condition and results of operations.

A renegotiation of commercial treaties or changes in foreign policy among Mexico, Canada and the United States may negatively affect our business, financial condition, results of operations and prospects.

In recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of NAFTA and increased economic activity between the two countries. On October 1, 2018, the United States, Canada and Mexico formally agreed to renegotiate the terms and conditions of NAFTA, under the USMCA. Unlike NAFTA, the USMCA includes a sunset provision that requires it to be analyzed and modified, if applicable, after six years and after 16 years, it may be renegotiated. This treaty also includes amendments to the rules of origin in practically all sectors, rules to deter artificial changes to exchange rates to obtain commercial advantages, and additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. The USMCA effectively replaced NAFTA on July 1, 2020. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations. Uncertainties surrounding the policies of the current U.S. administration, particularly with respect to matters of importance to Mexico and its economy such as trade (including the results of the implementation of the USMCA) and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

Additionally, illegal immigration through Mexico to the United States has caused friction between the two countries and could reduce economic activity between them. U.S. policies with respect to immigration under the current administration remain uncertain and there can be no assurance as to whether in the future any of the policies, actions or measures that have been proposed by the United States government will in fact be implemented, nor what the effects of any such policies on the Mexican economy as a whole, or on our business specifically, may be. Nor can there be any assurance that the United States government will not propose or implement as yet unforeseen policies, actions, measures or impose tariffs that could affect the Mexican economy or could lead to retaliatory measures by the government of Mexico. Any such developments could have a material adverse effect on our business, results of operations, financial condition or prospects.

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, 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 4.83% in 2018, 2.83% in 2019, and 3.15% in 2020. 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, including us.

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 high levels of economic activity between the two countries. Adverse economic conditions in the United States 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.

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, which 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 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 due to the fact that 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 due to the fact that 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.

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

The notes are not "green bonds" and may not satisfy an investor's requirements or future standards for assets with sustainability characteristics.

Although the interest rate in respect of the notes is subject to upward adjustment if we fail to satisfy the Sustainability Performance Target in respect of the year ended December 31, 2026, the notes may not satisfy an investor's requirements or any future legal or quasi-legal standards for investment in assets with sustainability characteristics. The notes are not being marketed as green bonds. We do not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria or be subject to any other limitations associated with green bonds.

Although we intend to satisfy the Sustainability Performance Target in respect of the year ended December 31, 2026, there can be no assurance of the extent to which we will be successful in doing so or that any future investments we make in furtherance of this target will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by our own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments we make in furtherance of this target or such investments may become controversial or criticized by activist groups or other stakeholders. It will not be an event of default under the notes nor will we be required to repurchase or redeem the notes if we fail to satisfy the Sustainability Performance Target in respect of the year ended December 31, 2026.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion of any third party (whether or not solicited by us) that may be made available in connection with our Sustainability-Linked Bond Framework or the notes.

The second party opinion providers and providers of similar opinions, certifications and validations are not currently subject to any specific regulatory or other regime or oversight. Any such opinion is not, nor should be deemed to be, a recommendation by us or any initial purchaser, or any other person to buy, sell or hold the notes. Any such opinion is only current as of the date that opinion was initially issued. For the avoidance of doubt, any such opinion is not and shall not be deemed to be incorporated into and/or form part of this offering memorandum. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein and/or the provider of such opinion for the purpose of any investment in the notes. Any withdrawal of any such opinion or any additional opinion or statement that we are not complying in whole or in part with any matters for which such opinion is opining could have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose. Noteholders have no recourse against us, any of the initial purchasers or the provider of any such opinion or certification for the contents of any such opinion or certification, which is only current as at the date it was initially issued.

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

The notes will constitute the Issuer's senior unsecured obligations and will rank equal in right of payment with all of the Issuer's 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 will be subordinated in right of payment to any existing or future secured debt of the Issuer 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 March 31, 2021, we had total consolidated indebtedness of Ps.31,479 million (US$1,528 million). Of this amount: Ps.22,269 million (US$1,081 million) was unsecured indebtedness consisting of the Old Notes (including the related subsidiary guarantees); Ps.5,455 million (US$265 million) was additional unsecured indebtedness of the Issuer and its subsidiaries that may be required to become guarantors of the notes under the circumstances described under "Description of the Notes—Additional Guarantors", to which the notes will be structurally subordinated to the extent that such subsidiaries are not required to become guarantors of the notes; Ps.3,750 million (US$182 million) was indebtedness of the Issuer's non-guarantor subsidiaries, to which the notes will be structurally subordinated; and Ps. 5 million (US$0.2 million) was secured indebtedness of the Issuer, to which the notes will be effectively subordinated to the extent of the value of the assets securing such indebtedness. After giving effect to the incurrence of US$500 million of debt in June 2021 under the New USD Notes (US$497 million, net of debt issuance costs) and the redemption in whole of the Nemak 2025 Notes, which are scheduled to be redeemed on July 29, 2021, we would have had total consolidated indebtedness of Ps. 31,392 million (US$1,525 million) as of March 31, 2021.

If we become insolvent or are liquidated, or we become subject to bankruptcy, *concurso mercantil* or *quiebra* 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 creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the Issuer's 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.

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. 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 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 Euronext Dublin for the notes to be admitted to the Official List 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 local 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 nor 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 local currency is not Euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder’s local 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 local 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.

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.

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.

Payments claimed on the notes in the country of incorporation of the Issuer, 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 in Mexico, either to enforce a judgment or as a result of an original action, or if payment is otherwise claimed from the Issuer, the Issuer 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. 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.

Under Mexico's Bankruptcy Law (*Ley de Concursos Mercantiles*), if the Issuer is declared bankrupt (*en quiebra*) or if the Issuer becomes subject to a reorganization proceeding (*concurso mercantil*), our obligations under the notes, (i) would be converted into Pesos and then from Pesos into UDIs, or Inflation Indexed Units (*Unidades de Inversión*), (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 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 and U.S. Dollars to meet our Euro and U.S. Dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations.

The Issuer is organized under the laws of Mexico 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 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.

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 on December 31, 2020 (Ps. 19.9487 to US$1.00) or on March 31, 2021 (Ps. 20.6047 to US$1.00), as applicable; and
- with respect to financial information other than statement of financial position data included in this offering memorandum, in order to more closely approximate the figures presented in U.S. Dollars and particularly given the volatility in exchange rates in recent years, we utilized the daily average of the Official Exchange Rate on each day during the year ended December 31, 2020 and for the three-month periods ended March 31, 2021, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, as applicable.

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				
2016	21.05	17.18	18.66	20.66
2017	21.91	17.49	18.93	19.74
2018	20.72	17.98	19.24	19.68
2019	20.13	18.77	19.26	18.85
Month				
January 2020	18.94	18.67	18.81	18.71
February 2020	19.40	18.57	18.78	19.40
March 2020	25.12	19.28	21.97	23.51
April 2020	24.86	23.48	24.24	24.39
May 2020	24.38	22.20	23.58	22.20
June 2020	22.97	21.58	22.27	22.97
July 2020	23.13	21.96	22.48	21.99
August 2020	22.78	21.92	22.23	22.12
September 2020	22.46	20.97	21.61	22.46
October 2020	22.36	20.88	21.38	21.38
November 2020	21.38	20.05	20.53	20.05
December 2020	20.18	19.75	19.98	19.95
Month				
January 2021	20.27	19.58	19.90	20.27
February 2021	20.85	19.95	20.29	20.85
March 2021	21.42	20.44	20.76	20.60
April 2021	20.60	19.81	20.11	19.97
May 2021	20.22	19.80	20.00	19.95
June 2021	20.70	19.69	20.04	19.80
July 2021 (through July 2)	19.91	19.82	19.86	19.91

Source: The Mexican Central Bank

---

(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.

.

On July 2, 2021, the Official Exchange Rate in effect was Ps. 19.9062 per US$1.00.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the notes will be approximately €498 million, after deducting the initial purchasers' discount and payment of the estimated offering expenses.

The net proceeds from this offering were used (i) to pay, in whole or in part, the consideration for the Tender Offer and Consent Solicitation and accrued and unpaid interest and additional amounts on the Nemak 2024 Notes validly tendered and accepted by us, (ii) to pay fees and expenses incurred in connection with the Tender Offer and Consent Solicitation, and (iii) the remainder, if any, for debt repayment or reduction and other general corporate purposes, including the redemption of any Nemak 2024 Notes not validly tendered and accepted by us in connection with the Tender Offer and Consent Solicitation.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of March 31, 2021 (i) on a historical basis, (ii) as adjusted to reflect our incurrence of US$500 million of debt from the issuance and sale of the New USD Notes and the application of the net proceeds therefrom as described under "Summary—Recent Developments—Bond Issuance and Redemption and (iii) as further adjusted to reflect our incurrence of debt from the issuance and 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 Interim Unaudited Financial Statements included elsewhere in this offering memorandum.

	As of March 31, 2021					
	Actual		As Adjusted		As Further Adjusted	
	(Ps.)	(US$)[1]	(Ps.)	(US$)[1]	(Ps.)	(US$)[1]
			(in millions)			
Cash and cash equivalents	5,673	275	5,509	267	5,427	263
Debt:						
Current debt	2,495	121	2,403	117	2,385	116
Lease liability	689	34	689	34	689	34
Total current debt	3,184	155	3,092	151	3,074	150
Non-current debt:						
Bank debt	4,808	233	4,808	233	4,808	233
Senior Notes due 2024 [4]	12,043	584	12,043	584	-	-
Senior Notes due 2025 [5]	10,226	496	-	-	-	-
New USD Notes due 2031[6]	-	-	10,231	497	10,231	497
Notes offered hereby [2]	-	-	-	-	12,031	584
Lease liability	1,218	60	1,218	60	1,218	60
Total non-current debt	28,295	1,373	28,300	1,374	28,288	1,374
Total debt	31,479	1,528	31,392	1,525	31,362	1,524
Stockholders' equity:						
Contributed capital	17,033	827	17,033	827	17,033	827
Retained earnings	10,725	521	10,648	517	10,581	514
Other reserves	8,965	435	8,965	435	8,965	435
Total stockholders' equity	36,723	1,782	36,646	1,779	36,579	1,776
Total capitalization [3]	68,202	3,310	68,038	3,304	67,941	3,300

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 20.6047 per U.S. Dollar, the Official Exchange Rate in effect on March 31, 2021.
(2) Presented net of debt issuance costs of Ps. 63.9 million (US$ 3.1 million).
(3) Consists of the sum of total debt plus stockholders' equity.
(4) Assuming 100% of the outstanding Nemak 2024 Notes are validly tendered and accepted by us in the Tender Offer and Consent Solicitation. The nominal amount of Nemak 2024 Notes outstanding is €500 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—International Bonds—Nemak 2024 Notes."
(5) Assuming the redemption of 100% of the outstanding Nemak 2025 Notes, which are scheduled to be redeemed on July 29, 2021, with the proceeds of the New USD Notes. The nominal amount of Nemak 2025 Notes. outstanding is US$500 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Material Indebtedness—Nemak 2025 Senior Notes."
(6) Presented net of debt issuance costs of Ps. 71.7 million (US$3.5 million). See "Summary–Recent Developments—Bond Issuance and Redemption."

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 Interim Unaudited 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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 has been derived from our Annual Audited Financial Statements prepared in accordance with IFRS contained elsewhere in this offering memorandum. The condensed consolidated financial information set forth below as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020 has been derived from our Interim Unaudited Financial Statements prepared in accordance with IAS 34 contained elsewhere in this offering memorandum.

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[1]	2020	2019	2018	2021[2]	2021	2020
	(US$)	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.)
Statement of Operations:				(in millions)			
Revenues	3,151	66,325	77,363	90,327	1,039	21,125	17,841
Cost of sales	(2,762)	(58,343)	(66,276)	(76,878)	(879)	(17,866)	(15,109)
Gross profit	389	7,982	11,087	13,449	160	3,259	2,732
Administrative and sales expenses	(235)	(4,980)	(5,328)	(5,746)	(67)	(1,369)	(1,492)
Other (expenses) income, net	(47)	(1,035)	(795)	121	(4)	(72)	39
Operating income	107	1,967	4,964	7,824	89	1,818	1,279
Financial income	3	76	242	124	1	15	11
Financial expenses	(81)	(1,746)	(1,576)	(1,873)	(21)	(420)	(405)
Exchange fluctuation loss, net	(50)	(1,020)	(34)	(471)	(14)	(276)	(1,068)
Financial results, net	(128)	(2,690)	(1,368)	(2,220)	(34)	(681)	(1,462)
Equity in (loss) income of associates recognized using the equity method	(1)	(29)	41	136	3	57	10
(Loss) income before income taxes	(22)	(752)	3,637	5,740	58	1,194	(173)
Income taxes	(12)	(181)	(1,144)	(2,276)	(18)	(367)	(130)
Net consolidated (loss) income	(34)	(933)	2,493	3,464	40	827	(303)

	As of December 31,			As of March 31,	
	2020[1]	2020	2019	2021[2]	2021
	(US$)	(Ps.)	(Ps.)	(US$)	(Ps.)
Statement of Financial Position Data:			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	437	8,720	5,883	275	5,673
Restricted cash	6	121	120	6	122
Trade and other receivables, net	463	9,229	7,860	540	11,136
Inventories	636	12,685	11,146	704	14,497
Prepaid expenses	22	436	394	25	514
Total current assets	1,564	31,191	25,403	1,550	31,942
Non-current assets:					
Property, plant and equipment, net	2,580	51,491	48,140	2,523	51,976
Right-of-use asset	90	1,797	1,763	84	1,725
Goodwill and intangible assets, net	613	12,221	11,182	588	12,122
Deferred income tax	52	1,030	1,057	47	978
Other non-current accounts receivables	-	-	2	-	3
Other non-current assets	50	1,002	1,197	47	969
Total non-current assets	3,385	67,541	63,341	3,289	67,773
Total assets	4,949	98,732	88,744	4,839	99,715
Liabilities					

	As of December 31,			As of March 31,	
	2020[(1)]	2020	2019	2021[(2)]	2021
	(US$)	(Ps.)	(Ps.)	(US$)	(Ps.)
Current liabilities:					
Debt	225	4,490	2,297	121	2,495
Lease liability	21	422	372	34	689
Trade and other accounts payable	1,252	24,985	21,166	1,278	26,333
Income taxes payable	34	682	883	32	663
Other current liabilities	21	416	614	30	613
Total current liabilities	1,553	30,995	25,332	1,495	30,793
Non-current liabilities:					
Debt	1,339	26,723	24,440	1,314	27,077
Lease liability	78	1,554	1,481	60	1,218
Deferred income taxes	98	1,951	1,955	99	2,032
Employee benefits	79	1,568	1,408	77	1,595
Other non-current liabilities	14	273	184	13	277
Total non-current liabilities	1,608	32,069	29,468	1,563	32,199
Total liabilities	3,161	63,064	54,800	3,058	62,992
Stockholders' Equity					
Capital stock	331	6,599	6,599	320	6,599
Share premium	523	10,434	10,434	506	10,434
Retained earnings	511	10,201	11,373	520	10,725
Other reserves	423	8,434	5,538	435	8,965
Total stockholders' equity	1,788	35,668	33,944	1,781	36,723
Total liabilities and stockholders' equity	4,949	98,732	88,744	4,839	99,715

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[(1)]	2020	2019	2018	2021[(2)]	2021	2020
	(US$)	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.)
Other Financial/Operating Data:				(in millions)			
Adjusted EBITDA[(3)]	432	8,926	11,958	14,105	169	3,436	2,814
Cash Flows:							
Operating activities	423	8,603	11,833	12,942	42	795	2,708
Investing activities	(264)	(5,652)	(4,674)	(8,223)	(62)	(1,240)	(1,928)
Financing activities	33	344	(4,629)	(4,646)	(137)	(2,662)	10,325
Volume (millions of equivalent units)		35.1	44.3	50.0		10.7	10.5

	For the Three-Month Periods Ended				
	March 31,	June 30,	September 30, 2020	December 31,	March 31, 2021
			(US$) (in millions)		
Statement of Operations:					
Revenues	907	403	896	945	1,039
Cost of sales	(769)	(432)	(746)	(815)	(879)
Gross profit	138	(29)	150	130	160
Administrative and sales expenses	(76)	(48)	(50)	(61)	(67)
Other (expenses) income, net	3	(36)	-	(14)	(4)
Operating income	65	(113)	100	55	89
Financial income	1	1	1	-	1
Financial expenses	(20)	(21)	(20)	(20)	(21)
Exchange fluctuation loss, net….	(52)	(8)	16	(6)	(14)
Financial results, net	(71)	(28)	(3)	(26)	(34)
Equity in (loss) income of associates recognized using the equity method	1	(1)	(1)	-	3
(Loss) income before income taxes	(5)	(142)	96	29	58
Income taxes	(8)	17	(6)	(15)	(18)
Net consolidated (loss) income	(13)	(125)	90	14	40

Adjusted EBITDA	142	(37)	178	149	169
Volume (millions of equivalent units)	10.5	4.4	10.1	10.1	10.7

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 19.9487 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2020, with respect to statement of financial position data and (ii) the daily average of the Official Exchange Rate on each day during the year ended December 31, 2020, 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) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 20.6047 per U.S. Dollar, the Official Exchange Rate in effect on March 31, 2021, with respect to statement of financial position data and (ii) at the daily average of the Official Exchange Rate on each day during the three-month periods ended March 31, 2021, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, 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."

(3) 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 income or loss before income taxes after adding back or subtracting, as the case may be, (i) depreciation and amortization, (ii) impairment of property, plant and equipment, (iii) financial results, net (which includes interest expense, interest income, foreign exchange gain or loss, and net gain or loss from derivative financial instruments), and (iv) equity in income of associates recognized using the equity method. 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 income or loss before income taxes for each of the periods presented.

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2020[(1)]	**2020**	**2019**	**2018**	**2021[(2)]**	**2021**	**2020**
	(US$)	**(Ps.)**	**(Ps.)**	**(Ps.)**	**(US$)**	**(Ps.)**	**(Ps.)**
		(in millions)					
(Loss) income before income taxes	(22)	(752)	3,637	5,740	58	1,194	(173)
Depreciation and amortization	318	6,826	6,079	6,166	80	1,614	1,535
Impairment of property, plant and equipment	7	133	915	115	-	4	-
Financial results, net	128	2,690	1,368	2,220	34	681	1,462
Equity in income of associates recognized using the equity method	1	29	(41)	(136)	(3)	(57)	(10)
Adjusted EBITDA	432	8,926	11,958	14,105	169	3,436	2,814

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 Interim Unaudited 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 powertrain, e-mobility, and structural components. We believe that our product portfolio, which consists of cylinder heads, engine blocks, transmission components, battery housings, electric motor housings, body-in-white and chassis 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 energy-efficient vehicles. We provide our components primarily as a Tier 1 supplier to OEMs. Our global manufacturing footprint, which consists of 38 modern facilities in 15 countries throughout North America, Europe, South America and Asia, allows us to efficiently serve all major global automotive manufacturers.

For the three-month period ended March 31, 2021, we generated revenue, Adjusted EBITDA and net profit for the period of Ps. 21.1 billion (US$1.0 billion), Ps. 3.4 billion (US$169 million) and Ps. 0.8 billion (US$40 million), respectively. For the year ended December 31, 2020, we generated revenue, Adjusted EBITDA and net loss for the year of Ps. 66.3 billion (US$3.2 billion), Ps. 8.9 billion (US$432 million) and Ps. -0.9 billion (US$-34 million), respectively. From 2018 to 2020, our revenue, Adjusted EBITDA and net profit for the period decreased at a CAGR of -10%, -14% and -35%, respectively, mainly due to the effects of COVID-19-related customer production stoppages on our 2020 production volume. Our total assets as of December 31, 2020 were Ps. 98.7 billion (US$4.9 billion).

Factors Affecting Our Results of Operations

Revenues

Our revenues consist primarily of revenue generated from the sale of aluminum cylinder heads, engine blocks, transmission components, and e-mobility and structural components, which is primarily driven by our sales volume and the pricing of our products.

The main drivers of our sales volume include:

- Demand for engines, transmissions, and parts for e-mobility and structural applications from our customers in North America, Europe, South America and Asia. Our customers' demand is, in turn, driven by vehicle production and, eventually, vehicle sales. The tables below shows light vehicle production and sales for the years ended December 31, 2020, 2019 and 2018 and for the three-month period ended March, 2021 and 2020:

Light Vehicle Production

	Year Ended December 31,			For the Three-Month Period Ended March 31,	
Region	**2020**	**2019**	**2018**	**2021**	**2020**
	(millions of units)				
North America	13.0	16.3	17.0	3.6	3.8
Europe	16.7	21.2	21.0	4.6	4.6
Rest of the World	24.4	26.6	28.8	6.2	3.7

Rest of the World includes Mainland China, Brazil and Argentina
Source: International Organization of Motor Vehicle Manufacturers

Light Vehicle Sales

	Year Ended December 31,				For the Three-Month Period Ended March 31,	
Region	**2021E**	**2020**	**2019**	**2018**	**2021**	**2020**
			(millions of units)			
United States	16.2	14.5	17.0	17.2	3.9	3.5
Europe	17.2	16.3	20.4	20.4	4.2	4.0
Rest of the World	27.4	26.7	28.6	31.0	6.7	4.2

Rest of the World includes Mainland China, Brazil and Argentina.
Light Vehicle Sales in Mainland China are estimated to be 24.8 million in 2021, and were 24.5 million in 2020 and 25.5 million in 2019. Light Vehicle Sales in Brazil are estimated to be 2.2 million in 2021, and were 2.0 million in 2020 and 2.7 million in 2019
Source: LMC Automotive, Nemak analysis

- Product mix, which may change from time to time due to changes in our customers' production of vehicle platforms for which we supply one or more powertrain components;
- Adjustments in production capacity, including through the acquisition of new production facilities or the expansion or modification of existing plant capacity, as necessary;
- The development of new products and changes in product characteristics to meet OEMs' changing needs and preferences;
- Launching of new production programs; and
- The existence or absence of operational disruptions.

The principal factors affecting the pricing of our products include:

- The weight of the products, which can vary, and which together with aluminum prices represents one of the main components of the pricing formulas;
- 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 60 to 90 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, 2020, 2019 and 2018 and for the three-month periods ended March 31, 2021 and 2020 expressed in U.S. Dollars per kilogram:

Average Price of Aluminum by Index

	Year Ended December 31,			For the Three-Month Periods Ended March 31,	
	2020	**2019**	**2018**	**2021**	**2020**
LME (high grade)	1.70	1.80	2.11	2.09	1.69
MW 319	1.76	1.86	2.31	2.48	1.65
WVM 226	2.34	2.41	2.82	3.11	2.37

Source: Platts (S&P Global Platts)

- Changes in the value-added portion of the product price. The value-added portion may be modified periodically to reflect changes in product specifications or commercial negotiations.

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, 2018 to December 31, 2020, on average, the cost of raw materials represented 43% of revenue, while the remaining costs, including labor and employee benefits, outsourcing services, maintenance, depreciation and amortization, energy, and others represented 46% 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;
- The price of energy;
- Labor cost trends;
- Changes in exchange rates;
- 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 Sales Expenses, Net

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

Financial Results, Net

The components of financial results, net consist of the following:

- 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.

In 2020, we started production at our Electric Mobility Center facility in Mexico, which is dedicated to the production of electric vehicle components, such as battery housings.

In 2019, we officially announced the closing of our facility in Windsor, Canada for 2020 due to the early phase-out of an export program with a customer in China. This plant represented around 1% of total sales.

On March 1, 2017, we commenced operations of our new HPDC plant located in García, Mexico which is mainly dedicated to the production of engine blocks and structural components.

During the third quarter of 2017, we commenced operations of a new plant in Ziar, Slovakia, which is mainly dedicated to the production of e-mobility and structural components using HPDC as well as joining and assembly technologies.

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 expanded HPDC capacity in Bielsko-Biala, Poland to support the production of structural components, while phasing out a production program in Alabama, USA through which we had been exporting engine blocks to other regions.

Changes in Regulations, Technology and Technological Risks

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. See "Risk Factors—Risks Related to Our Business—We may not be able to respond quickly enough to changes in regulations, technology and technological risks, and thus, may not be able to develop our intellectual property into commercially viable products."

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.

Decline in the production levels of our major customers

Decline in Production levels 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. 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. See "Risk Factors—Risks Related to Our Business— Decline in the production levels of our major customers could adversely affect our financial condition, reduce our sales and harm our profitability."

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, 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 due to the fact that 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, 2020, 2019 and 2018 and for the three-month periods ended March 31, 2021 and 2020:

Average Exchange Rate

	Year Ended December 31,			For the Three-Month Periods Ended March 31,	
	2020	**2019**	**2018**	**2021**	**2020**
Peso/U.S. Dollar	21.50	19.26	19.24	20.32	19.88
Peso/Euro	24.53	21.56	22.70	24.51	22.07

Source: Mexican Central Bank and Bloomberg

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 Estimates and Judgments

We have identified certain key accounting estimates and judgments 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 that 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 and critical accounting estimates and judgments, see our Annual Audited Financial Statements included in this offering memorandum.

New and Revised International Financial Reporting Standards

A number of new accounting standards, amendments and interpretations have been published. We have adopted the following new and revised IFRS that were issued and became effective on January 1, 2020:

Amendments to IFRS 3, Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

We did not have any effects on the financial statements due to adopting the amendment.

Amendments to IAS 1 and IAS 8, Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other standards and the conceptual framework that contain a definition of material or refer to the term 'material' to ensure consistency.

We did not have any effects on the financial statements due to adopting the amendment.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest rate benchmark reform

The amendments in the Interest Rate Benchmark Reform deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and addresses the implications for specific hedge accounting requirements and disclosures in IFRS 9, IAS 39 and IFRS 7. The amendments also clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform.

We did not have any effects on the financial statements due to adopting the amendment.

Amendments to IFRS 16, Rent concessions related to COVID-19

The amendments introduce a practical expedient that provides lessees the option not to assess whether a rent concession that meets certain conditions is a lease modification. The practical expedient is applicable to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

a) The change in the lease payments results in revised consideration for the lease that is substantially the

same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
c) There is no substantive change to other terms and conditions of the lease.

We did not have any significant impacts on its consolidated financial statements due to adopting the amendment, as it did not receive significant concessions during the year.

Amendments to IFRS 4, Insurance Contracts in the application of IFRS 9, Financial Instruments

The amendment modifies IFRS 4 by providing two approaches for entities that issue insurance contracts (insurers): the overlay approach and the deferral approach. While the overlay approach allows reclassifying some of the income or expenses arising from the designated financial assets from results to other comprehensive income, the deferral approach allows the temporary exemption of not applying IFRS 9 for entities whose predominant activity is the issuance of insurance contracts. The application of both approaches is optional and it is permitted to stop applying the approaches when the new insurance contract standard is adopted (IFRS 17). While the overlay approach is effective when IFRS 9 is applied for the first time, the deferral approach is effective for annual reporting periods beginning on or after January 1, 2018 and until January 1, 2023.

We did not have any effects on the financial statements due to adopting the amendment.

Amendments to the IFRS's conceptual framework

Together with the revised Conceptual Framework, the IASB has also issued amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

We did not have any effects on the financial statements due to adopting the amendment.

In the current year, we have applied several new and amended IFRS and interpretations issued by the IASB that are mandatorily effective for the accounting period that begins on or after January 1, 2021.

Phase 2 of the benchmark interest rate reform (IBOR- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interbank benchmark rates such as LIBOR, EURIBOR and TIBOR, which represent the cost of obtaining unsecured funds, have been questioned about their viability as long-term financing benchmarks. The changes in the reform to the reference interest rates in its phase 2 refer to the modifications of financial assets, financial liabilities and lease liabilities, requirements for accounting coverage and disclosure of financial instruments.

Regarding the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate.

On the other hand, regarding hedge accounting, the hedge relationships and documentation must reflect the modifications to the hedged item, the hedging instrument and the risk to be hedged. Hedging relationships must meet all criteria for applying hedge accounting, including effectiveness requirements.

Finally, regarding disclosures, entities should disclose how they are managing the transition to alternative reference rates and the risks that may arise from the transition; in addition, they must include quantitative information on financial assets and non-derivative financial liabilities, as well as non-derivative financial

instruments, that continue under the reference rates subject to the reform and the changes that have arisen to the risk management strategy.

We will continue to work with our financial lenders to address any changes in the long-term financing benchmarks in order to mitigate any adverse impacts.

Additionally, we have not applied the following new and revised IFRS, amendments, clarifications and interpretations to IFRS that were issued but are not yet effective as of March 31, 2021:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current [(1)]
- Amendments to IAS 16, Property, Plant and Equipment Proceeds before Intended Use [(1)]
- Amendments to IFRS 9, *Financial instruments* [(1)]
- IFRS 17, *Insurance Contracts* [(2)]

(1) Effective for annual reporting periods beginning on January 1, 2022

(2) Effective for annual reporting periods beginning on January 1, 2023

Results of Operations for the Three-Month Period Ended March 31, 2021 compared to the Three-Month Period Ended March 31, 2020

The following financial information has been derived from our Interim Unaudited Financial Statements appearing elsewhere in this offering memorandum:

	Three-month periods ended on March 31,				
	2021	**Percent of Revenue**	**2020**	**Percent of Revenue**	**Percent change from 2020 to 2021**
	(in millions of Pesos, except percentages)				
Revenues	21,125	100.0	17,841	100.0	18.4
Cost of sales	(17,866)	(84.6)	(15,109)	(84.7)	18.2
Gross profit	3,259	15.4	2,732	15.3	19.3
Administrative and sales expenses	(1,369)	(6.5)	(1,492)	(8.4)	(8.2)
Other (expenses) income, net	(72)	(0.3)	39	0.2	NA*
Operating income	1,818	8.6	1,279	7.2	42.1
Financial income	15	0.1	11	0.1	36.4
Financial expenses	(420)	(2.0)	(405)	(2.3)	3.7
Exchange fluctuation loss, net	(276)	(1.3)	(1,068)	(6.0)	(74.2)
Financial result, net	(681)	(3.2)	(1,462)	(8.2)	(53.4)
Equity in income of associates recognized using the equity method	57	0.3	10	0.1	NA*
Income (loss) before income taxes	1,194	5.7	(173)	(1.0)	NA*
Income taxes	(367)	(1.7)	(130)	(0.7)	N.A.
Net consolidated income (loss)	827	3.9	(303)	(1.7)	NA*

* "*Not applicable*": For percentage changes over 100%.

Revenue by Region

The following table shows the breakdown of our revenue by region for the three-month periods ended March 31, 2021 and 2020, including eliminations for intercompany sales:

	For the Three-Month Periods Ended March 31,				Percent Change 2020 to 2021
	2021	**Percent of Revenue**	**2020**	**Percent of Revenue**	
	(in millions of Pesos, except percentages)				

North America	10,574	50.1	9,974	55.9	6.0
Europe	8,087	38.2	6,365	35.7	27.1
Rest of the World	2,464	11.7	1,502	8.4	64.0
Total	21,125	100.0	17,841	100.0	18.4

North America

Revenue in North America increased 6.0% y-o-y to Ps. 10,574 million reported for the three-month period ended March 31, 2021, from Ps. 9,974 million reported during the same period of 2020, due mainly to higher aluminum prices, which more than offsets effects of lower volume. This decrease in volume was due mainly to lower customer production related to shortages of semiconductors as well as extreme winter weather conditions in the southern US, along with comparison effects associated with the wind-down of manufacturing operations in Canada, which occurred in 2020.

Europe

Revenue in Europe climbed 27.1% y-o-y to Ps. 8,087 million for the three-month period ended March 31, 2021 from Ps. 6,365 million reported for the same period in 2020, on the back of volume growth, new product launches, higher aluminum prices, and the appreciation of the Euro against the Peso from an average exchange rate of Ps. 22.07 per Euro for the three-month period ended March 31, 2020 to an average exchange rate of Ps. 24.51 per Euro for the three-month period ended March 31, 2021.

Rest of the World

Rest of the World revenue was Ps. 2,464 million for the three-month period ended March 31, 2021, an increase of 64,0% compared to Ps. 1,502 million reported from the same period in 2020. This increase was driven by higher sales in Asia reflecting primarily a better product mix, new product launches, and stronger market conditions.

General

Revenues

Our revenues were Ps. 21,125 million in the first quarter of 2021, an 18.4% increase over the Ps.17,841 million reported in the first quarter of 2020. The main driver behind this increase was volume growth, a more favorable product mix, higher aluminum prices, and the appreciation of the Euro against the Mexican Peso.

Cost of Sales

Cost of sales, which includes depreciation, was Ps. 17,866 million in the first quarter of 2021, representing an 18.2% increase over the Ps.15,109 million reported in the first quarter of 2020. This increase was mainly due to higher aluminum prices and volume, and the depreciation of the Mexican Peso against the U.S. Dollar from an average exchange rate of Ps. 19.88 per U.S. Dollar for the quarter ended March 31, 2020 to an average exchange rate of Ps. 20.32 per U.S. Dollar for the quarter ended March 31, 2021. Nevertheless, the rate of increase in variable cost was similar to that in sales, as we continued our efforts to make our cost structure as flexible as possible.

Gross Profit

Gross profit was Ps.3,259 million in the first quarter of 2021, increasing 19.3% over the Ps. 2,732 million reported in first quarter of 2020. This was mainly due to the higher revenue, explained above. In turn, gross margin was 15.3% and 15.4%, during the first quarter of 2020 and 2021, respectively.

Administrative and Sales Expenses

Administrative and sales expenses were Ps.1,369 million in the first quarter of 2021, a decrease of 8.2% against the Ps.1,492 million in the first quarter of 2020, mainly due to operational efficiencies spanning reductions in workforce, and contracted services, among other measures.

Financial Results, Net

Net financial results decreased to negative Ps.681 million for the three-month period ended March 31, 2021, compared to the negative result of Ps.1,462 million in the same period of 2020. This difference was mainly due to lower losses from non-cash exchange rate effects.

Income Taxes

Our income tax expense was Ps.367 million in the first quarter of 2021, compared with an income tax expense of Ps.130 million in the first quarter of 2020. The variation was mainly due to a larger tax base arising from the Company's improved performance.

Net Consolidated Income

Net income was Ps.827 million in the first quarter of 2021, compared to a net loss of Ps.303 million in the first quarter of 2020. This variation was mainly due to the effects of the items explained above that impacted gross profit as well as our financial results.

Results of Operations for the Year Ended December 31, 2020 compared to the Year Ended December 31, 2019

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

	Years ended December 31,				
	2020	Percent of Revenue	2019	Percent of Revenue	Percent Change 2019 to 2020
	(in millions of Pesos, except percentages)				
Revenue	66,325	100.0	77,363	100.0	(14.3)
Cost of sales	(58,343)	(88.0)	(66,276)	(85.7)	(12.0)
Gross profit	7,982	12.0	11,087	14.3	(28.0)
Administrative and sales expenses	(4,980)	(7.5)	(5,328)	(6.9)	(6.5)
Other expenses, net	(1,035)	(1.6)	(795)	(1.0)	30.2
Operating income	1,967	3.0	4,964	6.4	(60.4)
Financial income	76	0.1	242	0.3	(68.6)
Financial expenses	(1,746)	(2.6)	(1,576)	(2.0)	10.8
Exchange fluctuation loss, net	(1,020)	(1.5)	(34)	0.0	NA*
Financial result, net	(2,690)	(4.1)	(1,368)	(1.8)	96.6
Equity in (losses) income of associates recognized using the equity method	(29)	0.0	41	0.1	NA*
(Loss) income before income taxes	(752)	(1.1)	3,637	4.7	NA*
Income taxes	(181)	(0.3)	(1,144)	(1.5)	(84.2)
Net consolidated (loss) income	(933)	(1.4)	2,493	3.2	NA*

---

* "*Not applicable*": For percentage changes over 100%.

Revenue by Region

The following table shows the breakdown of our revenue by region for 2020 and 2019, including eliminations for intercompany sales:

	Year Ended December 31,				Percent Change 2019 to 2020
	2020	Percent of Revenue	2019	Percent of Revenue	
	(in millions of Pesos, except percentages)				
North America	34,510	52.0	42,573	55.0	-18.9
Europe	24,010	36.2	27,586	35.7	-13.0
Rest of the World	7,805	11.8	7,204	9.3	8.3
Total	66,325	100.0	77,363	100.0	-14.3

North America

Revenue in North America was Ps. 34,510 million in 2020, a decrease of 18.9% compared to Ps. 42,573 million in 2019. This decreased is explained mainly by lower volume due to customers' COVID-19-related plant closures during the first half of the year, going from 25.8 million equivalent units in 2019 to 19.5 million equivalent units in 2020, which more than offsets effects of higher aluminum prices and the depreciation of the Mexican Peso against the U.S. dollar.

Europe

Revenue in Europe was Ps. 24,010 million in 2020, a decrease of 13.0% compared to Ps. 27,586 million in 2019. This decrease was mainly related to effects of customers' COVID-19-related plant closures during the first half of the year, which in turn caused volume to decrease from 14.5 million equivalent units in 2019 to 11.4 million equivalent units in 2020. These volume effects outweighed positive effects of the deprecation of the peso against the Euro from an average exchange rate of Ps. 21.56 per Euro for the year ended December 31, 2019 to an average exchange rate of Ps. 24.53 per Euro for the year ended December 31, 2020.

Rest of the World

Rest of the World revenue was Ps. 7,805 million in 2020, an 8.3% increase compared to Ps. 7,204 million in 2019. This increase was due in part to the effect of the depreciation of the Mexican peso against the Chinese renminbi, from an average exchange rate of Ps. 2.75 per Chinese renminbi for the year ended December 31, 2019 to an average exchange rate of Ps. 3.05 per Chinese renminbi for the year ended December 31, 2020. This more than offsets effects of customer production stoppages on volume and revenue during the first half of the year; nonetheless, for full-year 2020, volume reached 4.2 million equivalent units on the back of recovery during the second half of the year, up from 4.0 million equivalent units in 2019.

General

Revenues

Our revenues were Ps.66,325 million in 2020, decreasing 14.3% compared to Ps.77,363 million in 2019. This decrease was due mainly to effects of the pandemic, as temporary shutdowns across the global automotive industry resulted in a reduction in light-vehicle sales and production, which in turn caused a decrease in volume, from 44.3 million equivalent units in 2019 to 35.1 million equivalent units in 2020.

Cost of Sales

The cost of sales, which includes depreciation, was Ps. 58,343 million in 2020, down 12.0% from the Ps. 66,276 million reported in 2019. This was mainly due to a combination of lower volume and operational efficiencies spanning reductions in workforce, manufacturing costs, and contracted services, among other measures, which were implemented during the first half of the year.

Gross Profit

Gross income was Ps. 7,982 million in 2020, decreasing 28.0% against the Ps. 11,087 million reported in 2019. This was due to a decrease in revenues, which was partially offset by operating efficiencies, as mentioned previously.

Administrative and Sales Expenses

Administrative and sales expenses totaled Ps. 4,980 million in 2020, a reduction of 6.5% against Ps.5,328 million in 2019, mainly due to the operational efficiencies obtained, together with lower volume.

Financial Results, Net

There was a net financial result loss in 2020 of Ps. 2,690 million, compared to the Ps. 1,368 million loss reported in 2019. This variation was largely attributed to non-cash effects of exchange rate fluctuations between the U.S. Dollar, Mexican Peso, and the Euro.

Income Taxes

Our income tax expense was Ps. 181 million in 2020, compared to Ps. 1,144 million in 2019. The variation is mainly due to the application of tax losses from prior years, and to the lower net taxable result in the period, resulting in a Ps. 3,637 million profit in 2019 compared to a Ps. 752 million loss in 2020.

Net Consolidated (Loss) Income

A net loss of Ps. 933 million in 2020 was reported, compared to net income of Ps. 2,493 million in 2019. This variation was mainly due to the factors mentioned above, which impacted operating income and the lower financial result.

Results of Operations for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

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

	Years ended December 31,				
	2019	**Percent of Revenue**	**2018**	**Percent of Revenue**	**Percent Change 2018 to 2019**
	(in millions of Pesos, except percentages)				
Revenue	77,363	100	90,327	100	(14.4)
Cost of sales	(66,276)	(85.7)	(76,878)	(85.1)	(13.8)
Gross profit	11,087	14.3	13,449	14.9	(17.6)
Administrative and sales expenses	(5,328)	(6.9)	(5,746)	(6.4)	(7.3)
Other (expenses) income, net	(795)	(1.0)	121	0.1	NA*
Operating income	4,964	6.4	7,824	8.7	(36.6)
Financial income	242	0.3	124	0.1	95.2
Financial expenses	(1,576)	(2.0)	(1,873)	(2.1)	(15.9)
Exchange fluctuation loss, net	(34)	(0.0)	(471)	(0.5)	(92.8)

Financial result, net	(1,368)	(1.8)	(2,220)	(2.5)	(38.4)
Equity in income of associates recognized using the equity method	41	0.1	136	0.2	(69.9)
Income before income taxes	3,637	4.7	5,740	6.4	(36.6)
Income taxes	(1,144)	(1.5)	(2,276)	(2.5)	(49.7)
Net consolidated income (loss)	2,493	3.2	3,464	3.8	(28.0)

* "*Not applicable*": For percentage changes over 100%.

Revenue by Region

The following table shows the breakdown of our revenue by region for 2019 and 2018:

	Year Ended December 31,				Percent Change 2018 to 2019
	2019	**Percent of Revenue**	**2018**	**Percent of Revenue**	
	(in millions of Pesos, except percentages)				
North America	42,573	55.0	50,564	56.0	-15.8
Europe	27,586	35.7	31,515	34.9	-12.5
Rest of the World	7,204	9.3	8,248	9.1	-12.7
Total	77,363	100.0	90,327	100.0	-14.4

North America

Revenue in North America was Ps. 42,573 million in 2019, down 15.8% decrease compared to Ps. 50,564 million in 2018. This decrease was primarily due to volume, which decreased from 29.7 million equivalent units in 2018 to 25.8 million equivalent units in 2019, and aluminum prices.

Europe

Revenue in Europe was Ps. 27,586 million in 2019, a decrease of 12.5% compared to Ps. 31,515 million in 2018. This decrease was mainly related to less favorable economic conditions, which contributed to a reduction in volume from 15.3 million equivalent units in 2018 to 14.5 million equivalent units in 2019, and to the appreciation of the Peso against the Euro from an average exchange rate of Ps. 22.70 per Euro for the year ended December 31, 2018 to an average exchange rate of Ps. 21.56 per Euro for the year ended December 31, 2019.

Rest of the World

Rest of the World revenue, including intercompany revenues, was Ps. 7,204 million in 2019, a decrease of 12.7% compared to Ps. 8,248 million in 2018. This decrease was mainly related to lower volume in China as well as unfavorable foreign exchange effects; the latter consisted primarily of the depreciation of the Chinese renminbi against the Peso from an average exchange rate of Ps. 2.90 per Chinese renminbi for the year ended December 31, 2018 to an average exchange rate of Ps. 2.75 per Chinese renminbi for the year ended December 31, 2019, along with that of the Brazilian real against the Mexican Peso from an average exchange rate of Ps. 5.18 per Brazilian real for the year ended December 31, 2018 to an average exchange rate of Ps. 4.66 per Brazilian real for the year ended December 31, 2019.

General

Revenues

Our revenues were Ps. 77,363 million, down 14.4% from the Ps. 90,327 million reported in 2018. This decrease

was due mainly to volume, which decreased from 50.0 million equivalent units in 2018 to 44.3 million equivalent units in 2019, and to lower aluminum prices. As explained in Factors Affecting our Results of Operations – Revenues, changes in the price of aluminum are passed on to customers according to contractually established formulas. Meanwhile, the decline in volume was largely attributed to lower light-vehicle production among certain OEM customers.

Cost of Sales

Our of sales was Ps. 66,276 million, down 13.8% from the Ps. 76,878 million reported in 2018, mainly as a result of lower volume and aluminum prices.

Gross Profit

Gross income was Ps. 11,087 million in 2019, decreasing 17.6% against the Ps. 13,449 million in 2018. This was due mainly to lower revenue and the impact of the depreciation of the Euro against the U.S. Dollar, which more than offsets the benefit of operating efficiencies.

Administrative and Sales Expenses

Our administrative and sales expenses were Ps. 5,328 million, 7.3% lower than the Ps. 5,746 million reported in 2018. The implementation of operational efficiencies, in conjunction with lower depreciation, more than offsets the increase in energy costs during 2019.

Financial Results, Net

Net Financial Results showed a loss of Ps. 1,368 million, down 38.4% compared to the Ps. 2,220 million loss reported in 2018. This variation was mainly attributed to non-cash effects of exchange rate fluctuations between the U.S. Dollar, Mexican peso, and the Euro.

Income Taxes

Our income tax expense in 2019 was Ps. 1,144 million, down 49.7% against the Ps. 2,276 million reported in 2018, mainly due to the lower net taxable result from Ps. 5,740 million in 2018 to Ps. 3,637 million in 2019.

Net Consolidated Income

Our net income in 2019 was Ps. 2,493 million, 28% lower than the Ps. 3,464 million reported in 2018. This variation was principally due to the factors mentioned previously.

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, 2020, 2019 and 2018 and for the three-month periods ended March 31, 2021 and 2020:

	Year Ended December 31,			Three-Month Periods Ended March 31,	
	2020	2019	2018	2021	2020
	(in millions of Pesos)				

Operating activities	8,603	11,833	12,942	795	2,708
Investing activities	(5,652)	(4,674)	(8,223)	(1,240)	(1,928)
Financing activities	344	(4,629)	(4,646)	(2,662)	10,325
Cash and cash equivalents at the end of the period (1)	8,720	5,883	3,555	5,673	18,154

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

Operating Activities

In the three-month period ended March 31, 2021 net cash generated from operating activities was Ps. 795 million, primarily attributable to the profit of the period, partially offset by investments in net working capital and income tax paid.

In 2020, net cash generated from operating activities was Ps. 8,603 million, primarily attributable to the profit of the period, partially offset by investments in net working capital and income tax paid.

In 2019, net cash generated from operating activities was Ps. 11,833 million, primarily attributable to the profit of the period, partially offset by income tax paid.

In 2018, net cash generated from operating activities was Ps. 12,942 million, primarily attributable to the profit of the period, partially offset by income tax paid.

Investing Activities

In the three-month period ended March 31, 2021, net cash used in investing activities was Ps. 1,240 million and primarily consisted of investments to increase and adapt production capacity to support new product launches mainly in North America and the European Union.

In 2020, net cash used in investing activities was Ps. 5,652 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 2019, net cash used in investing activities was Ps. 4,674 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 2018, net cash used in investing activities was Ps. 8,223 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 the three-month period ended March 31, 2021, net cash used in financing activities was Ps. 2,662 million and primarily consisted of the net payment of debt and financial interest, partially offset by proceeds from loans.

In 2020, net cash generated from financing activities was Ps. 344 million and primarily consisted of the proceeds from loans, partially offset by the net payment of debt, financial interest and dividends.

In 2019, net cash used in financing activities was Ps. 4,629 million and primarily consisted of the net payment of debt, financial interest and dividends, partially offset by the proceeds from loans.

In 2018, net cash used in financing activities was Ps. 4,646 million and primarily consisted of the net payment of debt, financial interest and dividends**,** partially offset by the proceeds from loans.

Capital Expenditures

In the three-month periods ended March 31, 2021 and 2020, we made capital expenditures of Ps. 1,278 million (US$63 million) and Ps. 1,939 million (US$97 million), respectively. Capital expenditures during the three-month period ended March 31, 2021 were primarily used to support the production ramp-up of new programs to produce e-

mobility and structural components, and to increase and adapt production capacity to meet expected future demand as a result of recently won contracts.

In 2020, 2019, and 2018 we made capital expenditures of Ps. 5,655 million (US$269 million), Ps. 6,616 million (US$344 million) and Ps. 7,786 million (US$403 million), respectively.

Existing Indebtedness

As of March 31, 2021, we had gross debt of Ps. 31,609 million (US$1,535 million), not including accrued interest payable and debt issuance costs, with an average maturity of 4.0 years, of which Ps. 15,223 million (US$739 million) was denominated in U.S. Dollars, Ps. 13,713 million (US$666 million) was denominated in Euros and Ps. 2,673 million (US$130 million) was denominated in other currencies. As of March 31, 2021, we had total indebtedness of Ps. 31,479 million (US$1,528 million), including accrued interest payable and debt issuance costs, Approximately 12% 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 March 31, 2021, Ps. 3,184 million (US$155 million) of our total indebtedness constituted short-term debt, including interest payable of Ps. 129 million (US$6 million), and Ps. 28,295 million (US$1,373 million) constituted long-term debt, including debt issuance costs of Ps. 259 million (US$13 million). As of March 31, 2021, we had up to approximately US$408 million in committed credit facilities available to finance our working capital and other requirements. As of March 31, 2021, we had not drawn from these committed credit facilities.

The following table sets forth the contractual maturities for our outstanding debt, gross of debt issuance costs, as of March 31, 2021:

	Payments Due By								
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028+**	**Total**
				(millions of US$)					
Debt and lease payments [(1)]	145	35	25	621	544	24	31	115	1,540

(1) Including accrued interest payable of US$6 million.

As of March 31, 2021, 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.

New USD Notes

On June 28, 2021, Nemak issued the New USD Notes in an aggregate principal amount of US$500 million, the proceeds of which Nemak intends to use for the redemption in whole of the Nemak 2025 Notes, which are scheduled to be redeemed on July 29, 2021. See "Summary—Recent Developments—Bond Issuance and Redemption."

Nemak 2025 Notes

In January 2018, Nemak issued the Nemak 2025 Notes in the international capital markets in an aggregate principal amount of US$500 million. The Nemak 2025 Notes bear interest at a fixed rate of 4.750% per annum, which is payable on January 23 and July 23 of each year. The Nemak 2025 Notes mature on January 23, 2025. The outstanding principal amount of the Nemak 2025 Notes as of March 31, 2021 was US$500 million.

The Nemak 2025 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 2025 Notes contains customary events of default. Nemak's obligations under the Nemak 2025 Notes are guaranteed, in the form of a corporate guarantee, by the following 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 Györ Alumíniumöntöde Korlátolt Felelősségű Társaság, and (ix) Nemak Slovakia s.r.o.

We have the right, at our option, to redeem the Nemak 2025 Notes, in whole or in part, at any time on or after January 23, 2021, at the redemption prices set forth in the indenture governing the Nemak 2025 Notes. Prior to January 23, 2021, we have the right, at our option, to redeem the Nemak 2025 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 January 23, 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 104.750% of the aggregate principal amount thereof, plus any accrued and unpaid interest.

The Nemak 2025 Notes are scheduled to be redeemed in full on July 29, 2021. See "Summary –Recent Developments—Bond Issuance and Redemption."

Nemak 2024 Notes

In March 2017, Nemak issued the Nemak 2024 Notes in the international capital markets in an aggregate principal amount of €500 million. The Nemak 2024 Notes bear interest at a fixed rate of 3.250% per annum, payable on March 15 and September 15 of each year. The Nemak 2024 Notes mature on March 15, 2024. The outstanding principal amount of the Nemak 2024 Notes as of March 31, 2021 was €500 million.

The Nemak 2024 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 our 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 2024 Notes contains customary events of default. Nemak's obligations under the Nemak 2024 Notes are guaranteed, in the form of a corporate guarantee, by the following 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 Györ Alumíniumöntöde Korlátolt Felelősségű Társaság and (ix) Nemak Slovakia s.r.o.

We have the right, at our option, to redeem the Nemak 2024 Notes, in whole or in part, at any time on or after March 15, 2021, at the redemption prices set forth in the indenture governing the Nemak 2024 Notes. Prior to March 15, 2021, we have the right, at our option, to redeem the Nemak 2024 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.

The Nemak 2024 Notes are subject to the concurrent Tender Offer and Consent Solicitation. See "Summary—Concurrent Tender Offer and Consent Solicitation."

Nemak-Bancomext Credit Agreement

On December 18, 2019, Nemak entered into a credit agreement with Banco Nacional de Comercio Exterior, S.N.C., as lender, in an aggregate principal amount of US$190 million. The credit facility has a maturity date of December 23, 2029. The applicable interest rate is three-month LIBOR plus 2.70%. We have the option to prepay the loan at any time without penalty upon 30 business days prior written notice to the lender. Nemak's obligations under the financing with Bancomext are guaranteed by Nemak México, S.A., as joint obligor. The outstanding principal amount under this bilateral loan as of March 31, 2021 was US$189 million.

Committed Credit Lines

Nemak has entered into several revolving committed credit lines with certain financial institutions for a total amount of US$408 million. These credit lines are denominated in Dollars or Euros and mature between November 2021 and December 2022.

As of March 31, 2021, 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, gross of debt issuance costs for the bank loans and Senior Notes, as of March 31, 2021:

	Less than 1 year	1 -3 years	3- 5 years	More than 5 years	Total
			(in millions of pesos)		
Bank loans	2,366	559	1,302	3,062	7,289
Senior Notes	-	12,110	10,303	-	22,413
Leases	689	624	298	296	1,907
Total (1)	3,055	13,293	11,903	3,358	31,609

(1) Does not include accrued interest payable of Ps. 129 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.

Financial ratios

As of the end of the following periods, our financial ratios in U.S Dollars, were equivalent to:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Three-Month Period Ended March 31, 2021
Net debt to Adjusted EBITDA ratio (times) (1)	2.8	1.9	2.7
Interest coverage ratio (times) (2)	5.6	8.6	5.9
Free cash flow (US$ million) (3)	US$ 154	US$ 267	US$ (21)

(1) Net debt corresponds to total debt plus lease liabilities, less cash and cash equivalents.
(2) Corresponds to Adjusted EBITDA divided by financial results, net (excluding exchange fluctuation, net).
(3) Corresponds to net cash generated from operating activities less capital expenditures.

Off Balance Sheet Arrangements

As of March 31, 2021, 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 and Note 3 to the Interim Unaudited Financial Statements.

Derivative Financial Instruments

We have entered into exchange rate derivatives for purposes of reducing the overall cost of financing 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 IFRS 9, "Financial Instruments" 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.

As of March 31, 2021, Nemak did not have any derivative financial instruments.

Price risk commodities

We enter into different derivative agreements with several counterparties to protect ourselves against increases in the prices of natural gas and other raw materials. In the case of natural gas derivatives, hedging strategies for commodities were designed to mitigate the impact of potential price increases. The objective is to hedge prices against volatility by having positions that provide stable expectations of cash flows, thus avoiding price uncertainty. The reference market price for natural gas is South Texas and Henry Hub.

As of March 31, 2021, we did not have any natural gas or other commodities derivatives.

Financial instruments to hedge net investments in foreign transactions

We designate certain non-current debt instruments as hedges to net investments in foreign transactions in order to mitigate the variations in exchange rates arising between the functional currency for such transactions and the functional currency of the holding or sub-holding company that maintains these investments.

We formally designated and documented each hedging relationship establishing objectives, management's strategy to cover the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology to assess the effectiveness. Given that the exchange rate hedging relationship is clear, the method that we used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items. The hedging effectiveness results confirm that the hedging relationships are highly effective due to the economic relationship between the hedging instrument and the hedged items. For its part, when the value of the net assets of the foreign transaction is less than the notional value of the designated debt, we perform a rebalancing of the hedging relationship and recognizes ineffectiveness in the consolidated statement of operations.

As of March 31, 2021 and December 31, 2020, 2019 and 2018, we maintained the following hedging relationships:

As of March 31, 2021

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)	Covered item	Net assets of the hedged item (Euros)
Nemak, S. A. B. de C. V.	USD	Senior Notes	€ 241	Nemak Dillingen GmbH	€ 130
				Nemak Linz GmbH	28
				Nemak Gyor Kft.	134
				Nemak Slovakia, S.r.o.	59
				Nemak Wernigerode GmbH	71
				Nemak Czech Republic, S.r.o.	56
				Nemak Poland Sp.z.o.o.	41
				Nemak Spain, S.L.	24

					Nemak Pilsting GmbH		12
					Nemak Izmir Dokum Sanayi A.S.		53
			€	241		€	608

As of December 31, 2020

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)		Covered item	Net assets of the hedged item (Euros)	
Nemak, S. A. B. de C. V.	USD	Senior Notes	€	284	Nemak Dillingen GmbH	€	126
		Bank Loans		4	Nemak Linz GmbH		27
					Nemak Gyor Kft.		130
					Nemak Slovakia, S.r.o.		53
					Nemak Wernigerode GmbH		66
					Nemak Czech Republic, s.r.o.		56
					Nemak Poland Sp. z.o.o.		40
					Nemak Spain, S.L.		28
					Nemak Pilsting GmbH		11
					Nemak Izmir Dokum Sanayi A.S.		50
			€	288		€	587

As of December 31, 2019

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)		Covered item	Net assets of the hedged item (Euros)	
Nemak, S. A. B. de C. V.	USD	Senior Notes	€	211	Nemak Dillingen GmbH	€	109
		Bank Loans		4	Nemak Linz GmbH		29
					Nemak Gyor Kft.		125
					Nemak Slovakia, S.r.o.		43
					Nemak Wernigerode GmbH		67
					Nemak Czech Republic, S.r.o.		55
					Nemak Poland Sp.z.o.o.		45
					Nemak Spain, S.L.		36
					Nemak Pilsting GmbH		10
					Nemak Izmir Dokum Sanayi A.S.		46
			€	215		€	565

As of December 31, 2018

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)		Covered item	Net assets of the hedged item (Euros)	
Nemak, S. A. B. de C. V.	USD	Senior Notes	€	206	Nemak Dillingen GmbH	€	121
		Bank Loans		4	Nemak Linz GmbH		29
					Nemak Gyor Kft.		110
					Nemak Slovakia, S.r.o.		71
					Nemak Wernigerode GmbH		67
					Nemak Czech Republic, S.r.o.		54
					Nemak Poland Sp.z.o.o.		41
					Nemak Spain, S.L.		39
					Nemak Pilsting GmbH		9
					Nemak Izmir Dokum Sanayi A.S.		35
			€	210		€	576

The average coverage ratio of the Company amounted to 49.35% and 35.38% for the years ended December 31, 2020 and 2019, respectively, and 30.80% from the designation date until December 31, 2018. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2020 and 2019, amounted to a net (loss) profit of Ps. (687) and Ps. 84, respectively, and a net profit of Ps. 304, from the designation date until December 31, 2018, which was recognized in other comprehensive income compensating the translation effect by each foreign investment. The results of the effectiveness of each hedging instrument confirms that the

hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedging items.

The average coverage ratio of the Company amounted to 35.06% and 41.75%, for the three-month periods ended March 31, 2021 and 2020, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the three-month periods ended March, 31, 2021 and 2020, amounted to a net loss of Ps. 228 and Ps. 105, respectively, which was recognized in other comprehensive income compensating the translation effect by each foreign investment. The results of the effectiveness of each hedging instrument confirms that the hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedging items.

INDUSTRY

We provide lightweighting solutions to the global automotive industry specialized in the development and manufacturing of aluminum powertrain, e-mobility, and structural components.

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, fuel costs and government regulations, among others. These factors ultimately determine vehicle sales and production rates.

The table below sets forth recent light vehicle production figures for regions in which Nemak competes, based on data compiled by the International Organization of Motor Vehicle Manufacturers for 2010 through 2020, including a 2021 estimate.

Light Vehicle Production (Millions of Units)

Region	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e
N. America	11.9	13.1	15.4	16.1	16.9	17.4	17.7	17.0	16.9	16.3	13.0	15.7
Europe	19.0	20.6	19.5	19.5	20.1	20.9	21.4	21.3	21.0	21.2	16.6	18.6
S. America	4.2	4.0	4.1	4.3	3.6	2.9	2.6	3.1	3.2	3.2	2.2	2.9
China	16.8	16.3	17.4	20.1	21.8	22.9	26.2	26.6	25.5	23.4	22.1	24.9
Rest of the World	22.4	21.5	23.8	23.1	23.1	23.1	23.5	25.1	25.0	23.6	19.0	21.5
Total	**74.3**	**75.5**	**80.1**	**83.1**	**85.6**	**87.2**	**91.4**	**93.1**	**91.6**	**87.7**	**73.0**	**83.6**

Source: International Organization of Motor Vehicle Manufacturers, Nemak analysis

As shown in the table above, according to the International Organization of Motor Vehicle Manufacturers, light vehicle production worldwide suffered a 17% contraction from the prior year, mainly related to stoppages during the first half of the year due to the COVID-19 pandemic.

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 cylinder heads, engine blocks, transmission, suspension, wheel, brake, structural components and, more recently, e-mobility 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 the density of iron, which results in cast aluminum automotive components weighing approximately 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$22.3 billion in 2020. Our primary market is the cast aluminum powertrain components market, which represented a total market value of approximately US$20.3 billion, or 91% of the total cast powertrain

component market in 2020, 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, LPDC, among others. Meanwhile, aluminum e-mobility and structural components can be produced using a number of different technologies, including HPDC, stamping, and extrusion. Each of these technologies offers different design, weight, performance, and cost characteristics.

Cast Aluminum Powertrain Components

The main components of the cast aluminum powertrain market are cylinder heads and engine blocks.

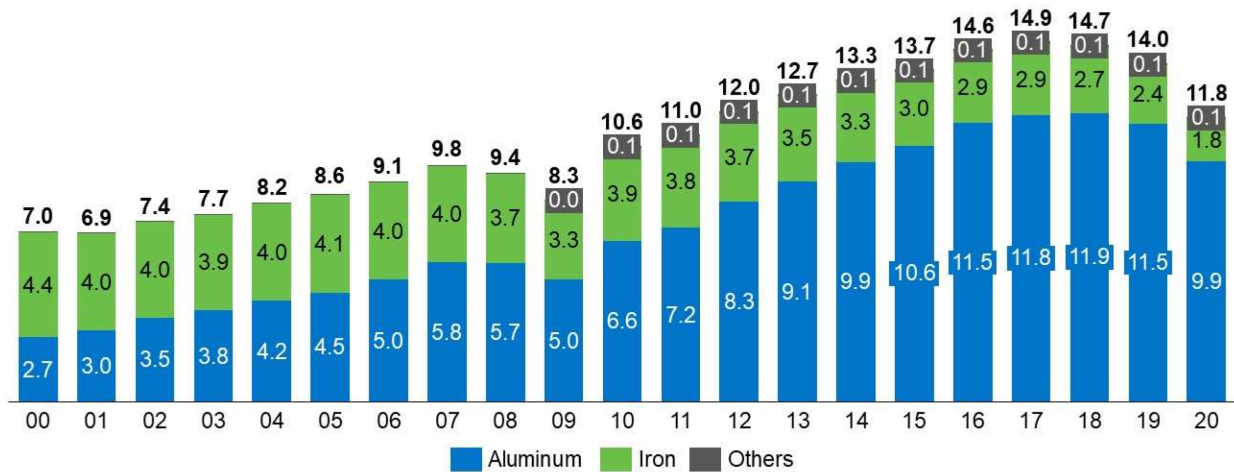
Due to their cost and the comparative ease of production, cylinder heads were among the first engine components to transition from iron to aluminum. Based on our market position and internal analysis, we can estimate that aluminum and iron cylinder heads accounted for approximately 98% and 2% of the global unit demand, respectively, in 2020, as compared to approximately 86% and 14%, respectively, in 2000. The graph below shows the aluminum and iron cylinder head demand for the periods shown:

Global Cylinder Head Demand (Billions of US$)

Source: Nemak analysis

The growth of aluminum engine blocks' market penetration has been slower than that of aluminum cylinder heads. Based on our market position and internal analysis, we can estimate that in 2020, aluminum penetration in engine blocks was approximately 76% and is expected to continue growing in the coming years. Engine blocks are among the heaviest components in internal combustion engine vehicles. As a result, engine blocks offer OEMs a significant opportunity to achieve vehicle weight savings and increased vehicle fuel efficiency.

Global Engine Block Demand (Billions of US$)



Source: Nemak analysis

Growth Opportunities for Worldwide Production

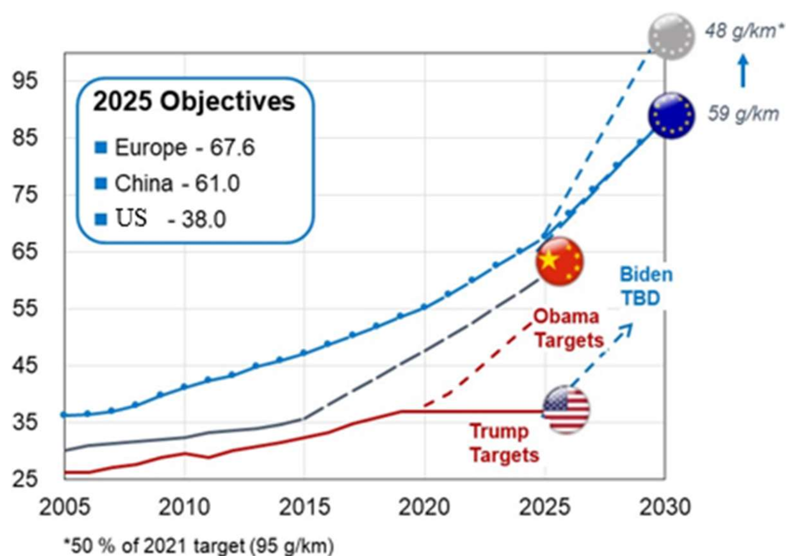
We believe that the following factors will contribute to continued growth in the worldwide production of cast aluminum powertrain components by independent manufacturers, such as us:

- 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 16% since 2015, reaching approximately 459 pounds per vehicle in 2020. We expect this trend to continue with worldwide continued adoption of aluminum engine blocks and the adoption of aluminum for e-mobility and structural components. The growth of aluminum content in light vehicles is being driven primarily by stricter government fuel consumption and CO_2 emissions standards, which have generally required OEMs to improve the energy efficiency 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

(miles per gallon)



Source: International Council of Clean Transportation

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.

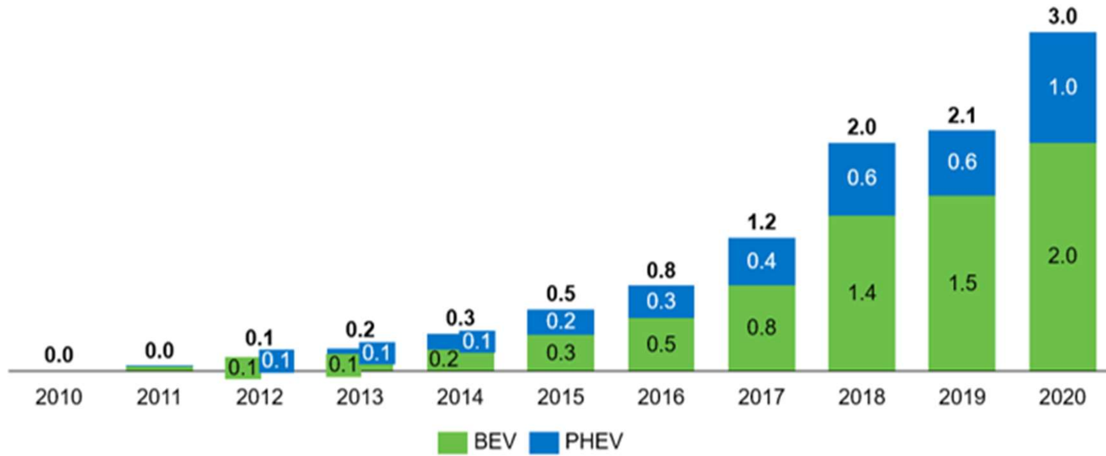
According to Ducker, among the global trends that are expected to impact aluminum content in vehicles in the near future, are the penetration of aluminum in manufacturing engine blocks, and the use of aluminum in e-mobility and structural components.

Penetration of aluminum structural components. Vehicle lightweighting has become an important solution to reach current emissions targets. We believe that OEMs must shed approximately 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 steels, 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 it has over the previously mentioned materials regarding cost, design flexibility, and mechanical properties.

With respect to aluminum structural components, we believe that the main components that will be in demand include shock towers, longitudinal members, pillar reinforcements, subframes, steering housings, knuckles, and control arms.

Electric vehicle penetration. Despite OEMs' move towards lightweighting, traditional lightweighting solutions are not sufficient to meet the needs of manufacturers beyond 2025. As electric vehicles have become more affordable and battery technology has improved, vehicle electrification has become increasingly viewed as 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 principal OEMs have incorporated electrification into their strategies as a fundamental area of their businesses in the coming years. The main electric vehicle components that we consider in our business plans are the electric motor housing, battery housing, and reduction gear housing. Most of these components are made of complex aluminum designs. As lithium-ion batteries increase the weight of the vehicle, aluminum offers a solution to lightweight and increase performance and range.

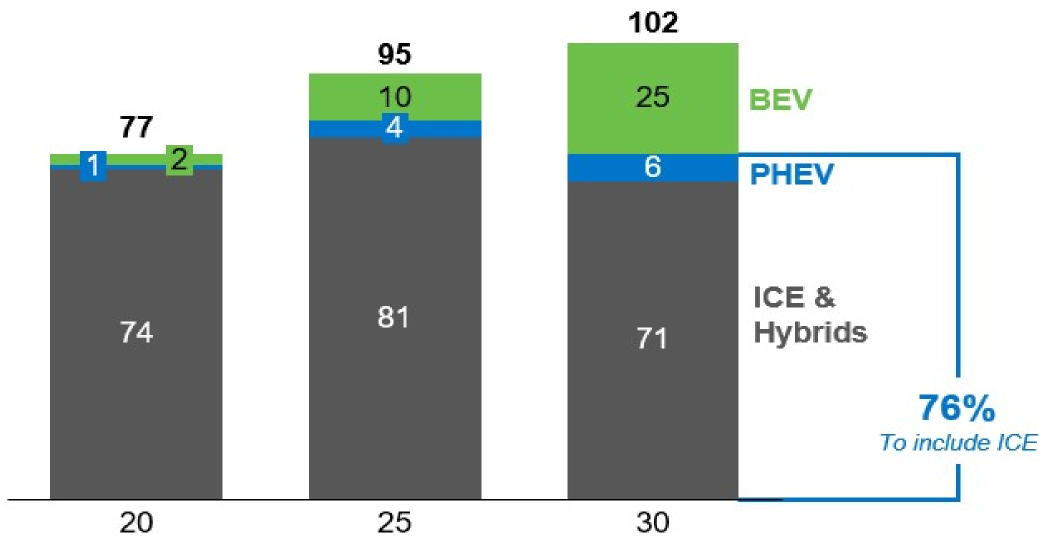
Global Electric Vehicle Production (M vehicles)



Source: International Energy Agency

As shown in the graph above, according to the International Energy Agency, electric vehicle production worldwide has increased from 8,000 vehicles in 2010 to 3.0 million vehicles in 2020. This represents a CAGR of 81%. For future years, electrification is expected to continue ramping up, specifically for BEVs and PHEVs.

Global Electric Vehicle Production Forecast (M vehicles)



Source: Nemak analysis

As illustrated above, based on internal projections, awarded contracts and understanding of our customer electrification plans, fully electric vehicles are expected to increase from 2.0 million vehicles in 2020 to 25 million by 2030, representing approximately 24% of new vehicle sales in 2030. Plug-in hybrid vehicles are expected to increase from 1.0 million vehicles in 2020 to 6 million vehicles by 2030. By the end of the decade, approximately 76% of vehicles sold could continue to include an internal combustion engine.

Growth in outsourcing by OEMs. Historically, powertrain components have been manufactured primarily 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 few decades, several factors have led OEMs to outsource a larger share of 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 CSS programs, Small Gasoline Engine (SGE) and High Feature V6; for Ford, Dragon I3, Duratec I4 and V6; for Stellantis, GME-T4 program; for Volkswagen, programs EA211 y EA888; and for Renault HR12, HR16 and K engines. We believe that 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 North America, 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 Related to Our Business— The engine downsizing trend may impact our sales volume and revenue."

Barriers to Entry and Switching Costs

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

- **Manufacturing process and casting, joining, and assembly technology expertise.** Effective manufacturing of cast aluminum powertrain, e-mobility, and structural 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 automotive aluminum cast components. We believe that the components we produce are of a higher complexity and therefore add higher value when compared to other automotive aluminum cast 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 that our technological expertise provides us with an advantage when competing for new aluminum programs against competitors.

Additionally, some of the products that we manufacture undergo a casting process as well as an assembly process, such as certain battery housings for hybrid and fully electric vehicles. In these cases, we weld certain components to the battery housings using different technologies, such as riveting and friction-stir welding, among others. We are also manufacturing fully assembled battery housings, which are housings that do not have any cast parts. This process consists of gluing, welding, and mechanically joining together dozens of individual components, all manufactured using different materials and manufacturing processes other than casting, such as stamping and extrusion.

We believe that we are well situated to continue to strengthen our position as a provider of lightweighting solutions for e-mobility and structural applications and capture part of this growing market given our technical expertise spanning casting as well as joining and assembly processes. In addition, we believe that this wide portfolio of technologies enables us to provide value to our customers, and will help us maintain and gain market share in the automotive industry.

- **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 complex powertrain, e-mobility, and structural 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 mass production of such components on a global scale.

- **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 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 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 component program has entered production. We estimate that close to 81% of our sales volume in 2020 was related to components for which we were the sole source provider.

- **High cost of entry.** Casting complex aluminum powertrain, e-mobility, and structural 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 powertrain, e-mobility, and structural components. We believe that our product portfolio, which consists of cylinder heads, engine blocks, transmission components, battery housings, electric motor housings, body-in-white and chassis 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 energy-efficient vehicles. We provide our components primarily as a Tier 1 supplier to OEMs. Our global manufacturing footprint, which consists of 38 modern facilities in 15 countries throughout North America, Europe, South America and Asia, allows us to efficiently serve all major global automotive manufacturers.

For the three-month period ended March 31, 2021, we generated revenue, Adjusted EBITDA and net profit for the period of Ps. 21.1 billion (US$1.0 billion), Ps. 3.4 billion (US$169 million) and Ps. 0.8 billion (US$40 million), respectively. For the year ended December 31, 2020, we generated revenue, Adjusted EBITDA and net loss for the year of Ps. 66.3 billion (US$3.2 billion), Ps. 8.9 billion (US$432 million) and Ps. -0.9 billion (US$-34 million), respectively. From 2018 to 2020, our revenue, Adjusted EBITDA and net profit for the period decreased at a CAGR of -10%, -14% and -35%, respectively, mainly due to the effects of COVID-19-related customer production stoppages on our 2020 production volume. Our total assets as of December 31, 2020 were Ps. 98.7 billion (US$4.9 billion).

We focus on the production of complex components for the automotive industry, primarily for propulsion and structural applications. The propulsion segment includes engine components (mainly cylinder heads and engine blocks), transmission components (mainly transmission cases, torque converter housings and transfer cases) and electric vehicle components (mainly battery housings and electric motor housings). Together, the cylinder head and engine block form the main body of the internal combustion engine. Transmission cases serve as the primary housing for various parts of the transmission system. Battery housings are used in plug-in hybrid and full electric vehicles to enclose the lithium-ion battery packs and electric motors are used in hybrid and electric vehicles. Structural components are used to integrate the body and chassis of the vehicle, including shock towers, longitudinal members, cross members, pillars, door frames, window frames, roof beams, liftgates and connection tunnels, among other components. As part of our efforts to capitalize on the vehicle electrification trend, we have been growing our business over the past several years in e-mobility and structural components. During 2020, our revenue from our e-mobility and structural components business segment was approximately US$171 million. As of the date of this offering, we have obtained production contracts for the same products representing a total of approximately US$900 million in annual revenue. We expect to have initiated production of most of this business by 2023.

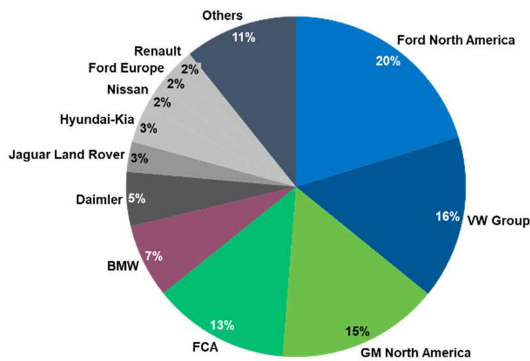
A portion of our product portfolio is manufactured using a variety of casting technologies involving the application of molten aluminum to a mold, offering a broad range of advanced casting technologies with complementary machining and secondary processes expertise. We believe this broad range of casting 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.

Additionally, some of the products that we manufacture undergo a casting process as well as an assembly process, such as certain battery housings for hybrid and fully electric vehicles. In these cases, we weld certain components to the battery housings using different technologies, such as riveting and friction-stir welding, among others. We are also manufacturing fully assembled battery housings, which are housings that do not have any cast parts. This process consists of gluing, welding, and mechanically joining together dozens of individual components, all manufactured using different materials and manufacturing processes other than casting, such as stamping and extrusion.

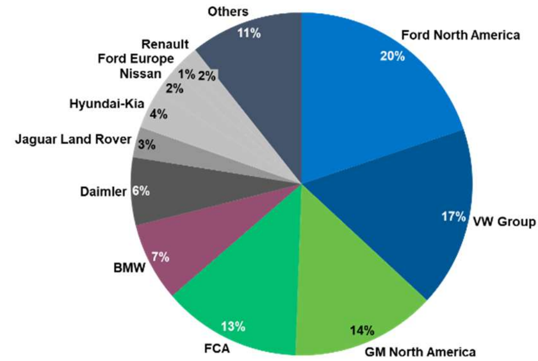
Among our broad customer base, comprised of over 60 customers we supply worldwide, are 10 major global manufacturing groups and their subsidiaries, including: BMW, Daimler, Ford, GM, Hyundai, KIA, Nissan, Renault, Stellantis, Toyota and the Volkswagen Group. We estimate that, as of March 31, 2021, we supplied over 200 different engine, transmission, e-mobility, and structural components used in internal combustion engine, hybrid, plug-in hybrid and fully electric vehicle platforms currently in production or under development globally. We believe our strong customer relationships have helped us position ourselves in approximately 520 vehicle nameplates of which approximately 100 are PHEV and BEV to be sold in the next 4 years. 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 to five years for interior components, body and exterior components.

The following charts show our equivalent volume distribution by customer and region in 2020 and for the three-month period ended March 31, 2021:

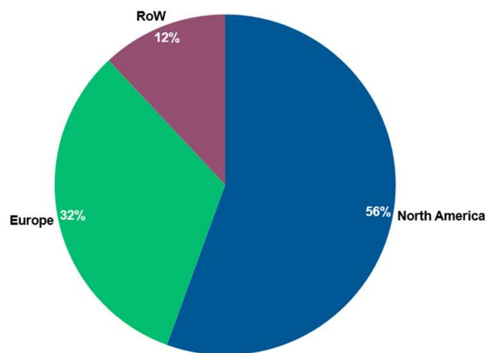
2020 Equivalent Volume Distribution by OEM



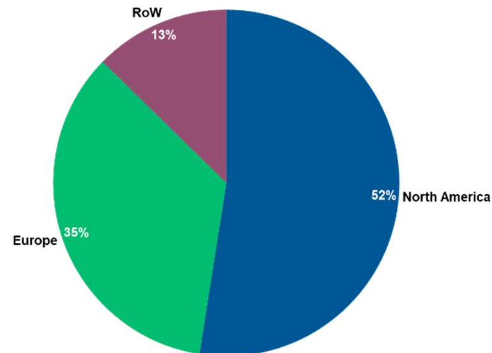
Q1 2021 Equivalent Volume Distribution by OEM



2020 Equivalent Volume by Region



Q1 2021 Equivalent Volume by Region



(1) The "other" category includes American Axle, Borg Warner, Bosch, BRP, Cummins, Ford CAF, Ford India, Ford South America, Getrag, GM Holden, GM Korea, GM Shanghai, GM South America, GM Thai, International, IBC, Köhler, Lombardini, Magna, Nexteer, Opel, Pierburg, Samsung, Toyota, TRW, Vinfast and Volvo.

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

We have a global presence with 50% of our revenue coming from North America, 38% from Europe and the remainder from the rest of the world for the three-month period ended March 31, 2021. We have approximately 23,000 employees globally, with a presence in high-growth regions, including facilities in North America, Europe, South America and Asia. Our manufacturing facilities are strategically located in close proximity to leading OEMs in the automotive industry.

We place great emphasis on our R&D footprint, which consists of ten strategically located state-of-the-art 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 hold a wide portfolio of trademark registrations, commercial advertisements and industrial designs. We have registered the name "Nemak" and our unique logo, as well as all of the trademarks used to produce our products in all of the regions where we operate. These trademarks, as well as the related commercial advertisements and industrial designs, are registered with the competent authorities of each country where they are used.

Our sales are driven by the number of vehicles produced by the OEMs, which ultimately depends on consumer demand for automotive vehicles. In 2020, 90% of our sales were made to 10 global automotive groups (BMW, Daimler, Ford, GM, Hyundai-Kia, Jaguar Land Rover, Renault-Nissan, Stellantis, Toyota and the Volkswagen Group).

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 our 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. While we no longer operate these facilities, 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. We subsequently ceased production at the cylinder heads plant in 2009 and at the engine blocks plant in 2020.

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 furthered our expansion strategy by acquiring three major producers of engine blocks and transmission components:

- **Hydro Aluminum casting operations, a unit of Norsk Hydro**. This acquisition included four modern plants located in Austria, Germany, Hungary, and Sweden (the latter was divested in 2009), which supply parts to key European OEMs such as Audi, BMW, Daimler, Ford, GM Europe and Renault. Current production consists of high-technology aluminum components for the automotive industry, such as engine blocks and cylinder heads. Two strategic objectives were met with this acquisition: adding to our presence in Europe, and diversifying our client base. The base of available technology was also expanded to serve our European clients, by incorporating specialized casting processes, such as Sand Casting and ROTACAST®.

- **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 in 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 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 García, 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.

In 2012, we acquired J.L. French, a leading supplier in the automotive industry that supplies components manufactured using HPDC technology. The acquisition included four modern facilities located in the United States and 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 began 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 eventually have the capacity to produce 2.2 million equivalent units per year.

In 2015, we officially inaugurated our first plant in Russia located in Ulyanovsk, the 35th facility in our system, where we are now primarily 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 equivalent units 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.

In 2017, we started production at our HPDC facility in Mexico and at our second plant in Slovakia, which is dedicated to the production of e-mobility and structural components.

In 2019, we officially announced the closing of our engine blocks facility in Windsor, Canada for 2020 due to the early phase-out of an export program with a customer in China. This plant represented around 1% of total sales.

In 2020, we started production at our Electric Mobility Center facility in Mexico, which is dedicated to the production of electric vehicle components, such as battery housings, using multiple joining and assembly processes.

Competitive Strengths

- ***Leading position as a lightweighting 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 extensive operations result in significant economies of scale for us and cost reduction opportunities for our customers. We estimate that one out of every four new light vehicles sold worldwide includes at least 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 OEMs' internal foundries. The e-mobility and structural components markets represent an important avenue of growth that we believe will enable us to reinforce our position as a leading 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 that we believe are superior to those offered by most other independent manufacturers of aluminum components. Due to the wide 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, battery housings, electric motor housings, body-in-white components, and chassis components, among other components. Our main technologies include: Gravity Semi-Permanent Mold (GSPM), ROTACAST®, Sand Package, LPDC, HPDC, and Tilt Casting. In contrast, based on our research, we believe that most of our competitors generally focus merely on one or two of the major casting technologies, and hardly any of the large, independent competitors have the capacity to provide as many as three of the primary aluminum casting technologies. In addition, we are vertically integrated into machining and secondary operations, which allows us to offer broader solutions to our customers. We have received numerous accolades from our customers, recognizing our high-quality standards, including, among many others: GM Supplier of the Year Award (2020, 2019 and 2018); Volkswagen Group "Launch of the Year" (2020) due to our outstanding performance in the development, innovation, and manufacture of battery housings for plug-in hybrid electric vehicles; recognition by Audi for excellence in the quality of supply of structural components for its Q5 SUV (2018); Jaguar-Land Rover Quality Award (2017); 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) and Renault's Quality Supplier Award (2014).

- ***Leading product development capabilities supported by skilled workforce.*** Product development is a key part of our business, and we have invested on average approximately 2% of our annual revenue in research and development over the last three years. We have product development centers that 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 have enabled us to launch over 200 programs per year since 2015. We have over 500 employees dedicated to this task and an additional 600 employees indirectly involved in product development. At the end of 2020, we had approximately 18,000 hourly employees and approximately 4,000 salaried employees in 15 countries. 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 hold a wide portfolio of trademark registrations, commercial advertisements and industrial designs. We have registered the name "Nemak" and our unique logo, as well as all of the trademarks used to produce our products in all of the regions where we operate. These trademarks, as well as the related commercial advertisements and industrial designs, are registered with the competent authorities of each country where they are used.

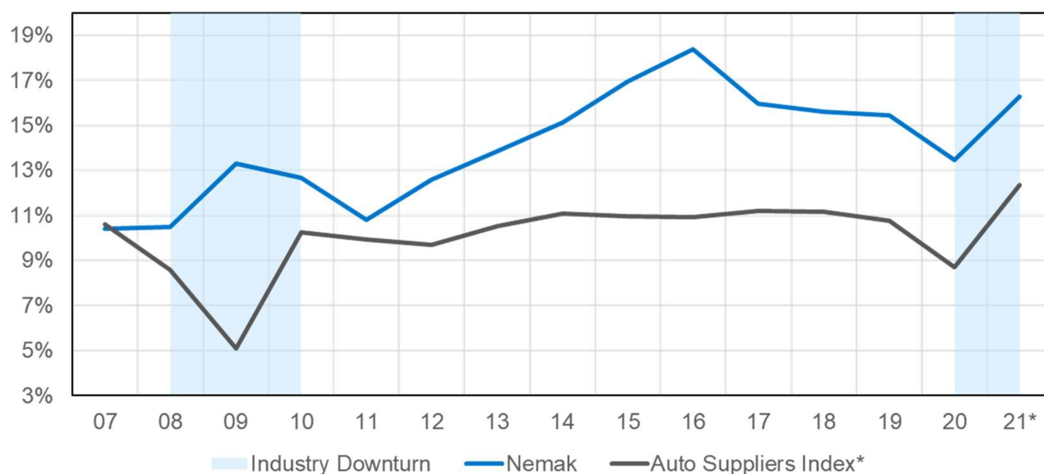
- ***Solid customer relationships offering diversified revenue streams.*** We believe that early participation in the conceptual design process through simultaneous engineering enables us to develop strong, long-term customer relationships and provides a significant barrier to entry to our competitors. We estimate that close

to 81% of our sales volume for the three-month period ended March 31, 2021 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 2010 through 2020 was approximately 90% 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 200 engine, transmission, e-mobility, and structural components to more than 60 customers worldwide, including 10 major global OEMs. For the three-month period ended March 31, 2021, 50% of our revenue was derived from our operations in North America, 38% 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 38 modern facilities operating in 15 countries throughout North America, Europe, South America and Asia. Most of our facilities are strategically located close to our customers' plants, which is a key factor in reducing transportation costs and allowing just-in-time delivery of components. We believe that our global footprint helps us to best serve our customers regionally as they look for suppliers that can manufacture key components in their major business regions with global consistency. Over the last seven years, we have launched several greenfield projects, including facilities in India, 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 strategic acquisitions that add incremental value for our shareholders, such as the facilities of Rautenbach, Hydro Aluminum, J.L. French, selected facilities from Teksid, and Cevher Döküm. From 1993 to 2020, both our revenue and Adjusted EBITDA grew at a CAGR of 22%. During the same period, our revenue grew from Ps. 0.3 billion (US$87 million) in 1993, to Ps. 66.3 billion (US$3.2 billion) in 2020, while our Adjusted EBITDA grew from Ps. 49 million (US$16 million) in 1993 to Ps. 8.9 billion (US$ 432 million) in 2020.

  The following graph illustrates our Adjusted EBITDA margin, compared to the Auto Suppliers Index. Our Adjusted EBITDA margin for 2019 and 2020 was 15.5% and 13.7%, respectively. The data for 2021 considers an Adjusted EBITDA margin for the first quarter of 2021 of 16.3%:



Source: Nemak Financials / Bloomberg

- ***Experienced management team.*** Our senior management team has an average of 24 years of experience in the automotive 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.

- ***Comprehensive Approach to Sustainability.*** We strive to maximize value for our stakeholders while simultaneously minimizing our environmental impact. Our value proposition remains centered on devoting significant efforts to help our customers make their vehicles lighter and, therefore, more efficient in terms of energy consumption, which in turn enables them to achieve a variety of goals linked to the long-term sustainability objectives of their business, including meeting CO2 emissions and fuel-efficiency regulations, and consumer expectations regarding the performance and driving range of next-generation vehicles. As part of our efforts to drive innovation and shape the future of automotive lightweighting, we seek to harness our technology, operations, and business practices to contribute to the automotive industry's goal of reducing its carbon footprint. We understand that advancing technology is only part of the picture, and that we must also actively protect the environment, its people, and the communities where we operate.

Business Strategy

Our business strategy is based on strengthening 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 business 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 contain a high degree of manufacturing complexity. Customers are developing increasingly complex casting designs that 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. As a provider of state-of-the-art aluminum components, our objective is to drive organic growth in high value-added products with high barriers to entry and superior margins, and to 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.

- ***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. 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 respond better and more efficiently to the requirements of such programs. We plan to continue investing in these rapid-growth regions, leveraging our capacity to serve our clients globally, particularly in those regions that represent the greatest opportunities for future growth. A case in point is the facility in Chongqing, China, which has been operating since the first quarter of 2014. There is also a plant in Russia, which began operations at the end of 2015, as well as HPDC facilities in Mexico and Slovakia, which initiated production in 2017. In 2019, a new facility – the Electric Mobility Center – was built in Mexico, which is focused on producing components for electric vehicles and began production in 2020.

- ***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.

- ***Assure a leadership position in lightweight e-mobility and structural components.*** Weight reduction is a key lever for automakers to achieve goals linked to the long-term sustainability of their business, including meeting stricter CO_2 emissions and fuel economy regulations, and consumer expectations regarding vehicle performance and driving range. We believe that, as emissions regulations tighten and battery technologies advance, electric vehicles will become a significant source of growth for the automotive industry. In fact, a

wide array of OEMs have already announced their intentions or commitments to eliminate or reduce production of internal combustion engine vehicles, and increase or solely manufacture hybrid or fully electric vehicles within a specified period. Those vehicles include new components, such as battery housings and electric motor housings, which we can produce harnessing a variety of solutions ranging from casting, design simulation, prototyping, and alloy development to joining and assembly processes such as bonding, riveting, friction stir-welding, laser welding, and MIG and TIG welding, among others.

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 components that are currently built with steel and other metals 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, including electric vehicles, we believe that the aluminum structural components market will continue to grow. We believe that we are well situated to continue to strengthen our position as a provider of lightweighting solutions for structural applications and capture part of this growing market given our technical expertise spanning casting as well as joining and assembly processes.

As OEMs are working to minimize vehicle weight, we believe these components are viable candidates to be produced as aluminum castings, and that we are well positioned to capture a segment of that new market with our products. Some products we manufacture using casting processes also undergo an assembly process, which may require joining components to battery housings, for example, using different technologies such as riveting or friction stir welding. We have also made inroads into manufacturing fully assembled battery housings that do not contain cast parts. In addition, we believe that this wide portfolio of technologies enables us to provide value to our customers, and will help us to maintain and gain market share in the automotive industry.

- Since 2010, we have obtained 10 global clients with several high-volume production contracts for e-mobility and structural components, valued at approximately US$900 million annually. We expect to have initiated production of most of this business by 2023. During 2020, our revenue from our e-mobility and structural components business segment was approximately US$171 million. To increase efforts to achieve this market objective, we have teams that are fully dedicated to developing this business, which includes a specialized sales force, personnel in technological centers in Poland and Mexico and engineering teams in Germany, the United States, China, and Mexico. We believe that our technology portfolio and our global footprint will allow us to compete in this market, and to successfully meet the needs of our customers.

- ***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. This amount decreased to approximately 35% in 2013, then increased in subsequent years as a result of our efforts, and subsequently reached approximately 60% in 2020. Through renewed investment in this area, we anticipate outsourcing less of our machining of components and we believe that we may continue to increase the share of our production machined in-house in the next few years. 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.*** We will continue to selectively evaluate and pursue 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 and geography, and to 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.

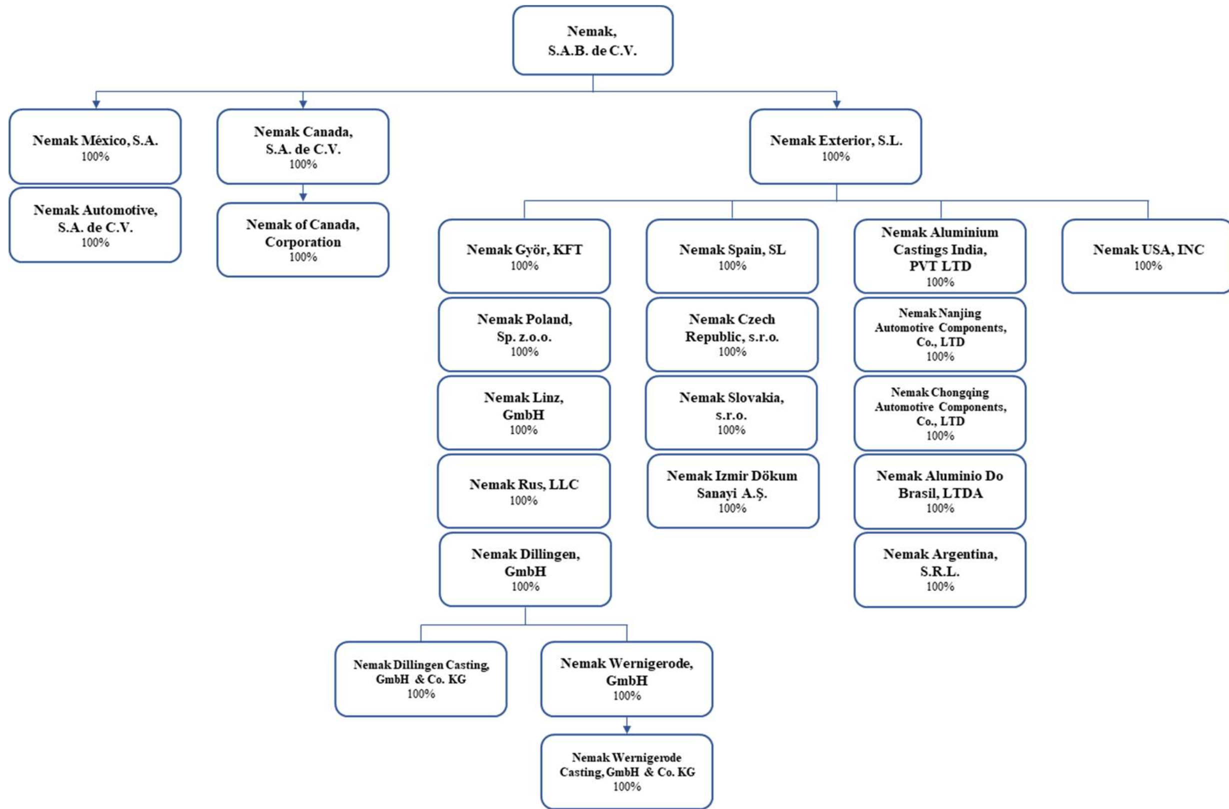
- ***Continue to be a leader in the automotive industry's transition towards sustainability.*** Our sustainability strategy is focused on enhancing our contributions over the long-term toward a more sustainable future. These strategic efforts include decarbonisation, a circularity and recycling strategy, energy and water management, health and safety management, and a social well-being and community framework. To manage these efforts and address our sustainability goals, we have created a dedicated sustainability team to improve global collaboration and multisite coordination and a climate task force responsible for developing and implementing its roadmap to net zero. Overall, based on our sustainability model, the following long-term goals have been established:

	Objective	Description
Empowerment	Climate Protection	Reduce GHG emissions Scopes 1 & 2 by 28% by 2030 based on 2019; Scope 3 by 14% by 2030 based on 2019, based on Science Based Targets methodology
	Energy Efficient & Renewable Energy	Continuous improvement and energy efficiency by implementing ISO 50001 in all Locations globally. Nemak will increase the percentage of renewable energy in its production processes to 25% by 2025, and to 70% by 2030
	Water & Waste	Minimize water withdrawals and ensure that wastewater discharge meets purity and water quality standards. Reduce the volume of the solid waste stream by implementing waste reduction and recycling programs
Economic Governance	Responsible Management	Continuous improvement in governance and sustainability practices using external ratings as benchmarks and guiding principles
	Responsible Supply Chain	Sustainability as a key fundamental prerequisite for building successful business relations along the value chain
	Circularity & product Stewardship	Continuously reduce the impact of Nemak's products by life cycle assessment of products
Social Well-Being	Diversity & Inclusion	Create an inclusive culture that reflects the diversity of the company and the communities in which the Company operates
	Stakeholder Engagement & Communities	Nemak continuously strives to implement stakeholder tools and mechanisms of interaction, as well as shared value-creating opportunities
	Health & Safety	Continuous reduction in the frequency and severity of actions measured by year-over year reduction in TRIR (20%), and 10% year-over-year reduction of incidents that result in temporary or permanent Lost-time or restrictions

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

We are a former subsidiary of Controladora Nemak, which, prior to the merger of Controladora Nemak with and into the Issuer (as described below), beneficially owned approximately 75.24% of our outstanding common shares, while the remaining 24.76% are publicly traded on the Mexican Stock Exchange. We understand that Controladora Nemak was substantially owned by the controlling shareholders of Alfa. In order to help achieve operating efficiencies and increase liquidity and valuation transparency in the Issuer's common shares, we merged Controladora Nemak with and into the Issuer on July 29, 2021, with the Issuer as the surviving company. See "Summary—Recent Developments—Nemak Spin-Off from Alfa and Merger of Controladora Nemak" and "Principal Shareholders." As of March 31, 2021, 4,152,599 shares were held in our treasury as a result of our share repurchase program.

Nemak is organized and exists under the laws of the United Mexican States since 1979. The Issuer is registered with the Public Register of Property and Commerce of the State of Nuevo León under commercial folio number 43888. Our corporate offices are located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, 66017 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, e-mobility, and structural components. Powertrain components consist of parts of the engine (cylinder heads, engine blocks and others), and transmission components (gearboxes, converter boxes and others). E-mobility components consist primarily of electric motor components (electric motor housings), battery housings, and gear reduction housings. Structural components make up an automobile's structure and chassis (pillars or posts, suspension bars, door structures, crossbars, motor brackets, suspension arms and others).

For the three-month period ended March 31, 2021 and the years ended December 31, 2020, 2019 and 2018, the majority of our revenue was generated from the sale of powertrain components; we started our e-mobility and structural 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 a 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.

E-Mobility Components

The main e-mobility components are electric motor housings, battery housings, and gear reduction housings. The electric motor 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 PHEVs, 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.

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, liftgates and connection tunnels, among other components.

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 that 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, and certain e-mobility and structural components.

Sand Package

Sand Package casting technology uses sand cores and molds instead of steel. Sand Package is particularly well suited for thin V-engine blocks. Similar to 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. Due to the possibility of integrating peripheral systems (for example, temperature control), this process has recently been adapted to manufacture battery housings and electric motor housings.

Low-Pressure Die Casting (LPDC)

This casting technology uses manufacturing processes similar to those used for GSPM and ROTACAST®, except that molten aluminum is slowly pumped into the mold from holding furnaces. LPDC produces a more consistent component compared to other casting technologies 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. LPDC technology is also used to manufacture certain e-mobility components.

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.

Machining

Part of the added value we offer our customers is in the machining of their cast parts. The machining content varies depending on the type of component and the needs of the customer. We have special lines, dedicated or flexible, for every product.

Assembly Technologies

Some of the products we manufacture, such as certain battery housings for hybrid and fully electric vehicles, undergo a casting process as well as an assembly process. Some components of those products, such as the cooling circuits and sealing caps, are welded to the housings using different technologies, including friction stir welding, among others. Furthermore, some structural components used in combustion-engine as well as electric propulsion vehicles are pre-assembled at our plants, thus increasing value for our customers.

We are also manufacturing fully assembled battery housings, which are housings that do not have any cast parts. This process consists of gluing, welding, and mechanically joining together dozens of individual components, all manufactured using different materials and manufacturing processes other than casting, such as stamping and extrusion.

Research and Development

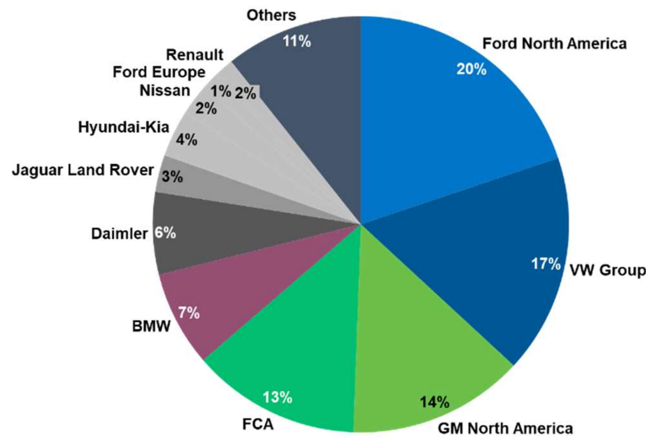
We have an R&D strategy with ten Product Development Centers ("PDCs") throughout the world, each specializing in a particular casting technology, that are located in: Monterrey (CPS, GSPM, LPDC, Assembly), Dillingen (CPS), Wernigerode (GSPM), Linz (ROTACAST®), Wisconsin (HPDC), Brazil (HPDC, ROTACAST®), Spain (HPDC), Nanjing (GSPM, LPDC), Chongqing (HPDC) and Poland (HPDC). All PDCs focus on the development of commercially viable casting technologies and improvement of existing ones. In 2020, R&D expenses were approximately 1% of our revenue, 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 further 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 for the three-month period ended March 31, 2021.

Q1 2021 Equivalent Volume Distribution by OEM[(1)]



(1) The "other" category includes American Axle, Borg Warner, Bosch, BRP, Cummins, Ford CAF, Ford India, Ford South America, Getrag, GM Holden, GM Korea, GM Shanghai, GM South America, GM Thai, International, IBC, Köhler, Lombardini, Magna, Nexteer, Opel, Pierburg, Samsung, Toyota, TRW, Vinfast and Volvo.

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, which 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 powertrain products directly to our customers' engine plants, whereas structural components and certain e-mobility components are delivered to the vehicle assembly plant. Most of our sales are ex works so our customers assume legal ownership and 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 one week in the United States. Our products destined for Europe or Australia are shipped by sea with an estimated delivery time of approximately six weeks. Cylinder heads and engine blocks produced in the United States 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

by sea 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 March 31, 2021, we had approximately 400 aluminum suppliers. We do not believe we depend on a single aluminum supplier, but among our most important aluminum suppliers are: Hydro Aluminum, Real Alloy, Alumetal, Huron Valley, Talum, and Continental Aluminum.

Aluminum is considered a commodity and we annually purchase approximately 830,000 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 provide daily quotes.

Sand

We use silicon sand as part of our core-manufacturing process, which requires certain special physical and chemical properties. The sand for cores is a recyclable product, therefore, to minimize its consumption and cost, and to incur less environmental impact, we use specific methods for non-hazardous waste and sand recovery plants at our different facilities.

Resins

We use phenol resins to create the sand cores used in the molding process. The function of the resins is to give cohesion to the sand to form the molds. Resins are not recoverable or recyclable, and we purchase our resins from a large base of suppliers.

Liners

We purchase liners mainly in Brazil, China, India, Mexico, and to a lesser extent in Poland, Germany, the United States, and Japan, according to our customers' specific needs.

Other Components

We purchase other components manufactured through stamping, extrusion or other manufacturing processes mainly used in the assembly of battery housings and complex structural and chassis parts.

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-Montupet, Martinrea Honsel, and Ryobi in North America; Linamar-Montupet, Martinrea Honsel, Georg Fischer, KS Aluminum and Magna Cosma in

Europe; Teksid Aluminum, FBA, Magal, 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

We hold a wide portfolio of trademark registrations, commercial advertisements and industrial designs. We have registered the name "Nemak" and our unique logo, as well as all of the trademarks used to produce our products in all of the regions where we operate. These trademarks, as well as the related commercial advertisements and industrial designs, are registered with the competent authorities of each country where they are used. 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, México. As of March 31, 2021, we had an estimated molding production capacity of approximately 65 million equivalent units, and 38 production plants at 22 sites in 15 countries, as shown in the table below.

Site (Location)	Region	Plants	Capabilities	Age	Size (m^2)
Monterrey (García, Nuevo León, Mexico)	North America	8	Cylinder Heads, Blocks, Trans, E-Mobility Comp., and Struct. Comp.	39	250,324
Saltillo (Ramos Arizpe, Coahuila, Mexico)	North America	2	Cylinder Heads, Blocks	22	42,500

Site (Location)	Region	Plants	Capabilities	Age	Size (m^2)
Monclova (Monclova, Coahuila, Mexico)	North America	2	Cylinder Heads, Blocks	24	50,400
Tennessee (Dickson, Tennessee, U.S.)	North America	1	Cylinder Heads	34	26,700
Alabama (Sylacauga, Alabama, U.S.)	North America	2	Blocks, E-Mobility Comp., and Structural Comp.	17	27,730
Wisconsin (Sheboygan, Wisconsin, U.S.)	North America	2	Blocks, Trans, E-Mobility Comp.	26	57,136
Kentucky (Glasgow, Kentucky, U.S.)	North America	1	Trans, E-Mobility Comp., and Others	21	42,271
Brazil (Betim, Minas Gerais, Brazil)	South America	2	Cylinder Heads, Blocks and Trans	45	60,900
Argentina (Córdoba, Argentina)	South America	1	Cylinder Heads, Others	45	8,900
Dillingen (Dillingen, Saarland, Germany)	Europe	2	Cylinder Heads, Blocks, E-Mobility Comp.	29	63,300
Czech Republic (Most, Czech Republic)	Europe	1	Cylinder Heads	18	34,565
Györ (Györ, Györ-Moson-Sopron, Hungary)	Europe	1	Cylinder Heads, Structural Comp.	28	24,900
Linz (Linz, Oberösterreich, Austria)	Europe	1	Cylinder Heads	39	13,000
Slovakia (Ziär, Banská Bystrica Region, Slovakia) (1)	Europe	2	Cylinder Heads, E-Mobility Comp., Structural Comp., and Others (2)	21	30,719
Wernigerode (Wernigerode, Saxony-Anhalt, Germany)	Europe	2	Cylinder Heads, Others (2)	28	48,430
Poland (Bielsko-Biala, Silesian Voivodeship, Poland)	Europe	2	Cylinder Heads, Blocks, Trans, E-Mobility Comp., and Struct. Comp.	45	62,000
Spain (Etxebarria, Bizkaia, Spain)	Europe	1	Trans, Others (2)	22	15,886
Russia (Ulyanovsk, Russia)	Europe	1	Cylinder Heads, Blocks	5	12,201
Turkey (Izmir, Turkey) (1)	Europe	1	Cylinder Heads, Others (2)	23	30,000
Nanjing (Nanjing, Jiangsu, China)	Asia	1	Cylinder Heads, Structural Comp.	15	11,250
India (Chennai, India)	Asia	1	Cylinder Heads, Blocks	8	17,235
Chongqing (Chongqing, China)	Asia	1	Blocks, Trans	8	9,000

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

(2) “Others” means other aluminum components.

The following map shows the locations of our facilities:

We believe that 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 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 March 31, 2021, we had approximately 18,000 hourly employees and approximately 4,000 salaried employees in 15 countries throughout the world. Most of our employees in Austria, Argentina, Brazil, 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

84% 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.

The following table shows the number of employees by geographic location as of December 31, 2020, 2019 and 2018 and as of March 31, 2021:

	As of December 31,			As of March 31,
	2018	**2019**	**2020**	**2021**
North America	14,592	14,193	13,020	13,485
Europe	7,703	6,855	6,981	7,449
Rest of the World	2,730	2,592	2,280	2,396
Total employees	25,025	23,640	22,281	23,330

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 believe there are no 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.

Canada Revenue Agency Claim

The Canada Revenue Agency ("CRA") has asserted a claim in respect of Goods and Services Tax and Harmonized Sales Tax ("GST/HST") in the total amount of approximately US$80 million, including interest. The CRA claims that we delivered products in Canada subject to the GST/HST. Nemak filed a notice of objection to the CRA arguing that such products were delivered elsewhere and that its clients acted as importers of record into Canada. In case the CRA rejects the objection, we may appeal such decision before the Tax Court of Canada. Any judgments of the Tax Court of Canada may be reviewed by the Federal Court of Appeal and, ultimately, by the Supreme Court of Canada. We have not made any reserve in respect of such claim by the CRA and, while no assurance can be provided as to the ultimate outcome of such claim, we believe that we have meritorious objections in respect of such claim.

Union Grievance regarding Windsor, Canada Plant Closure

Unifor Local 200 (the "Union") submitted a grievance alleging that Nemak closed its Windsor manufacturing facility in violation of a collective agreement between the parties. Nemak denies the alleged violation and argues that it had a right to close its operations and that the plant closure was conducted in compliance with the collective agreement. On November 29, 2019, the arbitrator presiding over the hearing issued a decision dismissing the Union's grievance. The Union then appealed the dismissal to the Ontario Divisional Court (2020 ONSC 5944). The Divisional Court reversed the arbitrator's decision and remanded the grievance requesting the arbitrator to issue a new decision. On May 6, 2021, the arbitrator issued a new decision accepting the Union's grievance alleging that Nemak's actions were in violation of the collective agreement between the parties. In his decision, the arbitrator did not determine the amount of damages, and remitted the issue of determining an appropriate remedy back to the parties.

MANAGEMENT

Board of Directors

Our Board of Directors, comprised of 12 members, 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 March 11, 2021. The business address of our directors is that of our principal office. Except as disclosed in this offering memorandum, the members of our Board of Directors and our executive officers have no conflicts of interest with us.

Name	Age	Title
Armando Garza Sada	63	Board Member – Co-Chairman
Álvaro Fernández Garza	53	Board Member – Co-Chairman
Juan Carlos Calderón Rojas	56	Independent Board Member
Robert J. Fascetti	59	Independent Board Member
Eugenio Garza Herrera	64	Independent Board Member
Fabiola Garza Sada	51	Board Member
Eduardo Garza T. Fernández	72	Independent Board Member
Antón Mauricio Fernández Zambrano	39	Board Member
Gary Lapidus	60	Independent Board Member
David J. Filipe	54	Board Member
Michael W. Felix	55	Board Member
Adrián G. Sada Cueva	45	Board Member

Armando Garza Sada. Mr. Garza Sada is Co-Chairman of the Board of Directors of the Issuer and the Chairman of the board of directors of Alfa. Mr. Garza Sada is a member of the boards of Axtel, BBVA Bancomer, Cemex, Grupo Lamosa and Liverpool. 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 Co-Chairman of the Board of Directors of the Issuer and the President of Alfa. Prior to his current position, he was President of Sigma Alimentos, S.A. de C.V. He is a member of the boards of Banco Nacional de México, S.A. (Citibanamex), Vitro, Cydsa, Grupo Agropecuario del Pacífico and the Chairman of Universidad de Monterrey. He earned a degree in Economics from Notre Dame University, a Master's degree from Instituto Tecnológico y de Estudios Superiores de Monterrey ("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 Vice President of Experience and Engagement of Employees at Sigma Alimentos. 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 former Vice President of Powertrain Engineering at Ford Motor Company. He served for more than 29 years in powertrain and product development roles at Ford Motor Company. 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 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, Banco Nacional de México, S.A. (Citibanamex), Endeavor Mexico, Cydsa, México Evalúa, Arcelor Mittal México, Akaan, and Centro Roberto Garza Sada de Arte, Arquitectura y Diseño of Universidad de Monterrey, and the Chairman of Pak2Go and Maixico. 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 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 in 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 since March 2012. He participates as counsel in various companies, organizations and institutions of technical and higher education, which include the ITESM, BBVA Mexico, Consejo Nuevo León para la Planeación Estratégica, and Grupo Ragasa. He received a Civil Engineering degree from ITESM.

Michael W. Felix. Mr. Felix has been a Nemak Board Member since February 2020. Mr. Felix has more than 30 years of experience in manufacturing, engineering, and global strategy development with Ford Motor Company. He currently serves as Director of Manufacturing – North America at Ford Motor Company.

Antón Mauricio Fernández Zambrano. Mr. Fernández Zambrano has been a Nemak Board Member since March 2021. He is the Director of Administration and Planning at Indelpro, and a member of the board of directors of the Mexican Association of the Chemical Industry (ANIQ). He holds an MBA from Wharton School of the University of Pennsylvania. Mr. Fernández Zambrano is nephew of Mr. Álvaro Fernández Garza.

David J. Filipe. Mr. Filipe has been a Nemak Board Member since December 2017. Mr. Filipe has more than 29 years of powertrain and vehicle programs experience with multiple global assignments at Ford Motor Company. He leads all vehicle hardware development and systems integration of exterior, interior, underbody, ICE powertrain, and electrified modules.

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.

Adrián G. Sada Cueva. Mr. Sada Cueva is President of Vitro. He is a member of the board of directors of Grupo Financiero Banorte and Dallas Museum of Art. He is also a member of the boards of directors of civil associations, wildlife organizations, Salinas of the Pacific, and Club Deportivo Cazadores Monterrey. At Vitro, he has served as President of Envases, Operating Director of Envases, Director General of Administration and Finance of Envases, General Manager of Vitro Automotriz and President of Vitro Cristalglass, S.L. He has a degree in Business Administration from ITESM and an MBA from Stanford Graduate School of Business.

Board Practices

Our Board of Directors is composed of twelve members appointed in accordance with our by-laws.
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
Eugenio Garza Herrera	Chairman
Eduardo Garza T. Fernández	Member
Juan Carlos Calderón Rojas	Member

Senior Officers

Name	Age	Position	Years in the Automotive Industry
Armando Tamez Martínez	66	Chief Executive Officer	37
Alberto Sada Medina	52	Chief Financial Officer	29
Marc Winterhalter	51	Vice President of Purchasing and Sustainability	25
José Ernesto Sáenz Díaz	55	Vice President of Manufacturing and Product Development	25
Rolf Deusinger	63	Vice President of Human Resources	2
Dirk Barschkett	56	Vice President of Sales and Marketing	29
Knut Bentin	57	Mexico Business Unit Director	23
Klaus Lellig	57	Europe and Asia Business Unit Director	24
Luis Manuel Peña Cavazos	48	U.S., Canada and South America Business Unit Director	24

Armando Tamez Martínez. Mr. Tamez has worked at Nemak for the past 37 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 February 1, 2013, he officially became President and CEO and still holds that position. Mr. Tamez holds a Bachelor's of Science degree in Industrial Engineering from ITESM and a Master's degree in Administration and Engineering from George Washington University.

Alberto Sada Medina. Mr. Sada has worked at Nemak for the past 27 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.

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 has a degree from the Karlsruhe Institute of Technology in Germany.

José Ernesto Sáenz 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, including South America Operations and Product Development Director and Plant Manager in Monterrey, the Czech Republic, Argentina and Brazil.

Rolf Deusinger. Mr. Deusinger was appointed Director of Human Resources in 2019, shortly after joining Nemak. He has more than 30 years of experience in different human resources positions at multinational companies. He has a degree from the University of Mannheim in Germany.

Dirk Barschkett. Mr. Barschkett is the Director of Sales and Marketing. He joined Nemak in 2013 with more than 29 years of experience in the casting and automotive sectors in executive positions in sales, operations, project management, engineering, and business development. He was named Director of Sales and Marketing in 2019. He has a degree from RWTH Aachen University, and a Master's degrees from RWTH Aachen University and from the University of London

Knut Bentin. Mr. Bentin is currently serving as Mexico Business Unit Director. 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 in 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 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.

Luis Manuel Peña Cavazos. Mr. Peña is our USA, Canada & South America Business Unit Director. Mr. Peña has 24 years of professional experience at Nemak. He has occupied positions in Strategic Planning, Program Management, and Operations. After certain of Nemak's 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, 2020, 2019 and 2018 were Ps. 132 million, Ps. 142 million and Ps. 143 million, respectively. These amounts are comprised of base salary and social benefits, and are supplemented mainly by a variable compensation program in place for our Directors and Executive Officers based on our results and the average price of Company shares, 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 the Company and to a lesser extent on the performance of Company 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) compliance with all applicable legislation, regulations, statutory rules and guidelines. Our Board of Directors is responsible for establishing and maintaining our internal controls. 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 former subsidiary of Controladora Nemak, which, prior to the merger of Controladora Nemak with and into the Issuer, beneficially owned 75.24% of our outstanding common shares. We understand that Controladora Nemak was substantially owned by the controlling shareholders of Alfa. In order to help achieve operating efficiencies and increase liquidity and valuation transparency in the Issuer's common shares, we merged Controladora Nemak with and into the Issuer on July 29, 2021, with the Issuer as the surviving company. See "Summary—Recent Developments—Nemak Spin-Off from Alfa and Merger of Controladora Nemak."

The table below sets forth certain information regarding the ownership of our capital structure prior to the merger of Controladora Nemak with an into the Issuer.

Shareholder	Number of shares	%
Controladora Nemak, S.A.B. de C.V.	2,317,921,869	75.24%
Public float	762,825,455	24.76%
Total	3,080,747,324	100.0%

Nemak's common shares are listed on the Mexican Stock Exchange. To the best of our knowledge, none of our officers or directors own more than 1% of our common shares. As of March 31, 2021, 4,152,599 shares were held in our treasury as a result of our share repurchase program.

RELATED PARTY TRANSACTIONS

Related Party Transactions

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

Transactions with related parties during the years ended December 31, 2020, 2019 and 2018 were as follows:

	For the Year Ended December 31,			
	2020	**2020**	**2019**	**2018**
	(US$)[1]	**(Ps.)**	**(Ps.)**	**(Ps.)**
Sales revenues and other:				
Finished goods:				
Ford ……………………………	641	13,772	18,724	22,889
Finished goods …………………...	641	13,772	18,724	22,889
Interest:				
Alfa ..…………………………..	-	2	41	44
Associates [2] …………………	-	2	5	-
Interest …………………………...	-	4	46	44
Others:				
Associates [2] …………………..	12	266	273	255
Others ……………………………	12	266	273	255
Cost of sales and other expenses:				
Administrative services:				
Alfa ……………………………	2	43	-	-
Affiliates ………………………	-	-	78	89
Administrative services …………..	2	43	78	89
Other cost and expenses:				
Affiliates ………………………	5	97	-	-
Associates [2] …………………..	-	-	166	249
Other cost and expenses ………….	5	97	166	249
Dividends paid:				
Alfa……………………..............	10	231	1,825	2,468
Ford ……………………………	-	-	119	179
Dividends paid …………………...	10	231	1,944	2,647

	As of December 31,			
	2020	**2020**	**2019**	**2018**
	(US$)[1]	**(Ps.)**	**(Ps.)**	**(Ps.)**
Outstanding accounts receivable (including capital and interest):				
Current:				
Alfa ……………………………	4	80	76	71
Ford ………………………….....	44	882	602	1,093

Affiliates ………………………	-	-	-	18
Associates ……………………..	6	114	101	95
Current …………………………...	54	1,076	779	1,277
Non-current:				
Alfa……………………..............	-	-	-	706
Associates ……………………..	-	-	2	-
Non-current ………………………	-	-	2	706
Outstanding accounts payable:				
Current:				
Affiliates ………………………	-	-	-	36
Associates (2) …………………..	2	43	53	-
Current …………………………...	2	43	53	36

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 19.9487 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2020, with respect to statement of financial position data and (ii) the daily average of the Official Exchange Rate on each day during the year ended December 31, 2020, 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.

	For the Three-Month Periods March 31,		
	2021	**2021**	**2020**
Revenue from sales and others to related parties	(US$)[1]	(Ps.)	(Ps.)
Finished products	209	4,257	4,011
Interest	-	1	-
Other	5	102	114
Cost of services and other expenses with related parties			
Administrative services	1	21	18
Other costs and expenses	-	9	9

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 20.6047 per U.S. Dollar, the Official Exchange Rate in effect on March 31, 2021, with respect to statement of financial position data and (ii) in order to more closely approximate the figures presented in U.S. Dollars and particularly given the volatility in exchange rates in recent years, we utilized the daily average of the Official Exchange Rate on each day during the three-month period ended March 31, 2021, 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."

Services Provided by Alfa and its subsidiaries

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 Alfa's subsidiaries 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

We issued €500,000,000 aggregate principal amount of 2.250% Senior Notes due 2028 under an indenture dated as of July 20, 2021 (the "indenture") entered into by and among the Company (as defined below), The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the indenture) and The Bank of New York Mellon, London Branch, as paying agent. Copies of the indenture, including the form of notes, are available for inspection during normal business hours at the offices of the trustee. The trustee will also act as transfer agent and registrar if we issue certificates for the notes in definitive registered form.

This Description of the Notes is a summary of the material provisions of the notes and the indenture. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including our obligations and your rights.

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," the "Issuer" or "Nemak," we mean Nemak, S.A.B. de C.V. (parent company only) and not its Subsidiaries; 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 our senior unsecured obligations (junior to certain statutory obligations given preference under applicable law, including labor, social security and tax claims);
- will initially be limited to an aggregate principal amount of €500,000,000;
- will mature at 100% of their principal amount then outstanding on July 20, 2028;
- will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof;
- will not be convertible into any other security or have the benefit of a sinking fund; and
- 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.

We will initially issue €500,000,000 aggregate principal amount of notes, but may, subject to the limitations set forth under "—Covenants," issue an unlimited principal amount of the notes under the indenture. We may, without your consent, issue additional notes (together, the "additional notes") in one or more transactions, which have substantially identical terms (other than issue price, Issue Date and date from which the interest will accrue) as the 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) pursuant to a "qualified reopening" for U.S. federal income tax purposes, (ii) with no more than a de minimis amount of original issue discount or (iii) otherwise as part of the same "issue" 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.

Interest on the notes:

- will accrue at the rate of 2.250% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;

- will be payable in cash, annually in arrears on July 20 of each year, commencing on July 20, 2022;
- will be payable to the Persons in whose name the notes are registered at the close of business on the July 5 immediately preceding each interest payment date; and
- will be computed on the basis of a 365-day year or 366-day year (in the event of a leap year).

From and including July 20, 2027 (the "Interest Rate Step Up Date"), the interest rate payable on the Notes shall be increased by 25 basis points to 2.500% per annum (the "Subsequent Rate of Interest") unless, in respect of the year ended December 31, 2026: (i) the Sustainability Performance Target (as defined below) has been satisfied and (ii) the satisfaction of the Sustainability Performance Target has been confirmed by the External Verifier (as defined below) in accordance with its customary procedures. At least 30 days prior to the Interest Rate Step Up Date (the "Notification Date"), the Company shall notify the trustee in writing of the interest rate that shall be payable on the Notes as from the Interest Rate Step Up Date (the "Satisfaction Notice"). If as of the Notification Date (x) the Company fails, or is unable, to provide the Satisfaction Notice, (y) the Sustainability Performance Target has not been satisfied or (z) the External Verifier has not confirmed satisfaction of the Sustainability Performance Target, the Subsequent Rate of Interest will apply for each interest period from and including the Interest Rate Step Up Date up to, and including, the maturity date.

Principal of, and interest, including any Additional Amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively.

Ranking of the Notes

The notes will constitute our direct senior unsecured obligations. The notes will rank at least *pari passu* in priority of payment with each other and 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, obligations under the notes would be:

- equal in right of payment to all other of our existing and future senior unsecured indebtedness;
- junior to certain statutory obligations given preference under applicable law, including labor, social security and tax claims;
- effectively subordinated to all of our existing and future indebtedness secured by our assets, to the extent of the value of the assets securing such indebtedness; and
- structurally subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of our Subsidiaries.

As of March 31, 2021, we and our Subsidiaries had total consolidated indebtedness of Ps.31,479 million (US$1,528 million). Of this amount:

- Ps 22,269 million (US$ 1,081 million) was unsecured indebtedness consisting of the Issuer's outstanding EUR€500 million 3.250% senior notes due 2024 and US$500 million 4.750% senior notes due 2025 (including the related subsidiary guarantees),
- Ps. 5,455 million (US$265 million) was additional unsecured indebtedness of the Issuer and the Subsidiaries that may be required to become guarantors of the notes under the circumstances described under "—Additional Guarantors", to which the notes will be structurally subordinated to the extent that such Subsidiaries are not required to become guarantors of the notes,
- Ps. 3,750 million (US$182 million) was indebtedness of the Issuer's non-guarantor Subsidiaries, to which the notes will be structurally subordinated, and

- Ps. 5 million (US$0.2 million) was secured indebtedness of the Issuer, to which the notes will be effectively subordinated to the extent of the value of the assets securing such indebtedness.

- After giving effect to the incurrence of US$500 million of debt in June 2021 under the New USD Notes (US$497 million, net of debt issuance costs) and the redemption in whole of the Nemak 2025 Notes, which are scheduled to be redeemed on July 29, 2021, we would have had total consolidated indebtedness of Ps. 31,392 million (US$1,525 million) as of March 31, 2021.

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, Canary Wharf, London E14 5AL, England. 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.

Form, Denomination and Title

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 and registered in the name of the nominee of the common depository for the accounts of 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.

Title to the notes will pass by registration in the register. The registered holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and

regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Redemption

No sinking fund is provided for the notes.

We will give not less than 30 days' nor more than 60 days' notice of any optional redemption to holders of the notes, which notice will be irrevocable and will be given to the registered holder of notes and published in Ireland as described in "—Notices" below.

On and after the redemption date, interest on the notes or any portion of the notes called for redemption will cease to accrue (unless we default in the payment of the redemption price and accrued interest). By 11:00 a.m. (London time) on the business day prior to the redemption date, we will deposit with the trustee funds sufficient to pay the redemption price and accrued interest, through the redemption date, on the notes subject to redemption. If the redemption date falls after a record date but on or prior to the corresponding interest payment date, we will pay accrued interest to the holder of record of notes on the corresponding record date, which may or may not be the Person who will receive payment of the redemption price (which will exclude such accrued interest). If less than all of the notes are to be redeemed, the notes to be redeemed will be selected by the trustee by lot or by such method in accordance with the depositary's procedures.

Optional Make-Whole Redemption

The notes will be redeemable, in whole or in part, at our option at any time and from time to time, prior to April 20, 2028 (three months prior to the scheduled maturity of the notes) (the "Par Call Date"), at a redemption price, as calculated by us, equal to the greater of (i) 100% of the then-outstanding principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon as if redeemed on the Par Call Date (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (assuming a 365-day year or 366-day year (in the event of a leap year)) at the applicable Comparable Government Bond Price plus 40 basis points, plus in each case accrued and unpaid interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto. The value of the unpaid interest and additional amounts will be calculated using the Subsequent Interest Rate, unless the Sustainability Performance Target has been satisfied and the Company has provided the Satisfaction Notice to the trustee, in which case the initial rate of interest will be used for making the calculation.

"*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 comparable maturity to the Par Call Date of the series of notes to be redeemed; provided, however, that, if the applicable Par Call Date is not equal to the actual maturity of the Comparable Government security selected by such Reference Government Bond Dealer, the Comparable Government Bond Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year from the yield of German Bundesanleihe securities for which such yields are given except that if the remaining term to the applicable Par Call Date is less than one year, a fixed maturity of one year shall be used).

"*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, as of such redemption date of the Comparable Government Bond, assuming 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.

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

"Reference Government Bond Dealer" means each of Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas and HSBC Bank plc, or their respective affiliates or successors which are primary Comparable Government Bond dealers, and no less than two other leading primary Comparable Government Bond dealer, dealers in The City of New York 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 shall substitute therefor another Primary Comparable 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 without a Make-Whole Premium

The notes will be redeemable, in whole or in part, at the Company's option at any time and from time to time, commencing on April 20, 2028 (three months prior to the scheduled maturity of the notes), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption and any Additional Amounts payable with respect thereto.

Optional Redemption upon Tax Event

We may at any time redeem the notes, at our option, in whole, but not in part, at a redemption price equal to 100% of the then-outstanding principal amount of the notes, plus accrued and unpaid interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto if we certify to the trustee (in the manner prescribed below) that:

(a) we have or will become obligated to pay Additional Amounts in connection with payments of interest, or amounts deemed interest, on the notes in respect of withholding taxes imposed at a rate in excess of a 4.9% rate (the "Excess Additional Amounts") as a result of any generally applicable change in or amendment to the laws or regulations of a Relevant Jurisdiction having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the later of the date of issuance of the notes and the date that a Relevant Jurisdiction becomes a Relevant Jurisdiction; and

(b) such obligation cannot be avoided by taking reasonable measures available to us;

provided, *however*, that the notice of redemption, which will specify the date of redemption and redemption price, will not be given earlier than 60 days before the earliest date on which we would be obligated to pay such Excess Additional Amounts if a payment in respect of the notes were then due.

No later than 15 days (unless a shorter period is acceptable to the trustee) before giving any notice of redemption as described in the preceding paragraphs, we will deliver an officer's certificate to the trustee stating that we are entitled to effect such redemption in accordance with the terms of the indenture and setting forth in reasonable detail a statement of facts relating thereto. The officer's certificate will be accompanied by a written opinion of recognized independent counsel experienced in tax and other related matters in the Relevant Jurisdiction to the effect that:

- we have or will become obligated to pay the Excess Additional Amounts as a result of such change or amendment; and
- 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.

Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, the holders of the notes will have the right to require us to purchase all or a portion of such holders' notes (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) pursuant to a Change of Control Offer (as defined below) at a purchase price equal to 101% of the then-outstanding principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase and any Additional Amounts payable with respect thereto (the "Change of Control Payment" and the date of such purchase, the "Change of Control Payment Date"), in accordance with the procedures set forth below. If the date of purchase is on a date that is after a record date and on or prior to the corresponding interest payment date, we will pay such interest to the holder of record on the corresponding record date, which may or may not be the same Person to whom we will pay the purchase price.

Within 30 days following the consummation of any transaction constituting a Change of Control Triggering Event, we will send, in accordance with "—Notices" below, a notice to each holder of notes with a copy to the trustee (the "Change of Control Offer") and publish the notice in a newspaper having a general circulation in Mexico, the United States and, as long as the notes are listed on the Official List of Euronext Dublin and trading on the Global Exchange Market of Euronext Dublin and the rules of such exchange so require, in Ireland. Our failure to give notice in the manner described herein will not affect the rights of the holders to require us to purchase the notes. The notice of the Change of Control Offer will state, among other things:

(a) that a Change of Control Triggering Event has occurred and that such holder has the right to require us to purchase all or a portion of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date) and any Additional Amounts payable with respect thereto;

(b) the circumstances and relevant facts regarding such Change of Control Triggering Event;

(c) the Change of Control Payment Date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law;

(d) the jurisdiction of incorporation of the successor controlling entity; and

(e) the instructions, as determined by us, consistent with the covenant described hereunder, that a holder of notes must follow in order to have its notes purchased.

By 11:00 a.m. (London time) on the business day prior to the Change of Control Payment Date, we will 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 portion thereof so tendered.

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

(a) accept for payment all notes or portions thereof properly tendered pursuant to the Change of Control Offer; and

(b) deliver or cause to be delivered for cancellation to the trustee the notes so accepted together with an officer's certificate stating the aggregate principal amount of notes or portions thereof we are purchasing.

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 not purchased will be issued in the name of the holder of such note upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate). The minimum amount of such new note will be €100,000.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of the notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the

provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

We will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes a 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 and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

Open Market Purchases

We may at any time purchase notes in the open market or otherwise at any price.

Transfer of Notes

A holder may transfer or exchange notes in definitive form, in whole or in part, in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed or otherwise provided to, at the risk of, the holder entitled to the note to such address as may be specified in such request or form of transfer.

The notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions." Transfer of beneficial interests in the global notes will be effected only through records maintained by Euroclear and Clearstream.

Transfers will be effected, on our behalf, without charge by the registrar or the transfer agents, but upon payment, or the giving of such indemnity or security as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. We are not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by us in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature, including and any fines, penalties or interest related thereto ("Taxes"), imposed or levied by or on behalf of a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, we will pay to each holder of a note such additional amounts ("Additional Amounts") as may be necessary in order that every net payment made to the holder on each note after deduction or withholding for or on account of any Tax imposed upon or as a result of such payment by such Relevant Jurisdiction will not be less than the amount then due and payable on such note; it being understood that the payment of such Additional Amounts will be deemed and construed by us as additional interest for tax purposes in the applicable Relevant Jurisdiction. The foregoing obligation to pay Additional Amounts to any holder of notes, however, will not apply to or in respect of:

(a) any Tax which would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the note (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation), on the one hand, and the applicable Relevant Jurisdiction, on the other hand (including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment for tax purposes therein), other than the mere purchase of the notes, or receipt of a payment or the ownership or holding of such note;

(b) any Tax which would not have been so imposed but for the presentation of a note for payment on a date more than 20 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 20-day period (and no Additional Amounts shall be paid for or on account of any additional withholdings or deductions that arise as a result of such presentment after such 20-day period);

(c) Taxes which would not have been imposed but for the failure of such holder or other Person having a beneficial interest in the notes to comply with any certification, identification, information or other reporting requirements concerning the nationality, residence, identity or connection with the applicable Relevant Jurisdiction of the holder or beneficial owner of the notes if (i) such compliance is required or imposed by law as a precondition to exemption or reduction from all or a part of such Tax and (ii) at least 30 days prior to the date on which we will apply this item (c), we shall have notified all holders of notes that some or all holders and beneficial owners of notes will be required to comply with any such requirement;

(d) any estate, inheritance, gift, sales, transfer, excise or personal property or similar Tax imposed with respect to the notes;

(e) any Tax which is payable other than by deduction or withholding from payments on the note;

(f) any Tax imposed with respect to a payment on any note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive payment of the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note;

(g) any Tax imposed under Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") 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 Internal Revenue 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

(h) any combination of the above.

The limitations on our obligations to pay Additional Amounts set forth in item (c) above shall not apply if (i) the provision of information, documentation or other evidence described in such item (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to comply with for 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 (including temporary or proposed regulations) and administrative practice, or (ii) Article 166, Section II, paragraph a) of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) (or a substitute or equivalent provision, whether included in any law, rule or regulation) is in effect, unless (A) the provision of the information, documentation or other evidence described in such item (c) above is expressly required by the applicable Mexican laws and regulations in order to apply Article 166, Section II, paragraph a) of the Mexican Income Tax Law (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, such item (c) above does not require, and shall not be construed to require, that any holder, including any non-Mexican pension fund, retirement fund, tax-exempt organization or financial institution, register with, or notify or provide information to, the 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 taxes.

We will also pay when due any present or future stamp, court or documentary Taxes or any other excise or property Taxes, which arise in Mexico (or any other jurisdiction in which we are organized or resident for tax

purposes) from the initial execution, delivery or registration of the notes or the indenture or any document or instrument required under the notes or the indenture, including any such Taxes imposed by any jurisdiction 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, we will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, a certified copy thereof) evidencing any payment of Taxes in respect of which we have paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

In the event that Additional Amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding Taxes in excess of the appropriate rate applicable to the holder or beneficial owner of such notes, and as a result thereof such holder or beneficial owner is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding Tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto, including taking any action for such refund to be repaid.

For the avoidance of doubt, in the event of any merger or other transaction described and permitted under "—Covenants—Limitation on Consolidation, Merger and Transfer of Assets," then all references to a Relevant Jurisdiction under this section and under "—Redemption—Optional Redemption upon Tax Event" shall include references to the applicable jurisdiction of the Successor Company (as defined below).

All references in this offering memorandum to principal (and premium, if any) payable on the maturity date of the notes, or upon any optional redemption, or to interest payable on the notes will include any Additional Amounts payable by us in respect of such principal (and premium, if any) and such interest.

Covenants

The indenture will contain the following covenants in addition to customary covenants regarding maintenance of office or agency, maintenance of corporate existence and payments of Taxes and claims:

Limitation on Liens

We will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any of our or such Subsidiary's Specified Property now owned or hereafter acquired by us or such Subsidiary securing any Debt, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Debt for so long as such Debt is so secured. The preceding sentence will not require us or any Subsidiary to equally and ratably secure the notes if the Lien consists of the following:

(a) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in items (b), (c), (d) or (n) below; *provided*, *however*, that the total amount of Debt so secured is not increased;

(b) any Lien on any property or assets securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; *provided* that (i) the aggregate principal amount of Debt secured by the Lien will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (ii) the Lien is incurred before, or within 180 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets (other than any of the property or assets acquired in connection with any such acquisition, construction or improvement) owned by us or any Subsidiary; and *provided*, *further*, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the Person so acquired;

(c) any Lien securing Debt 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 Debt expressly agree to limit their

collateral in respect of such Debt 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 Subsidiary;

(d) any Lien existing on any property or assets of any Person before that Person's acquisition by, merger into or consolidation with us or any Subsidiary after the date of the indenture; *provided* that (i) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (ii) the Debt secured by the Liens may not exceed the Debt secured on the date of such acquisition, merger or consolidation, (iii) the Lien will not apply to any other property or assets (other than any of the property or assets in connection with any such acquisition, merger or consolidation) owned by us or any of our Subsidiaries and (iv) the Lien will secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(e) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', suppliers', materialmen's, repairmen's, warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(f) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal notes in proceedings being contested in good faith to which we or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which we or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(g) any Lien in the nature of title retention arrangements (including extended retention of title arrangements) with sellers in connection with purchases incurred by us in the ordinary course of business;

(h) any Lien in favor of issuers of surety notes or letters of credit issued pursuant to the request of and for the account of the Company or any Subsidiary in the ordinary course of business;

(i) any Lien securing taxes, assessments or other governmental charges, the payment of which is not yet due or that are being contested in good faith by appropriate proceedings and for which reserves or other appropriate provisions, if any, have been established as required by IFRS;

(j) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(k) any liens or rights of set-off of any Person with respect to any deposit account of the Company or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction;

(l) any Liens granted, directly or indirectly, to secure borrowings from (i) Banco Nacional de Obras y Servicios Públicos, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo (BANOBRAS), Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo (NAFIN), or any other Mexican governmental development bank or government credit institution or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official, export-import credit insurer;

(m) any Lien which secures any Hedging Obligations;

(n) any Lien which secures Debt owing by any Subsidiary to us or any other Subsidiary;

(o) any Lien which secures Debt of any Joint Venture Company; and

(p) in addition to the foregoing Liens set forth in items (a) through (o) above, Liens securing Debt of the Company or any Subsidiary (including, without limitation, guarantees of the Company or any Subsidiary) which do not in aggregate principal amount (without duplication), together with the aggregate amount of the Attributable Value of sale and leaseback transactions entered into (without duplication) pursuant to the third paragraph under "Limitation on Sale and Leaseback Transactions," at any time of determination, exceed the greater of US$650 million (or the equivalent in other currencies) and 15% of the Company's Consolidated Tangible Assets.

Limitation on Sale and Leaseback Transactions

We will not, nor will we permit any of our Subsidiaries to, enter into any sale and leaseback transaction with respect to any Specified Property of ours or of any of our Subsidiaries, unless, concurrently with such sale and leaseback transaction, the notes are secured equally and ratably with (or prior to) such sale and leaseback transaction, unless after giving effect thereto:

(a) we or such Subsidiary would be entitled pursuant to the provisions of the indenture described under "—Limitation on Liens" (other than paragraph (p)) to issue or assume Debt (in an amount equal to the Attributable Value with respect to such sale and leaseback transactions) secured by a Lien on such Specified Property without equally and ratably securing the notes; or

(b) we or such Subsidiary apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net cash proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Specified Property so leased (as determined in good faith by our Board of Directors), (a) to the retirement, within 12 months after the effective date of such sale and leaseback transaction, of (i) our Debt ranking at least on a parity with the notes or (ii) Debt of any Subsidiary, in each case owing to a Person other than us or any of our affiliates, or (b) to the acquisition, purchase, construction, development, extension or improvement of any of our or our Subsidiaries' fixed or capital assets or other real and tangible property, plant or equipment to be used by or for the benefit of us or any of our Subsidiaries, in each case, in the ordinary course of business.

These restrictions will not apply to (i) transactions providing for a lease term, including any renewal, of not more than three years and (ii) transactions between us and any of our Subsidiaries or between any of our Subsidiaries.

Notwithstanding the foregoing, the Company or any Subsidiary may enter into a sale and leaseback transaction which would otherwise be prohibited under the provisions of the indenture described in this "Limitation on Sale and Leaseback Transactions" section provided that the Attributable Value of such sale and leaseback transaction (without duplication) of the Company and its Subsidiaries measured at the closing date of such sale and leaseback transaction together with the Attributable Value of sale and leaseback transactions previously incurred (without duplication) pursuant to this paragraph by the Company and its Subsidiaries and the aggregate amount (without duplication) of Debt (including, without limitation, guarantees of the Company or any Subsidiary) incurred under "—Limitation on Liens" outstanding at such time, will not exceed the greater of US$650 million (or the equivalent in other currencies) and 15% of the Company's Consolidated Tangible Assets.

Limitation on Consolidation, Merger and Transfer of Assets

We will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our assets to, any Person, unless:

(a) the resulting, surviving or transferee Person (if not the Company) (the "Successor Company") will be a Person organized and existing under the laws of Mexico, the United States, any State thereof or the District of Columbia, any other country that is a member state of the European Union or of the Organization for Economic Cooperation and Development and such Person expressly assumes, by supplemental indenture to the indenture, executed and delivered to the trustee, all of our obligations under the notes and the indenture;

(b) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(c) we will have delivered to the trustee an officers' certificate and an opinion of legal counsel (which may be in-house counsel to the Company), each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

The trustee will accept such certificates and opinions as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Additional Guarantees

In the event any of the Company's Old Notes remain outstanding after November 30, 2021, the Company will cause the new notes to be guaranteed on a *pari passu* basis by any guarantors of the Old Notes for so long as such Old Notes remain outstanding. Any such guarantees of the notes shall be effected by delivery to the trustee of a supplemental indenture to the indenture and legal opinions and certificates evidencing the validity and enforceability of such guarantees.

The Old Notes were redeemed in full as of August 19, 2021.

Reporting Requirements

We 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 consolidated quarterly financial statements prepared in accordance with IAS 34, 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);

(c) without duplication, upon request, English language versions or summaries in electronic format of such other reports or notices as may be filed or submitted by (and within 10 days after filing or submission by) us with (i) the CNBV and (ii) the Global Exchange Market of the Euronext Dublin, or any other stock exchange on which the notes may be listed, in each case, to the extent that any such report or notice is generally available to our security holders or the public in Mexico or elsewhere, *provided*, *however*, that we shall not be required to furnish such information to the extent such information is available on our website or to the extent that the information contained therein is not materially different than the information provided pursuant to item (a) and (b) above; and

(d) so long as we are not subject to Section 13 or Section 15(d) of the Exchange Act and 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.

We will maintain a public website or, at our option, a non-public website or other electronic distribution system to which the beneficial owners of the notes, prospective investors and security analysts will be given access and on which the reports and information referred to in items (a), (b), (c) and (d) above are posted, *provided*, *however*, that we may, in our sole discretion, exclude direct competitors, customers and suppliers from access to such website or electronic distribution system.

Simultaneously with the delivery of each set of financial statements referred to in item (a) above, we 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. Upon 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, we 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.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive or actual notice or knowledge 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).

Events of Default

An "Event of Default" under the notes will occur if:

(a) we fail to pay interest (including any related Additional Amounts) on the notes within 30 days from the due date;

(b) we default in the payment of principal (including any related Additional Amounts) on the notes on the due date;

(c) we fail to comply with any of the covenants described under "—Covenants—Limitation on Liens", "—Limitation on Consolidation, Merger and Transfer of Assets", and such failure continues for 30 days after the notice specified below;

(d) we fail to comply with any of our covenants or agreements in the notes or the indenture (other than those referred to in items (a), (b) and (c) above), and such failure continues for 60 days after the notice specified below;

(e) we or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by us or any such Significant Subsidiary (or the payment of which is guaranteed by us or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture (provided that for purposes of this item (e), Debt will not be deemed to include any Non-Recourse Debt or Joint Venture Company Debt), which default (i) is caused by a failure to pay principal of or premium, if any, or interest on such Debt prior to the expiration of any applicable grace period provided in such Debt ("Payment Default") or (ii) results in the acceleration of such Debt prior to its stated maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US$65 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(f) one or more final judgments or decrees for the payment of money of US$65 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against us or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (i) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (ii) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(g) certain events of bankruptcy, insolvency or liquidation relating to us or any Significant Subsidiary; or

(h) except as permitted by the indenture, any guarantee of the notes, if any, is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect.

A Default under items (c) or (d) above will not constitute an Event of Default under the notes until the trustee or the holders of at least 25% in principal amount of the notes then outstanding, as the case may be, notify us of the Default and we do not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default (other than a payment default under (a) or (b) above) or knowledge of any cure of any Default or Event of Default (other than a payment default under (a) or (b) above) with respect to the notes unless written notice of such Default or Event of Default has been given to an authorized officer of the trustee with direct responsibility for administration of the indenture by us or any holder in the manner specified in the indenture.

If an Event of Default (other than an Event of Default specified in item (g) above) with respect to the notes occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding, as the case may be, may declare all unpaid principal of and accrued interest on the notes to be due and payable immediately, by a notice in writing to us, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in item (g) above with respect to any note occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity and/or security reasonably satisfactory to the trustee. Subject to such provision for the indemnification of and security to the trustee, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee in respect of the notes or exercising any trust or power conferred on the trustee in respect of the notes.

Defeasance

We may at any time terminate all of our obligations with respect to the notes (“defeasance”), except for certain obligations, including those to the trustee and the agents appointed under the indenture, those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. We may at any time terminate our obligations under certain covenants set forth in the indenture with respect to the notes, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes (“covenant defeasance”). In order to exercise either defeasance or covenant defeasance, we must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money in Euro or German government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, premium (if any) and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of legal counsel of recognized standing to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion shall be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the notes and the rights of the trustee, as expressly provided for in the indenture) as to all outstanding notes when:

(a) either:

(i) all of the notes previously authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has previously been deposited in trust or segregated and held in trust by us and thereafter repaid to us or discharged from such trust) have been delivered to the trustee for cancellation; or

(ii) all notes not previously delivered to the trustee for cancellation (i) have become due and payable or will become due and payable within one year or (ii) are to be called for redemption within one year under irrevocable arrangements satisfactory to the trustee for the giving of notice of redemption by the

trustee in the name, and at our expense, and, in each case, we have irrevocably deposited or caused to be deposited with the trustee funds or certain direct, non-callable obligations of, or guaranteed by, Germany sufficient without reinvestment to pay and discharge the entire indebtedness on the notes not previously 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, and any Additional Amounts payable with respect thereto, together with irrevocable instructions from us directing the trustee to apply such funds to the payment;

(a) we have paid all other sums payable by us under the indenture and the notes; and

(b) we have delivered to the trustee an officers' certificate stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of notes then outstanding. However, without the consent of each holder of notes affected thereby, no amendment may:

(a) reduce the rate of or extend the time for payment of interest on the notes;

(b) reduce the principal, or change the Stated Maturity, of the notes;

(c) reduce the amount payable upon redemption or repurchase of the notes or change the time at which the notes may be redeemed or repurchased;

(d) make any change in the provisions of the indenture described under "— Additional Amounts" that adversely affects the rights of any holder;

(e) change the currency for, or place of payment of, principal or interest on the notes;

(f) impair the right to institute suit for the enforcement of any payment on or with respect to the notes;

(g) waive certain payment defaults with respect to the notes;

(h) reduce the principal amount of notes whose holders must consent to any amendment or waiver; or

(i) make any change in the amendment or waiver provisions which require each holder's consent.

The holders of notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, we are required to deliver to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

We and the trustee may, without the consent or vote of any holder of notes, amend or supplement the indenture or the notes for the following purposes:

(a) to cure any ambiguity, omission, defect or inconsistency; *provided* that such amendment or supplement does not materially adversely affect the rights of any holder;

(b) to comply with the covenant described under "—Covenants—Limitation on Consolidation, Merger and Transfer of Assets";

(c) to add guarantees or collateral with respect to the notes;

(d) to release a guarantor (if any) in accordance with the terms of the indenture;

(e) to add to the covenants of the Company for the benefit of holders of the notes;

(f) to surrender any right conferred upon us;

(g) to evidence and provide for the acceptance of an appointment by a successor trustee;

(h) to provide for the issuance of additional notes;

(i) to conform the text of the indenture or the notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the indenture or the notes; or

(j) to make any other change that does not materially adversely affect the rights of any holder of the notes.

In executing any amendment, waiver or supplemental indenture to the indenture or the notes, the trustee will be entitled to receive an officers' certificate and an opinion of legal counsel of recognized standing, each stating that such amendment, waiver or supplemental indenture is authorized or permitted by the indenture, that it is not inconsistent with the terms of the indenture, and that it shall be valid and binding upon the Company in accordance with its terms.

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 Euronext Dublin and trading on the Global Exchange Market of Euronext Dublin 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*) or on the website of the Euronext Live (https://live.euronext.com/). 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.

Trustee

The Bank of New York Mellon is the trustee under the indenture. Its address is 240 Greenwich Street, 7th Floor 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 of which a responsible officer of the trustee has actual knowledge (in the case of a payment default described under "—Events of Default" part (a) or (b)) or has received written notice, 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 Person would exercise or use under the circumstances in the conduct of his or her own affairs.

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 (i) the trustee is no longer eligible; (ii) the trustee is adjudged bankrupt or insolvent; (iii) a receiver or other public officer takes charge of the trustee or its property; or (iv) the trustee otherwise becomes incapable of acting under the indenture.

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. 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 Euronext Dublin for trading on the Global Exchange Market and the rules of the exchange so require, the successor trustee will also publish notice as described under "— Notices."

We and our affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

Governing Law and Submission to Jurisdiction

The notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the indenture will irrevocably submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York and the courts of its own corporate domicile in respect of actions brought against it as a defendant for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. We have appointed C T Corporation System with domicile at 28 Liberty Street, 42nd Floor, New York, NY 10005, as our authorized agent upon whom process may be served in any such actions.

Currency Indemnity

Except as described under "Issuance in Euro; Payment of the Notes", Euro is the sole currency of account and payment for all sums payable by us under or in connection with the notes and the indenture, including damages. To the greatest extent permitted under applicable law, any amount received or recovered in a currency other than Euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any holder of a note in respect of any sum expressed to be due to it from us will only constitute a discharge to us to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any note, we will indemnify such holder against any loss sustained by it as a result; and if the amount of Euro so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, we will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of Euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of Euro on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities will constitute a separate and independent obligation from the other obligations of the Company, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note 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.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

"Additional Amounts" has the meaning set forth under "—Additional Amounts" above.

"Annual Sustainability Report" means the Company's annual report published on the Company's website in accordance with the Sustainability-Linked Bond Framework.

"Attributable Value" means as to any particular lease under which the Company or any Subsidiary is at any time liable as lessee and any date as of which the amount thereof is to be determined, the total net obligation of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has

been extended or may, at the option of the lessor, be extended) discounted from the respective due dates thereof to such date at a rate per annum equivalent to the interest rate inherent in such lease (as determined in good faith by the Company in accordance with generally accepted financial practice).

"Baseline Recalculation" means, in the event of a material acquisition, merger, divestiture or similar transaction, a recalculation of the GHG Emissions Baseline pursuant to which the Company must (i) include the tCO2e attributable to any business acquired, directly or indirectly, in a transaction or series of related transactions since the Issue Date by the Company, and (ii) exclude the tCO2e attributable to any divestiture in a transaction or series of related transactions completed since the Issue Date, directly or indirectly, by the Company, in each case that has consolidated total revenues for the last fiscal year for which financial information for such business is available of 5% or more of the total revenues of the Company and its consolidated Subsidiaries, calculated by reference to the audited consolidated financial statements of the Company and its consolidated Subsidiaries for the fiscal year ended immediately prior to such acquisition or divestiture, as applicable; provided, however, that the Company may recalculate the GHG Emissions Baseline in its sole discretion if any such transaction or series of transactions has total revenues for the last fiscal year for which financial information for such business is available of less than 5% of the total revenues of the Company and its consolidated Subsidiaries, calculated by reference to the audited consolidated financial statements of the Company and its consolidated Subsidiaries for the fiscal year ended December 31 immediately prior to such transaction, if the Company determines that such transaction or series of transactions could reasonably be expected to have a material impact on the Sustainability Performance Target; provided further, however, that the Company is not required to calculate any Baseline Recalculation to the extent it determines in good faith that it does not have sufficient information to complete such calculation.

"Board of Directors" means, with respect to any Person, the board of directors or similar governing body of such Person.

"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 of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Change of Control" means the occurrence of one or more of the following events:

(a) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than Controladora Nemak, or an entity directly or indirectly controlled by Controladora Nemak, or an entity directly or indirectly controlled by the Principal Stockholders, becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the Voting Stock of the Company and (b) Controladora Nemak, its affiliates and the Principal Stockholders 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;

(b) 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" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) other than (i) Controladora Nemak, (ii) any subsidiary of Controladora Nemak that is a holding company for Controladora Nemak's interest in the Company (iii) one or more of the Subsidiaries of the Company, whether or not otherwise in compliance with the indenture or (iv) the Principal Stockholders; and

(c) the adoption of any plan or proposal for the liquidation or dissolution of the Company.

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 ultimate holders of the Company's Voting Stock immediately prior to that transaction, (ii) it is a transaction pursuant to which the shares of the Company's Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction or (iii) the "person" or "group" referenced in items (a), (b) or (c) of the preceding paragraph 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 Triggering Event" means the occurrence of a Change of Control that results in a Ratings Decline.

"Clearstream" means Clearstream Banking S.A., Luxembourg.

"CNBV" means the Mexican National Banking and Securities Commission, or *Comisión Nacional Bancaria y de Valores*.

"Consolidated Tangible Assets" means, as of any date of determination, the total amount of assets of the Company and its Subsidiaries less Intangible Assets of the Company and its Subsidiaries, on a consolidated basis and according to IFRS, as of the end of the fiscal year immediately preceding such date.

"Controladora Nemak" means Controladora Nemak, S.A.B. de C.V., the Company's parent company, and not its subsidiaries.

"Debt" means, with respect to any Person, without duplication:

(a) the principal of and premium, if any, in respect of (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, debentures or other similar instruments for the payment of which such Person is responsible or liable;

(b) all Finance Lease Liabilities of such Person;

(c) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(d) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in items (a) through (c) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(e) all Hedging Obligations;

(f) all obligations of the type referred to in items (a) through (d) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof);

(g) all obligations of the type referred to in items (a) through (e) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(h) any other obligations of such Person which are required to be, or are in such Person's financial statements, recorded or treated as debt under IFRS.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Event of Default" has the meaning set forth under "— Events of Default."

"Euro" or "€" means the lawful currency of the European Union.

"Euroclear" means Euroclear Bank S.A./N.V.

"Euronext Dublin" means the Irish Stock Exchange plc, trading as Euronext Dublin.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"External Verifier" means a qualified provider of third-party assurance or attestation services appointed by the Company to review the Company's statement of GHG Emissions.

"Finance Lease Liability" means, at the time any determination is to be made, with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of, or other arrangement conveying the right to use, real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet in accordance with IFRS.

"Fitch" means Fitch Ratings, Inc., or any successor thereto.

"GHG Emissions" means the sum of Scope 1 emissions (from direct operations) and Scope 2 emissions (from acquisition of energy), during a given period, measured in metric tonnes of carbon dioxide equivalent in accordance with the GHG Protocol Corporate Standard.

"GHG Emissions Baseline" means the GHG Emissions for the year ended December 31, 2019 published in the Sustainability-Linked Bond Framework, or 1,418,978 tCO_2e, as it may be recalculated from time to time (i) upon the completion of the Company's GHG Emissions data verification by the External Reviewer or (ii) pursuant to a Baseline Recalculation reported in the Company's Annual Sustainability Report, published on the Company's website and accompanied by a verification statement from the External Verifier as required under the Sustainability-Linked Bond Framework.

"GHG Protocol" means the World Business Council for Sustainable Development's Greenhouse Gas Protocols (March 2004).

"guarantee" means any obligation of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person, including an *aval, fianza* or *obligación solidaria* (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such 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 (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided*, *however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements, cross currency swaps and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices;

provided, *however*, that the amount of Debt with respect to any Hedging Obligation is the new amount payable if such Hedging Obligation terminated at that time due to a default by such Person.

"holder" means the Person in whose name a note is registered in the register.

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time, or any financial reporting standards required for public companies by the CNBV and applied by us.

"Intangible Assets" means, with respect to the Company and its Subsidiaries, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their carrying value at the end of each fiscal year, and all other items which would be treated as intangibles on the balance sheet of the Company and its Subsidiaries (except unamortized debt discount and expense), according to IFRS."Investment Grade Rating" means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P and the equivalent investment grade credit rating from any other Rating Agency.

"Issue Date" means the first date of issuance of notes under the Indenture.

"Joint Venture Company" means any Subsidiary of the Company or a Person in which the Company or any of its Subsidiaries participates or holds, directly or indirectly, an equity interest of at least 20%, in each case substantially all of whose activities are governed by a joint venture agreement or similar arrangement set forth in the joint venture entity's charter documents, bylaws or similar entity level documentation, with a third party that is not an affiliate of the Company.

"Joint Venture Company Debt" means Debt (or any portion thereof) of a Joint Venture Company provided that (i) the recourse of the lender thereof (including any agent, trustee, receiver or other Person acting on behalf of such entity) in respect of such Debt is limited to the Joint Venture Company, any debt securities issued by the Joint Venture Company, the Capital Stock of the Joint Venture Company, and any assets, receivables, inventory, equipment, chattels, contracts, intangibles, rights and any other assets of such Joint Venture Company and its Subsidiaries, and (ii) a default with respect to such Debt of a Joint Venture Company would not cause a default on any outstanding Debt of the Company or any Significant Subsidiary (or the payment of which is guaranteed by the Company or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture.

"Lien" means any mortgage, pledge, security interest, conditional sale or other similar lien.

"Mexico" means the United Mexican States.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Non-Recourse Debt" means Debt (or any portion thereof) of a Subsidiary of the Company (the "Non-Recourse Debtor") used to finance (i) the creation, development, construction, improvement or acquisition of projects, properties or assets and any increases in or extensions, renewals or refinancings of such Debt or (ii) the operations of projects, properties or assets of such Non-Recourse Debtor or its Subsidiaries; provided that the recourse of the lender thereof (including any agent, trustee, receiver or other Person acting on behalf of such entity) in respect of such Debt is limited to the Non-Recourse Debtor, any debt securities issued by the Non-Recourse Debtor, the Capital Stock of the Non-Recourse Debtor, and any assets, receivables, inventory, equipment, chattels, contracts, intangibles, rights and any other assets of such Non-Recourse Debtor and its Subsidiaries connected with the

projects, properties or assets created, developed, constructed, improved, acquired or operated, as the case may be, in respect of which such Debt has been incurred.

"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.

"Principal Stockholders" means each of the Persons who is (i) one of the heirs of María Margarita Garza Sada Vda. de Fernández, heirs of Armando Garza Sada, heirs of José Calderón Ayala, heirs of Dionisio Garza Sada, or heirs of don Lorenzo Garza Sepúlveda(ii) a director of the Company on the Issue Date or (iii) the spouse or a former spouse of any individual referenced in clause (i) or (ii), (iv) the lineal descendants of any person referenced in clauses (i) through (iii) and the spouse or a former spouse of any such lineal descendant, (v) the estate, heir or any guardian, custodian or other legal representative of any individual referenced in clauses (i) through (iv), (vi) any trust or other investment vehicle established principally for the benefit of any one or more of the individuals (or their respective heirs) referenced in clauses (i) through (v), and (vii) any Person in which a majority of the equity interests are owned, directly or indirectly, by any one or more of the Persons referenced in clauses (i) through (vi).

"Rating Agencies" means Moody's, S&P or Fitch (or any other nationally recognized United States rating agency).

"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 any Rating Agency or a substitute or successor 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; or (iii) in the event the notes are rated by only two Rating Agencies prior to such public notice, one assigning an Investment Grade Rating and another one assigning a rating below an Investment Grade Rating, (A) the rating of the notes by the Rating Agency assigning an Investment Grade Rating shall be below an Investment Grade Rating or (B) the rating of the notes by the Rating Agency assigning a non-Investment Grade Rating 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.

"Relevant Jurisdiction" means Mexico or any other jurisdiction in which the Company or any subsidiary guarantor is organized or resident for tax purposes or through or from which payment on the notes is made, or any political subdivision or governmental authority thereof or therein.

"S&P" means S&P Global Ratings Inc., or any successor thereto.

"SBTI Target" means the percentage of reduction in GHG Emissions in the year ended December 31, 2026 in comparison to the GHG Emissions Baseline, which the Company will (i) calculate in good faith to be in alignment with the Company's science-based greenhouse gas emissions targets that have been (x) approved by Science Based Targets Initiative (or any successor organization or initiative thereto) and (y) published on the website of Science Based Targets Initiative at https://sciencebasedtargets.org (or on any successor website); and (ii) publish in its Annual Sustainability Report no later than in the Annual Sustainability Report for the year ended December 31, 2025.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Significant Subsidiary" means any Subsidiary of the Company that at the time of determination (a) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (b) had operating income for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 10% of the Company's total operating income, on a consolidated basis for such period.

"Specified Property" means, as of any date of determination, any real and tangible property owned by us or any Subsidiary that constitutes all or any part of any plant, processing facility or manufacturing facility, and is used in the ordinary course of its business, the gross book value (without duplication of any depreciation reserves) of which real or tangible property exceeds US$50 million.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the 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).

"Subsidiary" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) the Company, (b) the Company and one or more Subsidiaries or (c) one or more Subsidiaries.

"Sustainability Performance Target" means the Company's sustainability performance target to reduce GHG Emissions by the higher of (i) 18% as measured against the GHG Emissions Baseline by December 31, 2026, as set forth in the Sustainability-Linked Bond Framework or (ii) the SBTI Target.

"Sustainability-Linked Bond Framework" means the Sustainability-Linked Bond Framework adopted by the Company in June 2021.

"U.S. Dollars" or "US$" means such coin or currency of the United States 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 entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) 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 and registered in the name of the nominee of the common depository for the accounts 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 global notes 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 global notes 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 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 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 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 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, 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 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 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 Rule 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 transfers of beneficial interests within Rule 144A or Regulation S Global Note) 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 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 WILL 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 United States and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are non-residents 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 (and protocol) 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 does not constitute tax advice, does 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.

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 has 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 (*Ley del Impuesto Sobre la Renta*), 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 timely 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 information 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"), of 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% or higher. If beneficial owners, whether acting directly or indirectly, individually, severally or jointly with related persons, that receive more than 5% of the aggregate amount of each interest payment under the notes (i) shareholders holding more than 10% of our voting stock, directly or indirectly, severally or jointly with related parties, or (ii) corporations or other entities having more than 20% of their stock owned, directly or indirectly, jointly or severally, by persons related to us, the Mexican withholding tax will be applied at substantially higher rates.

For these purposes, persons will be deemed to 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 beneficial owner 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 will 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, it is necessary for the foreign holder to meet the procedural requirements established in such law. In the event that the specified information or documentation concerning the holder or beneficial owner of the notes is not timely or completely 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 would 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 applicable to interest payments in respect of the difference between the nominal value (or face value) or the acquisition price of the notes and the price obtained upon sale by the seller.

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law, the payment of the make-whole amounts in excess of the outstanding principal amount 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, there are no estate, inheritance, succession or gift taxes, generally 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 Mexican federal tax. There is 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.

U.S. Federal Income Tax Considerations

The following is a general summary of certain U.S. federal income tax consequences of the purchase, 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 (generally for investment) within the meaning of the U.S. Internal Revenue Code of 1986, as amended (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, banks and other financial institutions, insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, partnerships and other pass-through entities or persons that hold the notes through partnerships or other 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, net investment income tax consequences, tax consequences attributable to persons being required to accelerate the recognition of any item of income with respect to the notes as a result of such income being recognized on an applicable financial statement, estate or gift 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.

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 U.S. Treasury 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.

Under applicable U.S. Treasury regulations, we intend to report interest income on the notes based on the assumption that the notes will bear interest at their original stated coupon, unless and until the notes are required to bear interest at a higher coupon as a result of the failure or inability to provide the Satisfaction Notice or as a result of the Sustainability Performance Target not being timely satisfied or confirmed. We believe this is a remote contingency. See "Description of the Notes— Principal and Interest." A U.S. holder should consult its own advisor regarding the tax consequences of the notes potentially or actually bearing interest at the higher coupon.

Additionally, 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"). Although not free from doubt, 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 payment 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 interest income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

In addition to stated interest on the notes (without reduction for any Mexican taxes withheld), you will be required to include in income as ordinary interest income any Additional Amounts you receive. You may be entitled to deduct or credit any Mexican taxes withheld from stated interest payments and Additional Amounts you receive, 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 (a holding period 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. However, if such interest payment is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on that date and may recognize foreign currency exchange gain or loss attributable to the actual disposal of the foreign currency received.

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

If the stated principal amount of the notes exceeds their "issue price" (as defined below) by an amount equal to or greater than a statutorily defined de minimis amount (generally, 1/4 of 1 percent of the principal amount of the notes multiplied by the number of complete years to maturity from their original issue date), then the notes will be considered to be issued with OID. The "issue price" of a note will be the first price at which a substantial amount of the notes is sold to the public (*i.e.*, excluding sales of the notes to underwriters, placement agents, wholesalers, or similar persons). The amount of OID on a note generally is equal to the excess of the note's stated principal amount over its issue price. If the notes are issued with OID, a U.S. Holder generally (i) will be required to include the OID on the note in gross income as ordinary interest income as such OID accrues on a constant yield basis over the term of the note, in advance of the receipt of the cash attributable to such OID and regardless of the holder's method of

accounting for tax purposes, but (ii) will not be required to recognize any additional income upon the receipt of any cash payment on the note that is attributable to previously accrued OID that has been included in such holder's income.

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 that has not been included in gross income, which will be taxable as interest income as described above) and the U.S. Holder's adjusted 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.

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 capital gain or loss 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.

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 on the last day of the taxable year or US$75,000 at any time during the taxable year 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 (which may include notes issued in definitive form). Investors that 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.

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 (such as a corporation) 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.

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.

PLAN OF DISTRIBUTION

Banco Bilbao Vizcaya Argentaria, S.A., BNP Paribas and HSBC Bank plc are acting as joint lead book-runners, Sustainability-Linked Bond structuring agents and initial purchasers. Merrill Lynch International, Citigroup Global Markets Limited, J.P. Morgan Securities plc and Banco Santander, S.A. are acting as 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 of Notes**
Banco Bilbao Vizcaya Argentaria, S.A.	€	140,000,000
BNP Paribas		140,000,000
HSBC Bank plc		140,000,000
Merrill Lynch International		20,000,000
Citigroup Global Markets Limited		20,000,000
J.P. Morgan Securities plc		20,000,000
Banco Santander, S.A.		20,000,000
Total	€	500,000,000

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 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. The initial purchasers may offer and sell notes through certain of their affiliates.

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 Euronext Dublin for the notes to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin. 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 has agreed that for a period of 30 days after the date of this offering memorandum, the Issuer will not, without first obtaining the prior written consent of the global coordinators, directly or indirectly, sell, offer or announce the offering of, or file any registration statement under the Securities Act in respect of, any long-term Euro-denominated debt securities of the Issuer offered or sold in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Price Stabilization and Short Positions

In connection with the issue of any series of notes, the initial purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant series of notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant series of notes and 60 days after the date of the allotment of the relevant series of notes. Any stabilization action or over-allotment must be conducted by the relevant underwriter (or person(s) acting on its or their behalf) in accordance with all applicable laws and rules.

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, however, we will have no duty to issue additional notes. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or slowing a decline in the market price of the notes while offering is still in process.

These activities by the initial purchasers, as well as other purchases by the initial purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the initial purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes, and the initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions.

Also, the initial purchasers and/or their affiliates may acquire the notes for their own proprietary accounts. Such acquisitions may have an effect on demand for and the price of the notes.

Other Relationships

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.

We have retained the initial purchasers to act as dealer managers for the Tender Offer. We will pay the dealer managers customary fees for their services in the tender offer and consent solicitation. The initial purchasers or their affiliates may hold Nemak 2024 Notes and may participate in the Tender Offer by submitting one or more offers on their own behalf or on behalf of clients. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering.

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 that may 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

United Kingdom

Each initial purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21(1)) of the FSMA received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to us; and
(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors

Each initial purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this offering memorandum in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an offer includes the 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.

Prohibition of Sales to EEA Retail Investors

Each initial purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this offering memorandum in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97/EU (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression "offer" includes the 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.

Canada

The notes may be sold only to purchasers 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.

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 in Mexico or otherwise be subject to intermediation (*intermediación*) activities 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 information 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. The notes may be offered to institutional or qualified investors in Mexico pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*).

Brazil

The offer and sale of the notes will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offer and sale of the notes have not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the interests in Brazil is not legal without such prior registration. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to, nor may they be used in connection with any offer for sale of the notes to persons in Brazil.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the “SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This offering memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the offering, the issuer, or the notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this offering memorandum will not be filed with, and the offer of notes will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the “CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of note.

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.

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.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in 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

(b) 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,

Securities (as defined in Section 2(1) of the SFA) or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (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:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Solely for the purpose of its obligations pursuant to Sections 309B(1)(a) and 309b(1)(c) of SFA, the issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Chile

The notes being offered will not be registered under the Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF and, therefore, the notes are not subject to the supervision of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the notes in Chile. Accordingly, the notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with CMF Rule 336. Pursuant to the Securities Market Law, a public offering of securities is an

offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law. However, pursuant to CMF Rule 336, the notes may be privately offered in Chile to certain "qualified investors" identified as such therein (which in turn are further described in CMF Rule 216, dated June 12, 2008).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: July 5, 2021. The offer of the notes is subject General Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF;

2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the CMF, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF, due to the notes not being subject to the oversight of the CMF;

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 public offering in Chile unless registered with the relevant Securities Registry of the CMF.

CMF Rule 336 further requires the following information to be included in the Spanish language:

Aviso a los Inversionistas Chilenos

La oferta de los bonos se acoge a la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos en Chile, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. De conformidad con la Ley de Mercado de Valores Chilena, se entiende por oferta pública de valores la dirigida al público en general o a ciertos sectores o a grupos específicos de éste. Considerando lo amplio de dicha definición, incluso una oferta dirigida a un pequeño grupo de inversionistas puede ser considerada como una oferta dirigida a ciertos sectores o a grupos específicos del público y por lo tanto considerada como pública bajo la ley aplicable. Sin embargo, en conformidad con lo dispuesto por la Norma de Carácter General N°336, los bonos podrán ser ofrecidos privadamente a ciertos "inversionistas calificados," identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General N°216 de la Comisión para el Mercado Financiero de fecha 12 de junio de 2008).

La siguiente información se proporciona a potenciales inversionistas de conformidad con la Norma de Carácter General N°336:

1. La oferta de los bonos comienza el 5 de julio de 2021, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF;

2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de la CMF;

3. Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos; y

4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to us or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Securities Market Law (Ley del Mercado de Valores) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein. The notes may not be offered or sold in Peru except in compliance with the securities law thereof.

LISTING AND GENERAL INFORMATION

The Issuer accepts responsibility for the information contained in this listing particulars and having taken all reasonable care to ensure that such is the case, the information contained in this listing particulars is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Corporate Information

The Issuer is organized and exists under the laws of the United Mexican States since 1979. The Issuer is registered with the Public Register of Property and Commerce of the State of Nuevo León under commercial folio number 43888, and has its principal executive office located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, 66017 México.

Clearing Systems

The notes have been accepted for clearance through Euroclear and Clearstream. For the Rule 144A notes, the ISIN number is XS2362996519 and the Common code is 236299651. For the Regulation S notes, the ISIN number is XS2362994068 and the Common code is 236299406.

Listing

Application has been made to Euronext Dublin for the notes to be admitted to the Official List and to trading on the on the Global Exchange Market. Physical copies of our published annual audited consolidated financial statements and any published quarterly unaudited consolidated financial statements will be available in either physical or electronic form at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, as such addresses are set forth in this offering memorandum. The Issuer will file audited financial statements with Euronext Dublin on an annual basis for as long as the notes are listed. The financial year end of the Issuer is December 31. We do not publish unconsolidated financial statements.

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 Euronext Dublin and trading on its Global Exchange Market.

The notes have not been and will not be listed in the BMV or registered with the Mexican National Securities Registry and therefore the notes may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law.

Credit Ratings

The notes received a rating of “Ba1” from Moody’s, “BB+” from S&P’s Financial Services LLC and “BBB-” from Fitch Ratings. Note that such ratings are limited in scope, and 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. See “Risk Factors—Risk Factors Related 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.”

Conflicts of Interest

For information regarding potential conflicts of interest, see “Related Party Transactions.” We are not aware of any potential conflict of interests between any duties to the Issuer of the members of our board of directors and their private interests and/or other duties. Other than with respect to the commission payable to the initial purchasers in connections with the offering, we are not aware of any person having a material interest in the offering.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the prospects of the issuer since December 31, 2020, the date of its last published audited financial statements. Except as disclosed in this offering memorandum, there has been no significant change in the financial or trading position or prospects of us and our subsidiaries taken as a whole since December 31, 2020, the last financial period for which either audited financial information or interim financial information has been published.

Documents Available for Inspection

For the duration of the listing of the notes on the Official List and their admission to trading on the Global Exchange Market of Euronext Dublin, physical copies of the following documents may be inspected at our main office located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, C.P. 66017 México:

(a) the memorandum and articles of association of the Issuer and the subsidiary guarantors;

(b) the historical financial information for years ended December 31, 2020, 2019 and 2018;

(c) the Indenture and subsidiary guarantees; and

(d) 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.

Litigation Statement

Except as disclosed in this offering memorandum, we have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer aware) over the past 12 months, which may have, or have had in the recent past, significant effects on our financial position or profitability.

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 Galicia Abogados, S.C., special Mexican counsel to the initial purchasers.

INDEPENDENT AUDITORS

The annual audited consolidated financial statements as of December 31, 2020, 2019 and 2018 and for the years ended December 31, 2020, 2019 and 2018 included in this offering memorandum, together with the notes thereto, have been audited by our independent auditors Galaz, Yamazaki, Ruiz Urquiza, S.C., a Member of Deloitte Touche Tohmatsu Limited, as stated in the report included herein, herein, and a member of the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos, A.C.*).

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Annual Audited Consolidated Financial Statements

	Page
Independent Auditors' Report	F-3
Consolidated Statements of Financial Position as of December 31, 2020, 2019 and 2018	F-8
Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018	F-9
Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018	F-10
Consolidated Statements of Changes in Stockholders' for the years ended December 31, 2020, 2019 and 2018	F-11
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018	F-12
Notes to the Consolidated Financial Statements	F-13

Unaudited Condensed Consolidated Interim Financial Statements

Unaudited Condensed Consolidated Interim Statements of Financial Position as of March 31, 2021 (unaudited) and December 31, 2020	F-65
Unaudited Condensed Consolidated Interim Statements of Operations for the three-month periods ended March 31, 2021 and 2020	F-66
Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the three-month periods ended March 31, 2021 and 2020	F-67
Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity for the three-month periods ended March 31, 2021 and 2020	F-68
Unaudited Condensed Consolidated Interim Statements of Cash Flows for the three-month periods ended March 31, 2021 and 2020	F-69
Notes to the Unaudited Condensed Consolidated Interim Financial Statements	F-70

Nemak, S. A. B. de C. V. and Subsidiaries (Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Consolidated Financial Statements as of and for the Years Ended December 31, 2020, 2019 and 2018, and Independent Auditors' Report Dated January 31, 2021

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Ave. Juárez 1102, piso 40
colonia Centro,
64000 Monterrey,
México

Tel: +52 (81) 8133 7300
www.deloitte.com/mx

Independent Auditors' Report to the Board of Directors and Stockholders of Nemak, S. A. B. de C. V.

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, 2020, 2019 and 2018, and the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including 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 of December 31, 2020, 2019 and 2018, and their consolidated financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the Code of Ethics issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. 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 importance in our audit of the 2020 consolidated financial statements. 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.

Assessment of tests of impairment of goodwill and long lived assets

As described in Notes 3 l., 10, 11 and 12 to the consolidated financial statements, the Company performs impairment tests to its goodwill and intangibles with indefinite useful lives; in addition, it performs impairment tests when there are indicators that the value of long lived assets, such as property, plant and equipment, intangible assets and right-of-use assets, will not be recovered.

Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.

We have identified the long lived assets and goodwill review as a key audit matter, mainly due to the fact that impairment tests involve the application of judgments and significant estimates by the Company's management in determining the assumptions of valuation and financial projections, cash flows, budgeted income, and the selection of discount rates used to estimate the recoverable value of the cash generating units ("CGUs") of the Company, as well as changes in the current economic environment caused by the global coronavirus pandemic (COVID-19) in business, in addition to the importance of the goodwill balance of $6,194 million of pesos in the consolidated financial statements of the Company. Therefore, our review procedures require a high degree of professional judgment, a significant increase in the degree of audit effort, and the incorporation of our valuation specialists.

We performed the following audit procedures on the significant assumptions that the Company considered when estimating future projections to evaluate the recoverable value of goodwill as well as long-lived assets, among others; projections of income and expenses, expected gross and operating profit margins, discount rate, the industry growth rate, income projections, discount rate, comparison of the expected gross profit margin, projected flows considering the effects originated by the COVID-19. As follows:

- We tested the design, implementation and the operating effectiveness of internal controls in the determination of the recoverable value and the assumptions used in the valuation.
- With the assistance of our valuation specialists, we assessed the reasonableness of the i) methodology to determine the recoverable value of tangible, intangible assets with indefinite useful lives and goodwill and ii) reviewed the financial projections including the impacts of COVID-19 on business operations, comparing them with performance and historical business trends, corroborating the explanations of the variations with management. Likewise, we assessed the internal processes used by management to calculate projections, including timely monitoring and analysis by the Board of Directors, and if the projections are consistent with the budgets approved by the Board.
- We reviewed the significant assumptions used in the impairment calculation model, specifically including income and cash flow projections, the projected industry growth rate and the projected long-term growth rate; gross and operating margins, as well as the multiple of Earnings before interest, taxes, depreciation and amortization ("EBITDA"). Additionally, we tested the mathematical accuracy and integrity of the impairment model, the sensitivity calculations of the significant assumptions in the calculation for all CGUs, calculating an independent estimate to conclude whether the assumptions used would need to be modified and the probability that such modifications happen.
- Independent evaluation of the discount rates and we compared such rates with the estimates used by management.
- We evaluated the factors and variables used to determine the CGUs, among which were considered: the analysis of operating cash flows and indebtedness policies, analysis of the legal structure, allocation of production and understanding of the operation of the commercial and sales areas.

The results of our procedures were satisfactory, and we agree that the determination of the recoverable value of the CGUs and the assumptions used are reasonable.

Assessment of the recoverability of deferred income tax assets

The Company records deferred income tax assets derived from tax losses. Management performed an assessment of the probability of recovering the tax losses carryforwards to generate an economic and fiscal benefit in the future, to support the deferred tax assets recognized on its consolidated financial statements.

Due to the significance of the deferred income tax asset balance derived from tax losses as of December 31, 2020 amounting to $1,214 million of pesos, and the significant judgments and estimates to determine future projections of the Company's taxable income, we focused on this line item, among others, and performed the following procedures:

- We verified the reasonableness of the projections used to determine future taxable income.
- We challenged the projections used in the assessment by comparing them to the business performance and historical trends, verifying the explanations of variations with management.
- With the support of internal experts, we reviewed the projected taxable income, and the assumptions used by management in preparing such tax projections.
- We discussed with management the sensitivity analysis and assessed the extent to which the key assumptions used would need to be modified in order for an adjustment to be considered for evaluation.

The results of our audit procedures were satisfactory. The Company's accounting policy to record deferred taxes, as well as the details of their disclosure are included in Notes 3 m. and 25, respectively, to the accompanying consolidated financial statements.

Emphasis Paragraph – Significant Event

As mentioned in Note 2 a. to the consolidated financial statements, on March 11, 2020, the World Health Organization declared the SARS-COV2 virus ("COVID-19") as a pandemic; after this event, the spread of COVID-19 caused a slowdown in the automotive industry in which the Company operates, having effects on the consolidated financial and operational information during 2020. The Company's management continues to implement measures to address the economic conditions of the market. Our opinion has not been modified by this matter.

Changes in accounting principles

As explained in Notes 3.j., 11 and 16 to the consolidated financial statements, the Company changed the methodology for the recognition of leases in the consolidated financial statements as of January 1, 2019, derived from the adoption of IFRS 16, *Leases*, in addition to adopting the requirements of IFRIC 23 *Uncertainty over Income Tax Treatments*. Since the method used by the Company based on the transition provisions did not imply adjusting the comparative periods presented, the financial information for the year ended December 31, 2018 is not comparative with certain financial statement line items or financial indicators and the results of the year 2019 and 2020.

Other matter

As explained in Note 3.a., the accompanying consolidated financial statements have been translated into English for the convenience of readers. In addition, the Company included the consolidated financial statements as of and for the year ended at December 2018 to present a third comparative period for use outside of Mexico.

Information other than the Consolidated Financial Statements and Auditors' Report thereon

The Company's management is responsible for the additional information. Additional information includes: i) the information that will be incorporated in the Annual Report that the Company is required to prepare in accordance with article 33, section I, subsection b) of Title four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Stock Market in Mexico and the Instructions that accompany these provisions (the "Provisions") and ii) the other additional information, which is a measure that is not required by IFRS and has been incorporated with the purpose of providing an additional explanation to its investors and main readers of its consolidated financial statements to evaluate the performance of each of the operating segments and other indicators on the capacity to meet obligations regarding the Earnings before interest, taxes, depreciation, amortization and impairment of assets (adjusted "EBITDA") of the Company; this information is presented in Note 27. Our opinion of the consolidated financial statements will not cover the additional information and we will not express any form of security about it.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the additional information when it is available, and when we do, consider whether the additional information contained is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or that seems to contain a material error. When we read the Annual Report we will issue the declaration on its reading, required in Article 33 Section I, subsection b) number 1.2. of the Provisions. Additionally, and in relation to our audit of the consolidated financial statements, our responsibility is to read and recalculate the additional information, which, in this case, is a measure not required by IFRS and in doing so consider whether the other information contained therein is inconsistent in material form with the consolidated financial statements or with our knowledge obtained during the audit, or that seems to contain a material error. If based on the work we have done, we conclude that there is a material error in the additional information, we would have to report this fact. We do not have anything to inform in this regard.

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 consolidated 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 auditors' 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 auditors' 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 auditors' 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 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 auditors' 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.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Carlos A. López Vázquez
Monterrey, Nuevo Leon, Mexico
January 31, 2021

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Consolidated Statements of Financial Position

As of December 31, 2020, 2019 and 2018
In millions of Mexican pesos

	Note	As of December 31 2020	2019	2018
Assets				
Current assets:				
Cash and cash equivalents	6	$ 8,720	$ 5,883	$ 3,555
Restricted cash	7	121	120	617
Trade and other accounts receivable, net	8	9,229	7,860	10,247
Inventories	9	12,685	11,146	12,518
Prepaid expenses	3v	436	394	468
Total current assets		31,191	25,403	27,405
Non-current assets:				
Property, plant and equipment, net	10	51,491	48,140	51,629
Right-of-use asset	11	1,797	1,763	-
Goodwill and intangible assets, net	12	12,221	11,182	11,307
Deferred income tax	25	1,030	1,057	701
Other non-current accounts receivable	8, 26	-	2	706
Other non-current assets	13	1,002	1,197	1,510
Total non-current assets		67,541	63,341	65,853
Total assets		$ 98,732	$ 88,744	$ 93,258
Liabilities and Stockholders' Equity				
Liabilities				
Current liabilities:				
Debt	15	$ 4,490	$ 2,297	$ 2,806
Lease liability	16	422	372	-
Trade and other accounts payable	14	24,985	21,166	22,480
Income taxes payable		682	883	452
Other current liabilities	17	416	614	806
Total current liabilities		30,995	25,332	26,544
Non-current liabilities:				
Debt	15	26,723	24,440	26,352
Lease liability	16	1,554	1,481	-
Employee benefits	18	1,568	1,408	1,238
Deferred income taxes	25	1,951	1,955	2,806
Other non-current liabilities	17	273	184	214
Total non-current liabilities		32,069	29,468	30,610
Total liabilities		63,064	54,800	57,154
Stockholders' equity	19			
Capital stock		6,599	6,599	6,604
Share premium		10,434	10,434	10,434
Retained earnings		10,201	11,373	11,567
Other reserves		8,434	5,538	7,499
Total stockholders' equity		35,668	33,944	36,104
Total liabilities and stockholders' equity		$ 98,732	$ 88,744	$ 93,258

See accompanying notes to consolidated financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Consolidated Statements of Operations

For the years ended December 31, 2020, 2019 and 2018
In millions of Mexican pesos

	Note	2020	2019	2018
Revenues	27	$ 66,325	$ 77,363	$ 90,327
Cost of sales	21	(58,343)	(66,276)	(76,878)
Gross profit		7,982	11,087	13,449
Administrative and sales expenses	21	(4,980)	(5,328)	(5,746)
Other (expenses) income, net	22	(1,035)	(795)	121
Operating income		1,967	4,964	7,824
Financial income	23	76	242	124
Financial expenses	23	(1,746)	(1,576)	(1,873)
Exchange fluctuation loss, net	23	(1,020)	(34)	(471)
Financial results, net	23	(2,690)	(1,368)	(2,220)
Equity in (losses) income of associates recognized using the equity method	13	(29)	41	136
(Loss) income before income taxes		(752)	3,637	5,740
Income taxes	25	(181)	(1,144)	(2,276)
Net consolidated (loss) income		$ (933)	$ 2,493	$ 3,464
Basic and diluted (loss) earnings per share, in Mexican pesos		(0.30)	0.81	1.13
Weighted average number outstanding shares (millions)	19	3,077	3,077	3,079

See accompanying notes to consolidated financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020, 2019 and 2018
In millions of Mexican pesos

	Note	2020	2019	2018
Net consolidated (loss) income		$ (933)	$ 2,493	$ 3,464
Other comprehensive income for the year:				
Items that will not be reclassified to the consolidated statement of operations:				
Remeasurement of employee benefit obligations, net of taxes	25	(13)	(115)	18
Items that could be reclassified to the consolidated statement of operations:				
Cumulative translation effect of foreign entities	25	2,909	(1,846)	(1,182)
Total comprehensive income (loss) of the year		2,896	(1,961)	(1,164)
Consolidated comprehensive income		$ 1,963	$ 532	$ 2,300

See accompanying notes to consolidated financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020, 2019 and 2018
In millions of Mexican pesos

	Capital stock	Share premium	Retained earnings	Other reserves	Total stockholders' equity
Balances as December 31, 2017	$6,604	$ 10,434	$ 12,722	$ 8,663	$ 38,423
Transactions with stockholders:					
Other	-	-	29	-	29
Dividends declared (Note 19 and 26)	-	-	(3,281)	-	(3,281)
	6,604	10,434	9,470	8,663	35,171
Net income	-	-	3,464	-	3,464
Total other comprehensive income of the year	-	-	-	(1,164)	(1,164)
Comprehensive income	-	-	3,464	(1,164)	2,300
Effect of initial adoption IFRS (IFRS 9 and 15)	-	-	(1,354)	-	(1,354)
Other	-	-	(13)	-	(13)
Balances as of December 31, 2018	6,604	10,434	11,567	7,499	36,104
Transactions with stockholders:					
Others	(5)	-	14	-	9
Dividends declared (Notes 19 and 26)	-	-	(2,439)	-	(2,439)
	6,599	10,434	9,142	7,499	33,674
Net income	-	-	2,493	-	2,493
Total other comprehensive loss of the year	-	-	-	(1,961)	(1,961)
Comprehensive income	-	-	2,493	(1,961)	532
Effect of adoption of IFRIC 23	-	-	(262)	-	(262)
Balances as of December 31, 2019	6,599	10,434	11,373	5,538	33,944
Transactions with stockholders:					
Dividends declared (Notes 19 and 26)	-	-	(239)	-	(239)
	6,599	10,434	11,134	5,538	33,705
Net loss	-	-	(933)	-	(933)
Total other comprehensive income of the year	-	-	-	2,896	2,896
Comprehensive income	-	-	(933)	2,896	1,963
Balances as of December 31, 2020	$6,599	$ 10,434	$ 10,201	$ 8,434	$ 35,668

See accompanying notes to consolidated financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018
In millions of Mexican pesos

	2020	2019	2018
Cash flows from operating activities			
(Loss) income before income taxes	$ (752)	$ 3,637	$ 5,740
Depreciation and amortization	6,826	6,079	6,166
Costs related to employee benefits	-	-	69
Gain on sale of property, plant and equipment	(6)	(4)	22
Impairment of property, plant and equipment	133	915	115
Exchange fluctuation, net	1,020	34	471
Interest expense, net	1,535	1,166	1,588
Other	276	152	(48)
Movements in working capital:			
Trade receivables and other accounts receivable, net	(1,232)	1,309	45
Inventories	(631)	1,048	(158)
Suppliers and related parties	1,800	(558)	440
Income taxes paid	(366)	(1,945)	(1,508)
Net cash flows generated by operating activities	8,603	11,833	12,942
Cash flows from investing activities			
Interest collected	66	189	74
Cash flow in acquisitions of property, plant and equipment	(4,439)	(5,102)	(6,379)
Cash flow in acquisition of intangible assets	(1,216)	(1,513)	(1,407)
Dividends received	24	-	-
Restricted cash	-	986	(536)
Other	(87)	766	25
Net cash flows used in investing activities	(5,652)	(4,674)	(8,223)
Cash flows from financing activities			
Proceeds from debt	15,851	7,164	14,201
Payments of debt	(13,410)	(7,584)	(13,823)
Lease payments	(298)	(380)	-
Interest paid	(1,498)	(1,368)	(1,768)
Derivative payments	-	-	(15)
Other	5	(22)	24
Dividends paid	(306)	(2,439)	(3,265)
Net cash flows generated by (used in) financing activities	344	(4,629)	(4,646)
Net increase in cash and cash equivalents	3,295	2,530	73
Exchange fluctuation of cash and cash equivalents	(458)	(202)	(275)
Cash and cash equivalents at the beginning of the year	5,883	3,555	3,757
Cash and cash equivalents at the end of the year	$ 8,720	$ 5,883	$ 3,555

As of January 1, 2019, any lease addition is recognized as a right-of-use asset and lease liability without any flow through the initial recognition.

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2020, 2019 and 2018
Millions of Mexican pesos, except where otherwise indicated

1. General information

Nemak, S. A. B. de C. V. and subsidiaries ("Nemak" or the "Company"), subsidiary of Controladora Nemak, S. A. B. de C. V. ("Controladora Nemak") as of October 5, 2020, due to the fact that on that date the legal conditions that were defined in the Alfa S.A.B. de C.V. ("ALFA") Shareholders Meeting on August 17, 2020 were met with retroactive effect to that date (Note 2.b and 2.c), is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, e-mobility, and structural applications. The main offices of Nemak are located in Libramiento Arco Vial Km. 3.8, Col. Centro in García, Nuevo León, Mexico.

When reference is made to the controlling entity Nemak, S. A. B. of C. V. as an individual legal entity, it will be referred to as "Nemak SAB".

Nemak SAB is a public corporation whose shares are listed on the Mexican Stock Exchange. The Company is owned 75.2% by Controladora Nemak and the remaining 24.8% is owned, through the Mexican Stock Exchange by a group of Mexican and foreign investors (including Ford). Controladora Nemak has control over the relevant activities of the Company.

In the notes to the consolidated financial statements, reference to pesos, Mexican pesos or "$" stands for millions of Mexican pesos. The captions dollars or "US$" refer to millions of U.S. dollars. In the case of information in millions of Euros, reference will be made to "EUR" or Euros.

2. Significant events

2020

a. The infectious disease virus SARS-COV2 (herein, "COVID-19") was declared a pandemic on March 11, 2020 by the World Health Organization. COVID-19 continues to have a strong impact on health, economic and social systems worldwide.

   As a result of the pandemic, along with emergency declarations issued in certain jurisdictions where the Company operates, it suspended production for several months of 2020 at all its plants worldwide; at the same time, it implemented measures aimed at optimizing costs, expenses and cash flows, through the use of committed and uncommitted credit lines (Note 4), the reduction of work hours and advanced vacations and favoring salary commitments through Western European government support, among other measures (Note 18). The main impact occurred in the months of April and May, which was reflected in sales, decreased by 60% in the second quarter of 2020 and in respect with the second quarter of the previous year.

   In response to this conditions, the Company reduced the size of its total workforce by 9% in 2020, incurring a termination benefits expense and other COVID-19 related expenses of US$36. It also announced the cancellation of the payment of the remaining balance of the dividends declared at its General Shareholders' Meeting held on February 25, 2020 (Note 19).

   In addition, the Company made amendments to some of its credit contracts in order to comply with the agreed covenants, without these amendments representing refinancing that must be evaluated under IFRS 9, modifying the maximum leverage ratio of net debt/EBITDA from 3.5 to 4.75 times and with a term extending from May 1, 2020 to June 30, 2021 (Note 15).

   As of the date of approval of the consolidated financial statements, the Company's management continues to implement measures to face the economic conditions of the market, as part of its risk management strategy.

b. On August 17, 2020, Nemak announced that the shareholders of its holding company (ALFA) approved a spin-off proposal to transfer all of ALFA's shareholding in Nemak, to a newly created company to be listed on the Mexican Stock Exchange: Controladora Nemak, S.A.B. de C.V.

c. On December 4, 2020, Nemak announced that the National Banking and Securities Commission ("CNBV" for its acronym in Spanish) had granted authorization to register the shares of Controladora Nemak, S.A.B de C.V. in the National Registry of Securities. As a result of the transaction, shareholders of its holding company, ALFA, received one share of Controladora Nemak for each of their ALFA shares as of market closing on December 11, 2020. The number of Nemak shares remained unchanged. Controladora Nemak began trading on the Mexican Stock Exchange on December 14, 2020, date from which ALFA no longer consolidates Nemak´s operations in its consolidated financial statements.

2019

d. On July 16, 2019, Nemak announced the decision to close its manufacturing operations in Windsor, Canada, which had its final day of operations on October 16, 2020. The operation represented approximately 1% of the consolidated sales of the Company. The decision was due to the early phase-out of an export program for a customer in China. Therefore, for the year ended December 31, 2020 and 2019, Nemak acknowledged an impairment of $110 and $714 and reorganizational expenses of $21 and $80 recognized in other expenses, net.

2018

e. On January 11, 2018, Nemak issued US$500 (with issuance cost of US$5) of 4.75% Senior Notes with 7-year maturity on the Irish Stock Exchange and the Global Stock Market, under Rule 144A, and under the Regulation S. The transaction resources were mainly used to prepay in advance the Senior Notes USD 2023.

3. Summary of significant accounting policies

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 effect 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 the net assets and the results of the operations of the Company in Argentina, an economy that is considered hyperinflationary, which are expressed in terms of the unit of current measurement as of the closing date of the reporting period.

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.

The accompanying consolidated financial statements have been translated from Spanish into English for the convenience of readers. In addition, the Company included the consolidated financial statements as of and for the year ended at December 2018 and the respective footnotes to present a third comparative period for use outside of Mexico. Certain accounting practices applied by the Company that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

b. Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has control. 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. When the Company's participation in subsidiaries is less than 100%, the share attributed to outside shareholders is reflected recorded as non-controlling interest. The gain or loss of the subsidiaries, as well as their assets and liabilities, are consolidated in full from the date on which control is transferred to the Company and up to the date it loses such control.

The accounting method used by the Company for business combinations is the acquisition method. The Company defines a business combination as a transaction in which it gains control of a business, and through which it is able to direct and manage the relevant activities of the set of assets and liabilities of such business with the purpose of providing a return in the form of dividends, smaller costs or other economic benefits directly to stockholders.

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 Company accounts for business combinations using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the carrying value of the net assets acquired at the level of the subsidiary and its carrying amount at the level of the Company are recognized in stockholders' equity.

The acquisition-related costs are recognized as expenses when incurred.

Goodwill is initially measured as 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 operations.

If the business combination is achieved in stages, the value in books at the acquisition date of the equity previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in income of the year.

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.

As of December 31, 2020, 2019 and 2018, the subsidiaries included in the consolidated financial statements of Nemak were as follows:

	Country [1]	Percentage of ownership (%) [2]	Functional currency
Nemak, S. A. B. de C. V. (Holding)	Mexico		U.S. dollar
Nemak Mexico, S. A.	Mexico	100	U.S. dollar
Modellbau Schönheide GmbH	Germany	100	Euro
Corporativo Nemak, S. A. de C. V. (Administrative services)	Mexico	100	Mexican peso
Nemak Canada, S. A. de C. V. (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	U.S. dollar
Camen International Trading, Inc.	USA	100	U.S. dollar
Nemak Europe GmbH	Germany	100	Euro
Nemak Exterior, S. L. (Holding)	Spain	100	Euro
Nemak Dillingen GmbH	Germany	100	Euro
Nemak 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 BSEU 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
Nemak Rus, LLC.	Russia	100	Russian ruble
Nemak Pilsting GmbH	Germany	100	Euro
Nemak Alumínio do Brazil Ltda.	Brazil	100	Brazilian real
Nemak Argentina, S. R. L.	Argentina	100	Argentinean peso
Nemak Nanjing Automotive Components Co., Ltd.	China	100	Chinese renminbi yuan
Nemak Chongqing Automotive Components, Co, Ltd.	China	100	Chinese renminbi yuan
Nemak Shanghai Management Co., Ltd.	China	100	Chinese renminbi yuan
Nemak Aluminum Casting India Private, Ltd.	India	100	Indian rupee
Nemre Insurance Pte Ltd.	Singapore	100	U.S. dollar
Nemak Commercial Services, Inc.	USA	100	U.S. dollar
Nemak USA, Inc.	USA	100	U.S. dollar
Nemak USA Services Inc.	USA	100	U.S. dollar
Nemak Automotive Castings, Inc.	USA	100	U.S. dollar
Nemak Izmir Döküm Sanayi A. Ş.	Turkey	100	Euro
Nemak Izmir Dis Ticaret A. Ş.	Turkey	100	Euro

[1] Country of company's incorporation.

[2] Direct and indirect ownership percentage of Nemak. Share ownership percentages as of December 31, 2020, 2019 and 2018.

As of December 31, 2020, 2019 and 2018, there are no significant restrictions on investment in shares of the subsidiary companies mentioned above.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, in example, an increase or decrease in the percentage of control, is recorded in stockholders' 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 consolidated statement of operations. 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 consolidated statement of operations and its share in the other comprehensive income of associates is recognized as other comprehensive income. 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 consolidated statements of operations.

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 consolidated statements of operations.

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.

When there is a change in the functional currency of one of the subsidiaries, according to International Accounting Standard 21, *Effects of changes in foreign exchange rates ("*IAS 21"), this change is accounted for prospectively, translating at the date of the change of functional currency, all assets, liabilities, equity and income items to the exchange rate of that date.

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.

Conversion differences of non-monetary assets, for example, investments classified as available for sale, are included in other comprehensive income.

Exchange differences of monetary assets classified as financial instruments at fair value through profit or loss are recognized in the consolidated statement of operations as part of the gain or loss of fair value.

Translation of subsidiaries with recording currency other than the functional 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 income, 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 exchange differences arising in the translation from the recording currency to the functional currency were recognized as income or expense in the consolidated statement of operations in the period they arose.

Translation of subsidiaries with functional currency other than the presentation currency.

The results and financial position of all Nemak entities have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each statement of financial position balance sheet presented are translated at the closing exchange rate at the closing date;

b. Stockholders’ equity of each consolidated statement of financial position are translated at historical rates.

c. Income and expenses for each income statement of operations 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. The resulting exchange differences are recognized in the consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition date of a foreign transaction to measure them at their fair value are recognized as assets and liabilities of the foreign entity and are converted to the closing exchange rate. The exchange differences that arise are recognized in the consolidated statement of comprehensive income.

The primary exchange rates in the various translation processes are listed below:

		Local currency to Mexican pesos					
		Closing exchange rate at December 31,			Average exchange rate at December 31,		
Country	**Local currency**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Canada	Canadian dollar	15.66	14.53	14.41	15.57	14.65	14.88
United States	U.S. dollar	19.95	18.85	19.68	19.98	19.17	20.15
Brazil	Brazilian real	3.84	4.69	5.07	3.78	4.66	5.18
Argentina	Argentinean peso	0.24	0.31	0.52	0.24	0.32	0.53
Czech Republic	Euro	24.41	21.15	22.51	24.29	21.23	22.91
Germany	Euro	24.41	21.15	22.51	24.29	21.23	22.91
Austria	Euro	24.41	21.15	22.51	24.29	21.23	22.91
Hungary	Euro	24.41	21.15	22.51	24.29	21.23	22.91
Poland	Euro	24.41	21.15	22.51	24.29	21.23	22.91
Slovakia	Euro	24.41	21.15	22.51	24.29	21.23	22.91
Spain	Euro	24.41	21.15	22.51	24.29	21.23	22.91
China	Chinese renminbi yuan	3.06	2.71	2.86	3.05	2.75	2.90
India	Indian rupee	0.27	0.26	0.28	0.27	0.27	0.29
Russia	Russian ruble	0.27	0.30	0.28	0.27	0.30	0.29
Singapore	U.S. dollar	19.95	18.85	19.68	19.98	19.17	20.15
Turkey	Euro	24.41	21.15	22.51	24.29	21.23	22.91

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 and maintain a high credit quality. Bank overdrafts are presented as loans as a part of the current 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 consolidated statement of financial position and are excluded from cash and cash equivalents in the consolidated statement cash flows.

f. Financial instruments

Financial assets

The Company classifies and measures its financial assets based on the Company's business model to manage financial assets, and on the characteristics of the contractual cash flows of such assets. This way financial assets can be classified at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized at settlement date.

Financial assets are entirely written off when the right to receive the related cash flows expires or is transferred, and the Company has also substantially transferred all the risks and rewards of its ownership, as well as the control of the financial asset.

Classes of financial assets

i. Financial assets at amortized cost

Financial assets at amortized cost are financial assets that i) are held within a business model whose objective is to hold said assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal.

ii. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are financial assets: i) held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal. As of December 31, 2020, 2019 and 2018, the Company does not have financial assets to be measured at fair value through other comprehensive income.

iii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, in addition to those described in point i in this section, are financial assets that do not meet the characteristics to be measured at amortized cost or fair value through other comprehensive income, since i) they have a business model different to those that seek to collect contractual cash flows, or collect contractual cash flows and sell the financial assets, or otherwise ii) the generated cash flows are not solely payments of principal and interest on the amount of outstanding principal.

Despite the mentioned classifications, the Company can make the following irrevocable elections in the initial recognition of a financial asset:

a. Present the subsequent changes in the fair value of a capital investment in other comprehensive income, as long as the investment is not held for trading purposes, that is a contingent consideration recognized as a result of a business combination.

b. Designate a debt instrument that meets the criteria to be subsequently measured at amortized cost or at fair value through other comprehensive results, to be measured at fair value through results, if doing so eliminates or significantly reduces an accounting asymmetry that would arise of the measurement of assets or liabilities or the recognition of gains and losses on them in different bases.

As of December 31, 2020, 2019 and 2018, the Company has not made any of the irrevocable designations described above.

Impairment of financial assets

The Company use a new impairment model based on expected credit losses rather than losses incurred, applicable to financial assets subject to such assessment (i.e. financial assets measured at amortized cost and at fair value through other comprehensive income), as well as lease receivables, contract assets, certain written loan commitments, and financial guarantee contracts. The expected credit losses on these financial assets are estimated from the origin of the asset at each reporting date, taking as a reference the historical experience of the Company's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an evaluation of both the current direction and the forecast of future conditions.

a. Trade receivables

The Company adopted the simplified expected loss calculation model, through which expected credit losses during the asset’s lifetime are recognized.

The Company does an analysis of its portfolio of accounts receivable from clients, in order to determine if there are significant clients for whom it requires an individual evaluation; On the other hand, customers with similar characteristics that share credit risks (participation in the portfolio of accounts receivable, market type, sector, geographic area, etc.), are grouped to be evaluated collectively.

For the impairment assessment, the Company may include indications that the debtors or a group of debtors are experiencing significant financial difficulties; increase in the probability of debtors entering into bankruptcy or a financial restructuring, as well as observable data indicating that there is a considerable decrease in the estimate of the cash flows to be received, including arrears.

For purposes of the previous estimate, the Company considers that the following constitutes an event of default, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- The debtor fails to meet the financial covenants; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in its entirety (without considering any guarantee held by the Company).

The Company defined as the default threshold, the period from which the recovery of the account receivable subject to analysis is marginal; in this case, 271 days of delay, which is in line with internal risk management.

b. Other financial instruments

The Company recognizes credit losses expected during the asset's lifetime of all financial instruments for which credit risk has significantly increased since its initial recognition (assessed on a collective or individual basis), considering all the reasonable and sustainable information, including the one referring to the future. If as of the date of presentation of the credit risk a financial instrument has not significantly increased since its initial recognition, the Company calculates the loss allowance for that financial instrument as the amount of expected credit losses in the following 12 months.

In both cases, the Company recognizes in profit or loss of the period the decrease or increase in the expected credit loss allowance at the end of the period, as an impairment gain or loss.

The Company calculates expected credit losses of a financial instrument in such a way that reflects:

a. an amount of weighted probability, not biased, which is determined by the assessment of a range of possible results;
b. the time value of money; and
c. the reasonable and sustainable information that is available without cost or disproportionate effort at the date of presentation on past events, current conditions and forecasts of future economic conditions.

In measuring the expected credit losses, the Company does not necessarily identify all the possible scenarios. However, it considers the risk or probability that a credit loss occurs, reflecting the possibility that the payment default occurs and does not occur, even if that possibility is very low. In addition, the Company determines the period for the default to occur, and the recoverability rate after default.

Management assesses the impairment model and the inputs used therein at least once every 3 months, in order to ensure that they remain in effect based on the current situation of the portfolio.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and subsequently are valued at the amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities when they must be settled within the next 12 months; otherwise, they are classified as non-current liabilities.

Accounts payable are obligations to pay for goods or services that have been acquired or received by suppliers in the ordinary course of business. Loans are initially recognized at their fair value, net of transaction costs incurred. The loans are subsequently recognized at amortized cost; any difference between the resources received (net of transaction costs) and the settlement value is recognized in the consolidated statement of operations over the term of loan using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities if, and only, the Company´s liabilities are met, cancelled or expired. The difference between the book value of the financial liabilities derecognized and the consideration, is recognized in the consolidated statement of operations.

Additionally, when the Company incurs a refinancing transaction and the previous liability qualifies to be derecognized, the incurred costs of refinancing are recognized immediately in the consolidated statements of operations at the extinction date of the past financial liability.

Compensation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the right to offset the amounts recognized is legally enforceable and there is an intention to settle them on a net basis or to realize the asset and pay the liability simultaneously.

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 consolidated statement of financial position 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 and its fair value is determined using valuation techniques accepted in the financial sector.

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.

Fair value hedges

Changes in the fair value of derivative financial instruments are recorded in the consolidated statement of operations. The change in fair value hedges and the change in the primary position attributable to the hedged risk are recorded in the consolidated statement of operations in the same line item as the hedged position. As of December 31, 2020, 2019 and 2018, the Company has no derivative financial instruments classified as fair value hedges.

Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive income, within stockholders' equity and is reclassified to profit or loss when the hedged position affects these. The ineffective portion is immediately recorded in income.

Net investment hedge in a foreign transaction

The Company applies hedge accounting to currency risk arising from its investments in foreign transactions for variations in exchange rates arising between the functional currency of such transaction and the functional currency of the holding entity, regardless of whether the investment is maintained directly or through a sub-holding entity. Variation in exchange rates is recognized in the other items of comprehensive income as part of the translation effect, when the foreign transaction is consolidated.

To this end, the Company designates the debt denominated in a foreign currency as a hedging instrument; therefore, the exchange rate effects caused by the debt are recognized in other components of comprehensive income, on the translation effects line item, to the extent that the hedge is effective. When the hedge is not effective, exchange differences are recognized in profit or loss.

Suspension of hedge accounting

The Company suspends hedge accounting when the derivative financial instrument or the non-derivative financial instrument has expired, is cancelled or exercised, when the derivative or non-derivative financial instrument is not highly effective to offset the changes in the fair value or cash flows of the hedged item, or when the Company decides to cancel the hedge designation.

On suspending hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged amount for which the effective interest rate method is used, is amortized to

income over the period to maturity. In the case of cash flow hedges, the amounts accumulated in equity as a part of comprehensive income remain in equity until the time when the effects of the forecasted transaction affect income. In the event the forecasted transaction is not likely to occur, the income or loss accumulated in comprehensive income are immediately recognized in the consolidated statement of operations. When the hedge of a forecasted transaction appears satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are transferred proportionally to the consolidated statement of operations, to the extent the forecasted transaction impacts it.

The fair value of derivative financial instruments reflected in the consolidated financial statements of the Company, is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and future expectations at the closing date.

h. Inventories

Inventories are stated at the lower of cost or 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 other comprehensive income 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 consolidated statement of operations during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

When the Company carries out major repairs or maintenance of its property, plant and equipment assets, and the cost is recognized in the book value of the corresponding asset as a replacement, provided that the recognition criteria are met. The remaining portion of any major repair or maintenance is derecognized. The Company subsequently depreciates the recognized cost in the useful life assigned to it, based on its best estimate of useful life

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 estimated useful lives of assets classes are as follows:

Buildings and constructions	20 to 50 years
Machinery and equipment	10 to 30 years
Vehicles	4 to 20 years
Furniture and office equipment	6 to 15 years
Other 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.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction takes a substantial period to be ready for its use (nine months or more), 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.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the consolidated statement of operations in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The residual value and useful lives 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.

The Company made changes in the estimated useful life of its fixed assets as will generate future economic benefits for a period longer than previously estimated which were recognized prospectively from the beginning of the years ended December 31, 2020, 2019 and 2018, representing a non-significant impact, a profit of $327 and $768, respectively, with respect to the depreciation that would have been recognized without such revisions in the 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 consolidated statements of operations.

j. Leases

Classification and valuation of leases under IAS 17, in effect through December 31, 2018

The Company as lessee

As of December 31, 2018, the classification of leases as finance or operating depended 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 were classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) were recognized in the consolidated statement of income based on the straight-line method over the lease period.

Leases where the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the beginning of the lease, at the lower of the fair value of the leased property and the present value of the future minimum lease payments. If its determination was practical, in order to discount the future minimum lease payments to present value, the interest rate implicit in the lease was used; otherwise, the incremental borrowing rate of the lessee was used. Any initial direct costs of the leases were added to the original amount recognized as an asset. Each lease payment was allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations were included in non-current debt, net of finance charges. The interest element of the finance cost was 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 were depreciated over the shorter of the asset's useful life or the lease term.

The Company as lessor

Leases for which the Company is considered a lessor were classified as financial or operating. As long as the lease terms transfer substantially all the risks and rewards of ownership to the lessee, the contract was classified as a finance lease. The other leases were classified as operating leases.

Revenues arising from operating leases were recognized in straight-line over the term of the corresponding lease. The initial direct costs incurred in the negotiation and the organization of an operating lease were added to the book value of the leased asset and were recognized in a straight line over the term of the lease. Revenues arising from financial leases were recognized as accounts receivable for the amount of the net investment of the Company in the leases.

Classification and valuation of leases under IFRS 16, in effect beginning January 1, 2019

The Company as lessee

The Company evaluates whether a contract is or contains a lease agreement at inception of a contract. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Company recognizes a right-of-use asset and the corresponding lease liability, for all lease agreements in which it acts as lessee, except in the following cases: short-term leases (defined as leases with a lease term of less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than US$5,000 (five thousand dollars)); and, lease agreements whose payments are variable (without any contractually defined fixed payment). For these agreements, which exempt the recognition of an asset for right-of-use and a lease liability, the Company recognizes the rent payments as an operating expense in a straight-line method over the lease period.

The right-of-use asset comprises all lease payments discounted at present value; the direct costs to obtain a lease; the advance lease payments; and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset over the shorter of the lease term or the useful life of the underlying asset; therefore, when the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Depreciation begins on the lease commencement date.

The lease liability is initially measured at the present value of the future minimum lease payments that have not been paid at that date, using a discount rate that reflects the cost of obtaining funds for an amount similar to the value of the lease payments, for the acquisition of the underlying asset, in the same currency and for a similar period to the corresponding contract (incremental borrowing rate). When lease payments contain non-lease components (services), the Company has chosen, for some class of assets, not to separate them and measure all payments as a single lease component; however, for the rest of the class of assets, the Company measures the lease liability only considering lease payments, while all of the services implicit in the payments, are recognized directly in the consolidated statement of operations as operating expenses.

To determine the lease term, the Company considers the non-cancellable period, including the probability to exercise any right to extend and/or terminate the lease term.

Subsequently, the lease liability is measured increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

When there is a modification in future lease payments resulting from changes in an index or a rate used to determine those payments, the Company remeasures the lease liability when the adjustment to the lease payments takes effect, without reassessing the discount rate. However, if the modifications are related to the lease term or exercising a purchase option, the Company reassesses the discount rate during the liability's remeasurement. Any increase or decrease in the value of the lease liability subsequent to this remeasurement is recognized as an adjustment to the right-of-use asset to the same extent.

Finally, the lease liability is derecognized when the Company fulfills all lease payments. When the Company determines that it is probable that it will exercise an early termination of the contract that leads to a cash disbursement, such disbursement is accounted as part of the liability's remeasurement mentioned in the previous paragraph; however, in cases in which the early termination does not involve a cash disbursement, the Company cancels the lease liability and the corresponding right-of-use asset, recognizing the difference immediately in the consolidated statement of operations.

The Company as lessor

As of January 1, 2019, the Company, in those cases where it acts as a lessor, maintains its accounting policy consistent with that in effect during the year ended December 31, 2018, considering the new definition of leases established by IFRS 16.

k. Intangible assets

Intangible assets are recognized in the consolidated statement of financial position 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. As of December 31, 2020, 2019 and 2018, 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
Relationships with customers	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.

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. Other relationships with customers

The Company has recognized certain relationships with customers corresponding to the costs incurred to obtain new agreements with certain OEMs (Original Equipment Manufacturers), and which will be recognized as a revenue reduction over the term of these agreements. The amortization method used is based on the volume of units produced. As of December 31, 2020, 2019 and 2018, the Company recorded a reduction to revenue associated with the amortization of these assets of $168, $165 and $116 for this item, respectively.

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 to sell 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 taxes

The amount of income taxes in the consolidated statement of operations represents the sum of the current and deferred income taxes.

The amount of income taxes included in the consolidated statement of operations represents the current tax and the effects of deferred income tax assets determined in each subsidiary by the asset and liability method, applying the rate established by the legislation enacted or substantially enacted at the consolidated statement of financial position date, wherever the Company operates and generates taxable income. The applicable rates are applied to the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities, and that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is expected to be settled, considering, when applicable, any tax-loss carryforwards, prior to the recovery analysis. The effect of the change in current tax rates is recognized in current income of the period in which the rate change is determined.

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 just when a legal right exists and offset exists when the taxes are levied by the same tax authority.

n. Employee benefits

i. Pension plans

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 on the date that is required the contribution.

Defined benefit 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 consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position 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 in conformity with the IAS 19 – *Employee Benefits*, that are denominated in the currency in which the benefits will be paid, and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in other 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 consolidated statement of operations.

ii. Post-employment medical 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 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. The benefits that will be paid in the long term are discounted at 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 profit 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.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

p. Share-based payments

The Company has compensation plans based on the market value of Nemak and Alfa´s shares in favor of certain senior executives. The conditions for granting such compensation to the eligible executives includes compliance with certain financial metrics such as the level of profit achieved and remaining in the Company for up to 5 years, among other requirements. 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 Nemak. Adjustments to this estimate are charged or credited to the consolidated statement of operations.

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 within 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 consolidated statement of operations.

q. Treasury shares

The Company's stockholders periodically authorize a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is presented as a reduction to stockholders' equity at the purchase price. These amounts are stated at their historical value.

r. Capital stock

Nemak's SAB common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a reduction from the consideration received, net of tax.

s. Comprehensive income

Comprehensive income is composed of net income plus the annual effects of their capital reserves, net of taxes, which are comprised of the translation of foreign subsidiaries, the effects of derivative cash flow hedges, actuarial gains or losses, net investment hedges, the effects of the change 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 stockholders' equity, and which do not constitute capital contributions, reductions and distributions.

t. Segment reporting

Segment information is presented consistently with the internal reporting provided to the chief operating decision maker who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

u. Revenue recognition

Revenues comprise the fair value of the consideration received or to receive for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated statement of operations, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts and payments made to customers with the objective that goods are accommodated in attractive and favorable spaces at their facilities.

To recognize revenues from contracts with customers, the comprehensive model for revenue accounting is applied, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the company satisfies a performance obligation.

Contracts with customers are given by commercial agreements with the OEM and complemented by purchase orders, whose costs comprise the promises to produce, distribute and deliver goods based on the contractual terms and conditions set forth, which do not imply a significant judgment to be determined. When there are payments related to obtaining new contracts, they are capitalized and amortized over the term of the contract obtained.

The Company evaluates whether the agreements signed for the development of tooling, in parallel with a production contract with the OEMs, should be combined as a single contract. In cases where the two contracts meet the characteristics to be combined, the Company´s management evaluates whether the development of tooling represents a performance obligation, or a cost of fulfillment of the contract.

Based on the above, when determining the existence of separable performance obligations in a contract with customers, the management evaluates the transfer of control of the good or service to the customer, with the objective of determining the moment of revenue recognition related to each performance obligation.

Moreover, the payment terms identified in the majority of the sources of revenue are in the short-term, with variable considerations primarily focused on discounts and rebates of goods given to customers, without financing components or significant guarantees. These discounts and incentives to customers are recognized as a reduction to income or as sale expenses, according to their nature. Therefore, the allocation of the price is directly on the performance obligations of production, distribution and delivery, including the effects of variable considerations.

The Company recognizes revenue at a point in time, when control of sold goods has been transferred to the customer, which is given upon delivery and acceptance of the goods promised to the customer according to the negotiated incoterm. An account receivable is recognized when the performance obligations have been met, recognizing the corresponding revenue.

v. Prepaid expenses

Prepaid expenses mainly comprise insurance and the corporate fee paid to suppliers. These amounts are recorded based on the contractual value and are carried to the consolidated statement of operations on a monthly basis during the life to which each prepaid expense 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.

w. Earnings per share

Earnings per share are calculated by dividing the profit attributable to the stockholders of the parent by the weighted average number of common shares outstanding during the year. As of December 31, 2020, 2019 and 2018, there are no dilutive effects from financial instruments potentially convertible into shares.

x. Changes in accounting policies and disclosures

i. New standards and changes adopted by the Company.

In the current year, the Company has applied a number of new and amended IFRS and interpretations issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2020. The conclusions related to their adoption are described as follows:

Amendments to IFRS 16, Rent Concessions Related to Covid-19

The amendments introduce a practical expedient that provides lessees the option not to assess whether a rent concession that meets certain conditions is a lease modification. The practical expedient is applicable to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

a. The change in the lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and

c. There is no substantive change to other terms and conditions of the lease.

The Company did not have any significant impacts on its consolidated financial statements due to adopting the amendment, as it did not receive significant concessions during the year. Additionally, the Company adopted the following amendments, which did not have any effects on the financial statements in the current year:

- Amendments to IAS 1 and IAS 8, Definition of Materiality
- Amendments to IFRS 3, Definition of a Business
- Amendments to IFRS 4, Insurance Contracts in the application of IFRS 9, Financial Instruments
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to the IFRS's conceptual framework

ii. New and revised IFRS in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS that have been issued but are not yet effective. The Company is determining the impacts that these modifications could have on its consolidated financial statements, however, only precision effects are expected in the accounting policies:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current (1)
- Amendments to IAS 16, Property, Plant and Equipment Proceeds before Intended Use (1)
- Amendments to IFRS 9, *Financial instruments* (1)
- IFRS 17, *Insurance Contracts* (2)

(1)Effective for annual reporting periods beginning on January 1, 2022

(2)Effective for annual reporting periods beginning on January 1, 2023

Additionally, the Company is continuously monitoring the progress of the reference interest rate reform project that modifies the regulations as mentioned below:

- Phase 2 of the benchmark interest rate reform (IBOR- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interbank benchmark rates such as LIBOR, EURIBOR and TIBOR, which represent the cost of obtaining unsecured funds, have been questioned about their viability as long-term financing benchmarks. The changes in the reform to the reference interest rates in its phase 2 refer to the modifications of financial assets, financial liabilities and lease liabilities, requirements for accounting coverage and disclosure of financial instruments. These improvements are effective as of January 1, 2021 with retrospective application, without the need to redo the comparative periods.

Regarding the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate.

On the other hand, regarding hedge accounting, the hedge relationships and documentation must reflect the modifications to the hedged item, the hedging instrument and the risk to be hedged. Hedging relationships must meet all criteria for applying hedge accounting, including effectiveness requirements.

Finally, regarding disclosures, entities should disclose how they are managing the transition to alternative reference rates and the risks that may arise from the transition; in addition, they must include quantitative information on financial assets and non-derivative financial liabilities, as well as non-derivative financial instruments, that continue under the reference rates subject to the reform and the changes that have arisen to the risk management strategy.

The Company is in the process of evaluating the impacts arising from the application of these amendments.

4. Financial instruments and financial risk management

The Company's activities expose it to various financial risks; market risk (including exchange rate risk, aluminum, price risk, and interest rate variation risk), credit risk and liquidity risk.

The Company has a general risk management program focused on the unpredictability of financial markets, and seeks to minimize the potential adverse effects on its financial performance. The objective of the risk management program is to protect the financial health of its business, taking into account the volatility associated with prices, foreign exchange and interest rates. The Company uses derivative financial instruments to hedge certain exposures to risks, including hedges of input prices.

The proposed transactions must meet certain criteria, including that the hedges are lower than established risk parameters, and that they are the result of a detailed analysis and properly documented. Sensitivity analysis and other risk analyses should be performed before the operation is entered into.

The Company's risk management policy indicates that the hedging positions should always be lower that the projected exposure to allow for an acceptable margin of uncertainty. Being unhedged operations expressly forbidden. The Company's risk management policy indicates the maximum percentages must be hedged with respect to the projected exposure:

	Maximum coverage (as a percentage of the projected exposure)
	Current year
Commodities	100
Energy costs	75
Exchange rate for operating transactions	80
Exchange rate for financial transactions	100
Interest rates	100

Capital management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders, as well as maintaining an optimal capital structure to reduce cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return equity to stockholders, issue new shares or sell assets to reduce debt.

Nemak monitors capital based on a leverage ratio. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities/total equity was 1.77, 1.61 and 1.58, as of December 31, 2020, 2019 and 2018, respectively, resulting in a leverage ratio that complies with the Company's management and risk policies.

Financial instruments by category

Below are the Company's financial instruments by category:

As of December 31, 2020, 2019 and 2018, financial assets and liabilities consist of the following:

	2020	2019	2018
Cash and cash equivalents	$ 8,720	$ 5,883	$ 3,555
Restricted cash	256	276	1,296
Financial assets measured at amortized cost:			
Trade and other accounts receivable	9,133	7,518	9,556
	$ 18,109	$ 13,677	$ 14,407
Financial liabilities measured at amortized cost:			
Debt	$ 31,213	$ 26,737	$ 29,158
Lease liability	1,976	1,853	-
Trade and accounts payable to related parties	17,451	16,061	17,467
	$ 50,640	$ 44,651	$ 46,625

Fair value of financial assets and liabilities measured at amortized cost

The amount of cash and cash equivalents, restricted cash, customers and other accounts receivable, other current assets, trade and other accounts payable, current debt, other current liabilities approximate their fair value, because their maturity date is less than twelve months. The net carrying amount of these accounts represents the expected cash flows to be received as of December 31, 2020, 2019 and 2018.

The carrying amount and estimated fair value of non-current financial assets and liabilities valued at amortized cost is presented below:

	As of December 31, 2020		As of December 31, 2019		As of December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Non-current accounts receivable	$ -	$ -	$ 2	$ 1	$ 706	$ 661
Financial liabilities:						
Debt	$27,239	$27,959	$24,751	$25,606	$ 27,713	$ 26,189

Estimated fair values as of December 31, 2020, 2019 and 2018, were determined based on a discounted cash flow basis. Measurement at fair value of non-current accounts is considered within level 3 of the fair value hierarchy, whereas, for the financial debt, the measurement at fair value is considered within levels 1 and 2 of the hierarchy.

Market risks

(i) Exchange rate risk

The Company operates internationally, and is exposed to foreign exchange risk, primarily derived from the transactions and balances that the subsidiaries conduct and have in foreign currency, respectively. A foreign currency is that which is different from the functional currency of an entity. In addition, the Company is exposed to changes in the value of financial instruments arising from foreign exchange variations.

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 its consolidated results. Nemak estimates that approximately 52% of its sales are U.S dollars denominated, 36% in Euros, and the remaining 12% in other currencies since the price of its products is set based on such currencies.

The main risk of the Company associated with its financial instruments comes from its debt in foreign currency, mainly in euros, held by entities whose functional currency is the US dollar. In addition, the Company maintains assets and liabilities denominated in foreign currency in relation to the functional currency of the subsidiaries in Mexican pesos and Euros. The monetary position in euros has been converted to millions of Mexican pesos at the closing exchange rate of December 31, 2020:

	MXP	EUR
Financial assets	$ 360	$ 53
Financial liabilities	(3,446)	(12,400)
Financial position in foreign currency	$ (3,086)	$ (12,347)

The exchange rate used to convert the financial position in foreign currency from Euros to Mexican pesos, is described on Note 3.

Based on the monetary positions in foreign currencies that the Company maintains, a hypothetical variation of 10% in the exchange rate USD/MXP and USD/EUR, maintaining all the other variables constant, will result in an effect of $841 in the consolidated statements of operations and of $1,543 in equity.

Financial instruments to hedge net investments in foreign transactions

The Company designates certain non-current debt instruments as hedges to net investments in foreign transactions in order to mitigate the variations in exchange rates arising between the functional currency for such transactions and the functional currency of the holding or sub-holding company that maintains these investments.

The Company formally designated and documented each hedging relationship establishing objectives, management's strategy to cover the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology to assess the effectiveness. Given that the exchange rate hedging relationship is clear, the method that the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items. The hedging effectiveness results confirm that the hedging relationships are highly effective due to the economic relationship between the hedging instrument and the hedged items. For its part, when the value of the net assets of the foreign transaction is less than the notional value of the designated debt, the company performs a rebalancing of the hedging relationship and recognizes ineffectiveness in the statement of results.

The Company maintains the following hedging relationships:

As of December 31, 2020

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)	Covered item	Net assets of the hedged item (Euros)
Nemak, S. A. B. de C. V.	USD	Senior Notes	€ 284	Nemak Dillingen GmbH	€ 126
		Bank Loans	4	Nemak Linz GmbH	27
				Nemak Gyor Kft.	130
				Nemak Slovakia, S.r.o.	53
				Nemak Wernigerode GmbH	66
				Nemak Czech Republic, S.r.o.	56
				Nemak Poland Sp.z.o.o.	40
				Nemak Spain, S.L.	28
				Nemak Pilsting GmbH	11
				Nemak Izmir Dokum Sanayi A.S.	50
			€ 288		€ 587

As of December 31, 2019

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)	Covered item	Net assets of the hedged item (Euros)
Nemak, S. A. B. de C. V.	USD	Senior Notes	€ 211	Nemak Dillingen GmbH	€ 109
		Bank Loans	4	Nemak Linz GmbH	29
				Nemak Gyor Kft.	125
				Nemak Slovakia, S.r.o.	43
				Nemak Wernigerode GmbH	67
				Nemak Czech Republic, S.r.o.	55
				Nemak Poland Sp.z.o.o.	45
				Nemak Spain, S.L.	36
				Nemak Pilsting GmbH	10
				Nemak Izmir Dokum Sanayi A.S.	46
			€ 215		€ 565

As of December 31, 2018						
Holding	**Functional Currency**	**Hedging Instrument**	**Notional Value** (Euros)		**Covered item**	**Net assets of the hedged item** (Euros)
Nemak, S. A. B. de C. V.	USD	Senior Notes	€	206	Nemak Dillingen GmbH	€ 121
		Bank Loans		4	Nemak Linz GmbH	29
					Nemak Gyor Kft.	110
					Nemak Slovakia, S.r.o.	71
					Nemak Wernigerode GmbH	67
					Nemak Czech Republic, S.r.o.	54
					Nemak Poland Sp.z.o.o.	41
					Nemak Spain, S.L.	39
					Nemak Pilsting GmbH	9
					Nemak Izmir Dokum Sanayi A.S.	35
			€	210		€ 576

The average coverage ratio of the Company amounted to 49.35% and 35.38% for the years ended December 31, 2020 and 2019, respectively, and 30.80% from the designation date until December 31, 2018. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2020 and 2019, amounted to a net (loss) profit of $(687) and $84, respectively, and a net profit of $304, from the designation date until December 31, 2018, which was recognized in other comprehensive income compensating the translation effect by each foreign investment. The results of the effectiveness of each hedging instrument confirms that the hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedging items.

(ii) Price risk commodities

a. Aluminum

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 entered into agreements with its customers, whereby the variations of aluminum prices are transferred to 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 Entity to buy aluminum, which could negatively or positively impact its business, financial position and the results of its operations.

b. Natural gas

Nemak is an entity that uses natural gas to carry out its operating processes and develop its products. This consumption has grown as the volume of their end products increase, which causes that an increase in the price of natural gas creates negative effects on the operating cash flows. In order to mitigate its exposure to the price of this material, the Entity conducts, some natural gas hedging transactions using derivative instruments. Therefore, according to its risk management program, the Company enters into hedges against the exposure to the increase in natural gas prices, for future purchases by entering into swaps where variable prices are received and a fixed price is paid. A strategy called roll-over has been implemented, through which it is analyzed each month if more derivatives should be contracted to expand the time or the amount of hedging. As of December 31, 2020, 2019 and 2018, the Company does not keep open positions of these type of derivative financial instruments.

Interest rate risk

The Company is exposed to interest rate risk mainly for long-term loans bearing interest at variable rates. Fixed-interest loans expose the Company to interest rate risk at fair value, which implies that Nemak might be paying interest at rates significantly different from those of an observable market.

As of December 31, 2020, if interest rates on variable rate are increased or decreased by 100 basis points in relation to the rate in effect, the income and stockholders' equity of the Company would change by $311.

Credit risk

The credit risk represents the potential loss due to non- compliance of counterparts in their payment obligations. Credit risk is generated by 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.

The Company is managed on a group basis and credit risk profile, the significant clients with whom it maintains a receivable, distinguishing those that require an individual credit risk assessment. For the rest of the clients, the company carries out its classification according to the type of market in which they operate, according with the business management and the internal risk management. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. If wholesale customers are qualified independently, these are the qualifications used. If there is no independent qualification, the company´s risk control assesses the customer´s credit quality, taking into account its financial position, previous experience and other factors. The maximum exposure to credit risk is given by the balances of these items as presented in the consolidated state of financial position.

Individual risk limits are determined based on internal and external ratings in accordance with limits set in the financial risk management policy. The use of credit risks is monitored regularly. Sales to retail customers are in cash or credit cards. During 2020, 2019 and 2018, credit limits were not exceeded and management does not expect losses in excess of the impairment recognized in the corresponding periods.

In addition, the Company performs a qualitative evaluation of economic projections, with the purpose of determining the possible impact on probabilities of default and the rate of recovery that it assigns to its clients.

During the year ended December 31, 2020, 2019 and 2018, there have been no changes in the techniques of estimation or assumption.

Liquidity risk

Projected cash flows are determined at each operating subsidiary 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 liquid investments are maintained to meet operating needs, and that some flexibility is maintained through unused committed credit lines.

The Company regularly monitors and makes decisions ensuring that the limits or covenants set forth in debt contracts are not breached. 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 department invests those funds in time deposits, with high credit quality whose maturities or liquidity allow flexibility to meet the cash flow needs of the Company.

The following table analyzes the non-derivative financial instruments, grouped according to their maturity, from the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	Less than a year	**From 1 to 5 years**	**More than 5 years**
As of December 31, 2020			
Trade and accounts payable to related parties	$ 17,451	$ -	$ -
Debt (excluding debt obtaining costs)	4,267	1,741	3,776
Lease liability	422	1,189	365
Senior Notes (excluding issuance costs)	870	24,930	-
Interest payable	346	-	-
As of December 31, 2019			
Trade and accounts payable to related parties	$ 16,061	$ -	$ -
Debt (excluding debt obtaining costs)	2,163	1,937	4,011
Lease liability	372	1,151	330
Senior Notes (excluding issuance costs)	791	23,307	-
Interest payable	320	-	-
As of December 31, 2018			
Trade and other accounts payable	$ 17,467	$ -	$ -
Debt (excluding debt obtaining costs)	1,154	4,364	1,291
Senior Notes (excluding issuance costs)	833	15,342	10,147
Notes payable	352	-	-
Finance leases	42	502	161

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.

As of December 31, 2020, 2019 and 2018, the Company has uncommitted short term credit lines unused for more than US$425 ($8,478), US$734 ($13,836) and US$741 ($14,591), respectively. Additionally, as of December 31, 2020, 2019 and 2018, Nemak has committed medium-term credit lines available of US$412 ($8,215), US$404 ($7,613) and US$406 ($7,990) respectively. In order to maintain a solid liquidity position and have sufficient cash on hand to support operations and COVID-19 impacts, during the year ended December 31, 2020, Nemak disposed all of its committed lines for US$412, liquidating them in November. On the other hand, the uncommitted lines were disposed for US$250 during March, partially liquidated in December.

Fair value hierarchy

The following is an analysis of financial instruments measured in accordance with the fair value hierarchy. The 3 different levels of the fair value hierarchy 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, which are directly or indirectly observable.
- Level 3: Valuations made through technics where one or more of their significant data inputs are unobservable.

The Company's assets and liabilities that are measured at fair value as of December 31, 2020, 2019 and 2018, are classified within the level 2 of the fair value hierarchy.

There were no transfers between Levels 1 and 2 or between Level 2 and 3 during the period.

The specific valuation techniques used to value financial instruments include:

- Market quotations or trader quotations for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange agreements is determined using exchange rates at the closing balance date, with the resulting value discounted at present value.
- Other techniques such as the analysis of discounted cash flows, which are used to determine fair value of the remaining financial instruments.

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.

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 conducts annual tests to determine whether goodwill and intangibles assets with indefinite useful lives have suffered any impairment (Note 12). For impairment testing, goodwill and intangibles assets with indefinite lives are allocated with those cash generating units ("CGUs") of which the Company has considered that economic and operational synergies of the business combinations are generated. The recoverable amounts of the groups of CGUs were determined based on the calculations of their value in use, which require the use of estimates, within which, the most significant are the following:

- Future gross and operating margins according to the historical performance and expectations of the industry for each CGU group.
- Discount rate based on the weighted cost of capital (WACC) of each CGU or CGU group.
- Long-term growth rates.

b. Recoverability of deferred tax assets

The Company has tax losses to be utilized, derived mainly from significant foreign exchange losses, which may be used in the subsequent years (Note 25). Based on income and tax revenue projections Nemak will generate in subsequent years through a structured and robust business plan, which includes the sale of non-strategic assets, new services to be provided to its subsidiaries, among others, the Company's management has considered that its tax loss carryforwards will be used before they expire and therefore it has been deemed appropriate to recognize a deferred tax asset for such losses.

c. Contingent liabilities

Management also makes judgments and estimates in recording provisions for matters relating to claims and litigation. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

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.

d. Long-lived assets

The Company estimates the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the expected future economic benefits associated with the assets.

The Company reviews the impairment indicators for depreciable and amortizable assets annually, or when certain events or circumstances indicate that the book value may not be recovered in the remaining useful life of those assets. On the other hand, intangible assets with an indefinite useful life are subject to impairment tests at least every year and provided there is an indication that the asset could have deteriorated.

To evaluate the impairment, the Company uses cash flows, which consider the administrative estimates for future transactions, including estimates for revenues, costs, operating expenses, capital expenses and debt service. In accordance with IFRS, discounted future cash flows associated with an asset or cash-generating unit (CGU) would be compared to the value in books of the asset or CGU at issue to determine if impairment exists or a reversal of impairment whenever the aforementioned discounted future cash flows are less than its book value. In such case, the carrying amount of the asset or group of assets is reduced to its recoverable amount.

e. Estimation of default probabilities and recovery rate to apply the model of expected losses in the calculation of impairment of financial assets.

The Company assigns to customers with whom it maintains an account receivable at each reporting date, either individually or as a group, an estimate of the probability of default on the payment of accounts receivable and the estimated recovery rate, with the purpose of reflecting the cash flows expected to be received from the outstanding balances on said date.

f. Estimation of the discount rate to calculate the present value of future minimum income payments

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental loan rate ("IBR").

The Company uses a three-tier model, with which it determines the three elements that make up the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, management also considers its policies and practices to obtain financing, distinguishing between that obtained at the corporate level (that is, by the holder), or at the level of each subsidiary. Finally, for the leases of real estate, or, in which there is significant and observable evidence of its residual value, the Company estimates and evaluates an adjustment for the characteristics of the underlying asset, taking into account the possibility that said asset be granted as collateral or guarantee against the risk of default.

g. Estimate of the lease term

The Company defines the term of the leases as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are likely to be exercised. The Company participates in lease agreements that do not have a definite forced term, a defined renewal period (if it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the term of the contracts considering their contractual rights and limitations, their business plan, as well as the administration's intentions for the use of the underlying asset. Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimate of the lease term.

6. Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statements of financial position consist of the following:

	December 31		
	2020	**2019**	**2018**
Cash on hand and in banks	$ 2,943	$2,150	$3,551
Short-term bank deposits	5,777	3,733	4
Total cash and cash equivalents	$ 8,720	$5,883	$3,555

7. Restricted cash

The value of restricted cash is composed as follows:

	December 31		
	2020	**2019**	**2018**
Current	$ 121	$ 120	$ 617
Non-current (Note 13)	135	156	679
Restricted cash [1] [2]	$ 256	$ 276	$ 1,296

[1] The Company received formal notices from the Brazilian tax authorities corresponding to tax credits, related to their review of its operations in Brazil. Pending the resolution of these requirements, and by virtue of a court order, Nemak has segregated bank balances as of December 31, 2018 of $677, which will be reimbursed to the Company upon final resolution. In the first semester of 2019, the Company obtained the final court decision related to its right to utilize tax credits for $315 the last 15 years with no possibility of appeal from the Federal government.

[2] In accordance with the provisions of a credit agreement, the Company has made long term cash deposit pursuant to a preferential loan arranged in order to participate in a financing by a US agency to promote investment in rural / low-development regions in the USA.

8. Trade and other accounts receivables, net

	December 31 2020	2019	2018
Trade accounts receivable	$ 6,354	$ 4,790	$ 6,784
Due from related parties (Note 26)	1,076	779	1,277
Recoverable taxes	96	342	691
Sundry debtors	1,946	2,179	1,746
Allowance for impairment of trade accounts receivable and related parties	(243)	(230)	(251)
Total	$ 9,229	$ 7,860	$ 10,247
Non-current:			
Non-current receivable due from related parties (Note 26)	$ -	$ 2	$ 706

Movements in the allowance for impairment of trade accounts receivable and related parties are as follows:

	2020	2019	2018
Opening balance as of January 1	$ (230)	$ (251)	$ (441)
Allowance for impairment of trade and related parties	(43)	-	(43)
Receivables written off during the year	43	20	229
Other	(13)	1	4
Final balance as of December 31	$ (243)	$ (230)	$ (251)

The balance of the allowance for impairment of trade accounts receivable and related parties as of December 31, 2020, 2019 and 2018 was $(243), $(230) and $(251), respectively, the variations were mainly due to changes in the estimation of probabilities of default and the percentage of recovery, allocated to different customer groups in which the Company operates, which reflected an increase in credit risk over these financial assets.

The following describes the probability ranges of default and recovery rates allocated to the main customer segments with which the company has balances receivable in its different businesses:

As of December 31, 2020

Clients or group of clients	Probability range of default	Severity of loss
Automotive	0.00% - 3.75%[1]	99.31%
Related parties	0.00% - 0.61%	99.09%

As of December 31, 2019

Clients or group of clients	Probability range of default	Severity of loss
Automotive	0.00% - 0.54%	99.54%
Related parties	0.00% - 0.20%	99.82%

As of December 31, 2018

Clients or group of clients	Probability range of default	Severity of loss
Automotive	0.00% - 0.85%	99.80%
Related parties	0.00% - 0.17%	100.00%

(1)The maximum probability range of default belongs to a single client. All the other clients of the Company maintain a maximum probability of default of 0.73%.

Increases and decreases in customer impairment estimation, when they do not imply the legal loss of an account receivable, are recognized in the consolidated statement of operations within the heading of sales costs. On the other hand, when collection rights are legally lost, the Company cancels the accumulated doubtful collection estimate, with the gross amount of the account receivable

The company does not maintain any significant collateral or guarantees that mitigate exposure to the credit risk of its financial assets.

9. Inventories

	December 31		
	2020	**2019**	**2018**
Raw material and other consumables	$ 6,024	$ 5,310	$ 5,702
Work in process	4,134	3,969	4,375
Finished goods	2,527	1,867	2,441
	$ 12,685	$ 11,146	$ 12,518

For the years ended on December 31, 2020, 2019 and 2018, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of $78, $65 and $22, respectively.

At December 31, 2020, 2019 and 2018, there were no inventories pledged as collateral.

10. Property, plant and equipment, net

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Furniture and equipment	Constructions in progress	Other fixed assets	Total
For the year ended December 31, 2018								
Opening balance, net	$ 1,734	$ 8,803	$ 31,682	$ 70	$ 1,052	$ 7,940	$ 993	$ 52,274
Translation effect	(49)	(298)	(957)	(4)	(43)	(357)	(131)	(1,839)
Additions	-	4	113	2	35	5,997	552	6,703
Disposals	-	-	-	-	(23)	-	(301)	(324)
Impairment charge recognized in the year	-	-	(115)	-	-	-	-	(115)
Depreciation charge recognized in the year	-	(477)	(4,095)	(49)	(431)	-	(18)	(5,070)
Transfers	-	1,165	6,283	29	229	(7,720)	14	-
	$ 1,685	$ 9,197	$ 32,911	$ 48	$ 819	$ 5,860	$1,109	$ 51,629
As of 31 December 31, 2018								
Cost	$ 1,685	$ 15,238	$ 79,511	$ 329	$ 2,461	$ 5,860	$1,175	$ 106,259
Accumulated depreciation	-	(6,041)	(46,600)	(281)	(1,642)	-	(66)	(54,630)
Net carrying amount as of December 31, 2018	$ 1,685	$ 9,197	$ 32,911	$ 48	$ 819	$ 5,860	$1,109	$ 51,629
For the year ended December 31, 2019								
Opening balance, net	$ 1,685	$ 9,197	$ 32,911	$ 48	$ 819	$ 5,860	$1,109	$ 51,629
Reclassifications to right-of-use asset	-	(534)	-	(7)	(22)	-	-	(563)
Translation effect	(84)	(414)	(1,611)	5	(38)	(307)	(56)	(2,505)
Additions	-	9	348	-	26	4,697	226	5,306
Disposals	-	(1)	(7)	-	(23)	(10)	(11)	(52)
Impairment charge recognized in the year	-	(73)	(832)	-	1	-	(11)	(915)
Depreciation charge recognized in the year	-	(477)	(4,011)	(23)	(227)	-	(22)	(4,760)
Transfers	6	663	4,350	19	123	(5,182)	21	-
	$ 1,607	$ 8,370	$ 31,148	$ 42	$ 659	$ 5,058	$1,256	$ 48,140
As of December 31, 2019								
Cost	$ 1,607	$ 14,608	$ 78,708	$ 201	$ 2,362	$ 5,058	$1,314	$ 103,858
Accumulated depreciation	-	(6,238)	(47,560)	(159)	(1,703)	-	(58)	(55,718)
Net carrying amount as of December 31, 2019	$ 1,607	$ 8,370	$ 31,148	$ 42	$ 659	$ 5,058	$1,256	$ 48,140
For the year ended December 31, 2020								
Opening balance, net	$ 1,607	$ 8,370	$ 31,148	$ 42	$ 659	$ 5,058	$1,256	$ 48,140
Translation effect	71	730	3,081	5	98	399	96	4,480
Additions	-	-	166	-	2	4,168	103	4,439
Disposals	-	-	-	-	(1)	-	(211)	(212)
Impairment charge recognized in the year	-	-	(133)	-	-	-	-	(133)
Depreciation charge recognized in the year	-	(522)	(4,438)	(17)	(229)	-	(17)	(5,223)
Transfers	-	430	4,001	11	97	(4,548)	9	-
	$ 1,678	$ 9,008	$ 33,825	$ 41	$ 626	$ 5,077	$1,236	$ 51,491
As of December 31, 2020								
Cost	$ 1,678	$ 16,351	$ 89,480	$ 287	$ 2,726	$ 5,077	$1,317	$ 116,916
Accumulated depreciation	-	(7,343)	(55,655)	(246)	(2,100)	-	(81)	(65,425)
Net carrying amount as of December 31, 2020	$ 1,678	$ 9,008	$ 33,825	$ 41	$ 626	$ 5,077	$1,236	$ 51,491

The Company capitalized borrowing costs to qualifying assets, which were not significant as of December 31, 2020.

Of the total depreciation expense, $4,902, $4,498 and $4,821 were charged to cost of sales, $5, $1 and $2, to selling expenses and $316, $261 and $247, to administrative expenses in 2020, 2019 and 2018, respectively.

As of December 31, 2020, 2019, there was no property, plant and equipment pledged as collateral.

For the ending year December 31, 2018, the Company made no acquisitions of assets of property or plant and equipment that did not require cash flows. During fiscal year 2019, any addition related to investments such as leases are classified within the right-of-use assets.

The other fixed assets are mainly made up of spare parts and long-term improvements.

11. Right-of-use asset

The Company adopted IFRS 16, *Leases*, as of January 1, 2019, without implying adjustments to comparative periods. The Company leases a different set of fixed assets including, buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts as of December 31, 2020 and 2019 is of 12 years.

a) The right of use recognized in the consolidated statement of financial position as of December 31, 2020 and 2019, and on the consolidated statement of operations for the year ended December 31, 2020 and 2019, is integrated as follows:

	Buildings	Machinery and equipment	Vehicles	Other fixed assets	Total
Cost:					
Adoption effect	$ 584	$ 170	$ 114	$ 34	$ 902
Property, plant and equipment reclassification	534	-	7	22	563
Initial balances as of January 1, 2019	$ 1,118	$ 170	$ 121	$ 56	$ 1,465
Final balances as of December 31, 2019	$ 1,084	$ 122	$ 497	$ 60	$ 1,763
Final balances as of December 31, 2020	$ 1,264	$ 135	$ 343	$ 55	$ 1,797
Depreciation expense 2019	$ (139)	$ (93)	$ (191)	$ (19)	$ (442)
Depreciation expense 2020	$ (217)	$ (92)	$ (209)	$ (30)	$ (548)

The additions to the net book value of the right of use assets for the years ended December 31, 2020 and 2019 amounted $376 and $771, respectively.

b) Expenses recognized in the consolidated statement of operations for the years ended December 31, 2020 and 2019.

	Year ended December 31, 2020	2019
Rent expenses from a short term and low-value assets leases	$255	$ 319

The Company has not signed lease contracts, which at the date of the consolidated financial statements have not started.

During the year, the Company did not realize significant extensions to the term of its lease contracts.

12. Goodwill and intangible assets, net

	Development costs	Relationships with customers	Software and licenses	Intellectual property rights	Goodwill	Others	Total
Cost							
As of January 1, 2018	$ 7,631	$ 3,325	$ 356	$ 107	$ 6,053	$ 770	$ 18,242
Translation effects	(172)	32	24	5	(203)	(85)	(399)
Additions	1,217	(307)	11	-	-	5	926
Disposals	(24)	(1,079)	(58)	-	-	-	(1,161)
As of December 31, 2018	$ 8,652	$ 1,971	$ 333	$ 112	$ 5,850	$ 690	$ 17,608
Translation effects	(933)	231	(9)	(10)	(315)	(57)	(1,093)
Additions	1,564	35	16	-	-	3	1,618
Disposals	(12)	(53)	(2)	-	-	(1)	(68)
As of December 31, 2019	$ 9,271	$ 2,184	$ 338	$ 102	$ 5,535	$ 635	$ 18,065
Translation effects	693	307	16	6	659	(11)	1,670
Additions	965	221	13	-	-	17	1,216
Disposals	-	-	(14)	-	-	(6)	(20)
As of December 31, 2020	$ 10,929	$ 2,712	$ 353	$ 108	$ 6,194	$ 635	$ 20,931
Accumulated amortization							
January 1, 2018	$ (3,559)	$ (1,096)	$ (273)	$ (106)	$ -	$ (428)	$ (5,462)
Amortizations	(698)	(194)	(30)	-	-	(58)	(980)
Disposals	-	-	58	-	-	-	58
Translation effects	(37)	51	(13)	-	-	82	83
As of December 31, 2018	$ (4,294)	$ (1,239)	$ (258)	$ (106)	$ -	$ (404)	$ (6,301)
Amortizations	(750)	(218)	(27)	-	-	(47)	(1,042)
Disposals	12	13	2	-	-	-	27
Translation effects	286	76	14	4	-	53	433
As of December 31, 2019	$ (4,746)	$ (1,368)	$ (269)	$ (102)	$ -	$ (398)	$ (6,883)
Amortizations	(931)	(218)	(28)	-	-	(46)	(1,223)
Disposals	-	-	14	-	-	6	20
Translation effects	(418)	(196)	(9)	(6)	-	5	(624)
As of December 31, 2020	$ (6,095)	$ (1,782)	$ (292)	$ (108)	$ -	$ (433)	$ (8,710)
Net carrying amount							
Cost	$ 9,271	$ 2,184	$ 338	$ 102	$ 5,535	$ 635	$ 18,065
Accumulated amortization	(4,746)	(1,368)	(269)	(102)	-	(398)	(6,883)
As of December 31, 2019	$ 4,525	$ 816	$ 69	$ -	$ 5,535	$ 237	$ 11,182
Cost	$ 10,929	$ 2,712	$ 353	$ 108	$ 6,194	$ 635	$ 20,931
Accumulated amortization	(6,095)	(1,782)	(292)	(108)	-	(433)	(8,710)
As of December 31, 2020	$ 4,834	$ 930	$ 61	$ -	$ 6,194	$ 202	$ 12,221

Of the total amortization expense, $869, $639 and $927, were charged to cost of sales, $183, $232 and $169, to administrative expenses, $3, $6 and $- to selling expenses, $168, $165 and $116 decreasing the revenues for costs incurred to obtain new agreements with clients in 2020, 2019 and 2018, respectively.

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 acquirer are assigned to those units or groups of units, as follows:

	North America	Europe	Total
Balance as of January 1, 2018	$ 2,108	$ 3,945	$ 6,053
Exchange differences	(5)	(198)	(203)
Balance as of December 31, 2018	$ 2,103	$ 3,747	$ 5,850
Exchange differences	(90)	(225)	(315)
Balance as of December 31, 2019	2,013	3,522	5,535
Exchange differences	117	542	659
Balance as of December 31, 2020	$ 2,130	$ 4,064	$ 6,194

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 a 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 dispositions costs in 2020, 2019 and 2018 were as follows:

		2020	
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	10.97%	10.15%	11.57%

		2019	
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	12.90%	10.70%	9.74%

		2018	
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	10.50%	10.02%	10.58%

The Company performed a sensitivity analysis considering an increase in the discount rate of 100 basis points, as well as a similar decrease in the long-term growth rate. As a result of the analysis, the Company concluded that there are no significant variations with the impairment calculations as of December 31, 2020.

13. Other non-current assets

		December 31	
	2020	2019	2018
Restricted cash	$ 135	$ 156	$ 679
Equity investments [(1)]	71	71	71
Investments in associates	565	544	662
Tax credits receivable [(2)]	128	315	-
Other assets	103	111	98
Total other non-current assets	$1,002	$ 1,197	$ 1,510

(1) Equity investments are investment in shares of companies of non-public companies. No impairment loss was recognized as of December 31, 2020, 2019 and 2018.

(2) The Company received formal notices from the Brazilian tax authorities corresponding to tax credits, related to their review of its operations in Brazil. Pending the resolution of these requirements, and by virtue of a court order, Nemak segregated bank balances which will be reimbursed to the Company upon final resolution. In the first semester of 2019, the Company obtained the final court decision related to its right to utilize tax credits for $315 the last 15 years with no possibility of appeal from the Federal government, additionally the corresponding bank balances were refunded.

The accumulated summarized financial information for investments in associates accounted for under the equity method and that are not considered material, is as follows:

	2020	2019	2018
Net (loss) income and comprehensive income	$ (29)	$41	$136

There are no contingent liabilities or commitments related to the Company's investments in associates.

14. Trade and other accounts payable

	December 31 2020	2019	2018
Trade account payable	$17,408	$16,008	$17,431
Advances from customers	522	521	414
Other social security fees and benefits	1,859	1,258	769
Related parties (Note 26)	43	53	36
Other payables	5,153	3,326	3,830
	$24,985	$21,166	$22,480

15. Debt

	December 31 2020	2019	2018
Current:			
Bank loans [1]	$ 3,894	$ 1,955	$ 1,409
Current portion of non-current debt	250	22	1,045
Interest payable [1]	346	320	352
Total current debt [2]	$ 4,490	$ 2,297	$ 2,806
Non-current debt:			
Secured bank loans	$ 5	$ 9	$ 69
Unsecured bank loans	5,057	4,743	5,845
Finance leases	-	-	705
In U.S dollars:			
Senior Notes	9,974	9,422	9,841
In Euros:			
Senior Notes	12,203	10,577	11,253
Non-current debt before debt issuance costs	27,239	24,751	27,713
Less: Debt issuance costs	(266)	(289)	(316)
Less: current portion of debt	(250)	(22)	(1,045)
Non-current debt	$ 26,723	$ 24,440	$ 26,352

(1) As of December 31, 2020, 2019 and 2018, short-term bank loans bore interest at an average rate of 3.97%, 4.27% and 4.73%, respectively.

(2) The fair value of bank loans approximate their current book value, due to their short maturity.

The carrying amounts, terms and conditions of non-current debt were as follows:

Description	Contractual currency	Value (MXP)	Debt issuance costs	Interest payable	Balance as of December 31, 2020	Balance as of December 31, 2019	Balance as of December 31, 2018	Inception date DD/MM/YYYY	Maturity date DD/MM/YYYY	Interest rate
Brazil	BRL	$ 5	$ -	$ -	$ 5	$ 9	$ 69	31/01/2016	20/01/2025	6.00%
Total secured bank loans		5	-	-	5	9	69			
Club Deal-(BBVA) (1)	USD	-	-	-	-	-	450	13/11/2016	13/11/2020	3.86%
Club Deal-(BBVA) (1)	EUR	-	-	-	-	-	91	13/11/2016	13/11/2020	1.25%
Bancomext LP	USD	3,790	20	18	3,788	3,599	-	23/12/2019	23/12/2029	Libor 3M +2.70%
Bancomext LP	USD	-	-	-	-	-	2,307	23/12/2015	23/12/2025	5.16%
Nafin LP	USD	-	-	-	-	-	1,536	29/12/2015	29/12/2025	5.19%
Scotiabank Turquía	EUR	611	-	1	612	530	-	28/10/2019	28/10/2024	1.06%
Unicredit Turkey	EUR	-	-	-	-	-	764	28/12/2016	28/12/2019	1.25%
Spain	EUR	85	-	1	86	94	123	13/08/2012	02/01/2028	1.50%
USA	USD	571	95	-	476	442	447	06/04/2017	21/12/2025	1.30%
Total unsecured bank loans		5,057	115	20	4,962	4,665	5,718			
Total bank loans		5,062	115	20	4,967	4,674	5,787			
Senior Notes	USD	9,974	79	208	10,103	9,535	9,978	25/01/2018	25/01/2025	4.75%
Senior Notes	EUR	12,203	72	118	12,249	10,573	11,279	15/03/2017	15/03/2024	3.25%
Total Senior Notes		22,177	151	326	22,352	20,108	21,257			
Finance lease:										
USA	USD	-	-	-	-	-	42	01/01/2013	09/01/2017	5.00%
China	RMB	-	-	-	-	-	161	06/09/2006	28/02/2023	6.45%
Canada	CAD	-	-	-	-	-	3	01/06/2017	01/05/2020	10.00%
Modellbau	EUR	-	-	-	-	-	12	12/02/2015	15/05/2020	1.82%
Dillingen	EUR	-	-	-	-	-	467	01/05/2015	15/05/2020	7.45%
Mexico	USD	-	-	-	-	-	20	01/07/2017	01/06/2020	2.50%
Total finance lease							705			
Total		27,239	266	346	27,319	24,782	27,749			
Less: current portion of non-current debt		(250)	-	-	(250)	(22)	(1,045)			
Non-current debt		$ 26,989	$ 266	$ 346	$ 27,069	$ 24,760	$ 26,704			

(1) Club Deal (BBVA) in USD and EUR accrues at the LIBOR+1.25% and EURIBOR+1.25%, respectively.

As of December 31, 2020, the annual maturities of non-current debt, gross of debt issuance costs are as follows:

	2021	2022	2023	2024	2025	2026 and thereafter	Total
Bank loans (1)	$ 250	$ 238	$287	$ 455	$ 767	$ 3,065	$ 5,062
Senior Notes (2)	-	-	-	12,203	9,974	-	22,177
	$ 250	$ 238	$287	$12,658	$10,741	$ 3,065	$27,239

(1) Interest on bank loans will be paid quarterly.

(2) Interest on Senior Notes will be paid semiannually.

Faced with the expectation of decreased sales and generation of cash flow derived from COVID-19, Nemak decided to negotiate amendments with the banks with which it has committed credit line contracts (Note 4), to obtain flexibility in its financial obligations. The amendments to these contracts were made during the months of May and June of 2020, in such a way that Nemak was able to obtain flexibility in its financial obligations as of June 30, 2020 and until June 30, 2021. Derived from these amendments, Nemak paid a fee of US$0.49, which was recognized in the consolidated statement of operations. The amendments included modifications to the restrictive and unrestrictive covenants as mentioned below.

Covenants:

Loan contracts and debt agreements contain restrictions, primarily with respect to compliance with certain financial ratios, including:

a. Interest coverage ratio: which is defined as EBITDA (See Note 27) for the period of the last four complete quarters (1) divided by financial expenses, net, for the last four quarters, which shall not be less than 3.0 times.

b. Leverage ratio: which is defined as consolidated debt at that date, being the gross debt or net debt appropriate, divided by EBITDA (See Note 27) for the period of the last four complete quarters (1), which shall not be more than 4.75 for the year ended December 31, 2020, and 3.5 times for the years ended December 31, 2019 and 2018.

(1) As part of the amendments to the debt contracts, EBITDA for the period of the last four quarters ended did not included expenses related to COVID-19.

Additionally, in the aforementioned agreements, there are commitments related to the Senior Notes issued in USD in January 2018, as well as similar financing denominated in Euros issued in March 2017, 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 and 2.0 times, respectively.

During 2020, 2019 and 2018, the financial ratios were calculated in according to the formulas set out in the effective debt agreements.

At December 31, 2020, 2019 and 2018 and the date of issuance of these consolidated 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;
- 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, 2020, 2019 and 2018, there are no assets pledged as collateral for any of the subsidiaries, except for some assets, pledged as collateral in a long-term debt granted by a Brazilian government entity to promote investment ("BNDES"). As of December 31, 2020 the outstanding balance and the value of the pledged assets are approximately US$0.3 ($5.1) and US$0.3 ($5.1). As of December 31, 2019 the outstanding balance and the value of the pledged assets are approximately US$0.5 ($8.8) and US$0.6 ($11.0). As of December 31, 2018, the outstanding balance and the value of the pledged assets are approximately US$3.4 ($67.9) and US$4.3 ($84.6), respectively.

On December 23, 2019, Nemak obtained financing with Bancomext for an amount of US$190 at a rate of LIBOR + 2.70% with a 10-year maturity, the resources were used to prepay the existing debt held with Bancomext for US$114.7 and with NAFIN for US$76.6.

On January 11, 2018, Nemak issued US$500 of 4.750% Senior Notes with 7-year maturity in the Irish Stock Exchange and the Global Stock Market, under Rule 144A, and under the Regulation S. The transaction resources were mainly used to prepay in advance the Senior Notes USD 2023.

16. Lease liability

	December 31	
Current portion:	**2020**	**2019**
USD	$ 212	$ 70
MXP	-	86
EUR	186	169
Other currencies	24	47
Current lease liability	$ 422	$ 372

	December 31	
Non-current portion:	**2020**	**2019**
USD	$ 458	$ 133
MXP	-	294
EUR	973	939
Other currencies	545	487
	1,976	1,853
Less; Current portion of lease liability	(422)	(372)
Non-current lease liability	$ 1,554	$ 1,481

As of December 31, 2020 and 2019, changes in the lease liability related to the finance activities in accordance with the statement of cash flow are integrated as follows:

	2020	**2019**
Lease liability as of January 1,	$ -	$ 902
Financial lease reclassification	-	705
Beginning balance	$ 1,853	1,607
New contracts	376	693
Write-offs	(9)	(2)
Adjustment to liability balance	-	15
Interest expense from lease liability	86	70
Lease payments	(298)	(380)
Exchange loss	(32)	(150)
Ending balance	$ 1,976	$ 1,853

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	December 31, 2020
Less than 1 year	$ 422
Over 1 year and less than 3 years	763
Over 3 year and less than 5 years	426
Over 5 years	365
Total	$ 1,976

17. Other liabilities

	December 31		
	2020	2019	2018
Current:			
Other taxes and withholdings	$ 216	$ 409	$ 565
Deferred income	-	-	15
Statutory employee profit sharing	170	167	163
Share-based payment (Note 20)	12	10	50
Others	18	28	13
Total	$ 416	$ 614	$ 806
Non-current:			
Other	$ 273	$ 184	$ 214
Total	$ 273	$ 184	$ 214

18. Employee benefits

Derived from the COVID-19 pandemic (Note 2a.), the Company carried out labor terminations representing 9% of the total workforce, which led to the recognition of US$36 for termination benefits expense and other COVID-19 related expenses. In addition, Nemak received support from the European government for a total of US$24, recognized in the operating income. This support did not entail any commitment from the Company.

The valuation of employee benefits for retirement plans is based primarily on their years of service, current age and estimated salary at retirement date.

Subsidiaries of the Company have established funds for the payment of retirement benefits through irrevocable trusts.

The employee benefit obligations recognized in the consolidated statement of financial position are shown below:

	December 31		
	2020	2019	2018
Country			
Mexico	$ 604	$ 562	$ 419
United States	38	29	31
Canada	168	184	169
Poland	243	171	161
Austria	228	220	231
Germany	174	139	133
Other	113	103	94
Total	$ 1,568	$ 1,408	$ 1,238

Below is a summary of the primary financial data of these employee benefits:

	December 31		
	2020	2019	2018
Obligations in the consolidated statement of financial position:			
Pension benefits	$ 1,426	$ 1,253	$ 1,082
Post-employment medical benefits	142	155	156
Liability recognized in the consolidated statement of financial position	1,568	1,408	1,238
Charge in the consolidated statement of operations for:			
Pension benefits	(195)	(84)	(57)
Post-employment medical benefits	(6)	(6)	(12)
	(201)	(90)	(69)
Remeasurements from employee benefit obligations recognized in other comprehensive income for the year			
Pension benefits	(40)	(117)	22
Post-employment medical benefits	26	(20)	3
	(14)	(137)	25
Remeasurements accumulated in stockholders' equity	$ (352)	$ (338)	$ (201)

The Company operates post-employment medical benefits in Mexico and Canada. The accounting method, assumptions and frequency of valuations are similar to those used for benefits defined in pension schemes.

Amounts recognized in the consolidated statement of financial position are determined as follows:

	December 31		
	2020	2019	2018
Present value of the obligations	$2,220	$2,035	$1,802
Fair value of plan assets	(652)	(627)	(564)
Net liabilities in the consolidated statement of financial position	$1,568	$1,408	$1,238

The movement in the defined benefit obligation during the year was as follows:

	2020	2019	2018
As of January 1	$2,035	$1,802	$1,878
Current service cost	157	54	56
Interest cost	57	56	54
Contributions from plan participants	1	1	1
Remeasurements:			
Actuarial remeasurements	341	172	69
Settlements	(4)	-	-
Benefits paid	(246)	(64)	(49)
Exchange differences	(121)	14	(207)
As of December 31,	$2,220	$2,035	$1,802

The movement in the fair value of plan assets for the year was as follows:

	2020	2019	2018
As of January 1	$ (627)	$ (564)	$(653)
Interest income	(22)	(25)	(41)
Remeasurements – return from plan assets, net	(42)	(55)	44
Exchange differences	(41)	4	57
Contributions from plan participants	(5)	(8)	7
Employee contributions	(1)	(1)	(1)
Benefits paid	86	22	23
As of December 31	$ (652)	$ (627)	$(564)

The primary actuarial assumptions were as follows:

	December 31		
	2020	2019	2018
Mexico:			
Inflation rate	3.15%	2.83%	6.77%
Wage increase rate	4.50%	4.50%	4.50%
Future wage increase	3.50%	3.50%	3.50%
Medical inflation rate	6.50%	6.50%	6.50%
Discount rate:			
Mexico	6.75%	7.00%	7.25%
Canada	2.79%	3.11%	3.40%
Austria	1.00%	2.00%	2.00%
United States	3.05%	3.05%	2.86%
Germany	1.60%	0.82%	0.82%
Poland	1.30%	3.30%	3.30%

The sensitivity analysis of the main assumptions for defined benefit obligations discount rate were as follows:

	Impact on defined benefit obligations		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	+1%	$(182)	$218

Pension benefit assets

Plan assets are comprised of the following:

	2020	**2019**	**2018**
Equity instruments	$ 440	$ 425	$ 365
Short and long-term fixed-income securities	212	202	199
	$ 652	$ 627	$ 564

19. Stockholders' equity

At December 31, 2020, 2019 and 2018, the fixed, capital stock of $ 6,599, $ 6,599 and $6,604, respectively, was represented by 3,077, 3,077 and 3,079 million registered common shares, "Class I" of the Series "A", without face value, fully subscribed and paid, respectively.

As of December 31, 2019 and 2018, the shares were represented as follows:

Stockholder	**Number of shares (In millions)**	**Amount**
ALFA	2,318	$ 4,971
Public investors	761	1,633
Balances as of December 31, 2018	$3,079	$6,604
Repurchase of shares	(2)	(5)
Balances as of December 31, 2019	3,077	$ 6,599

As of December 31, 2020, the shares were represented as follows:

Stockholder	**Number of shares (In millions)**	**Amount**
Controladora Nemak	2,316	$ 4,966
Public investors	761	1,633
Balances as of December 31, 2020	3,077	$ 6,599

The movement in outstanding shares for the year was as follows:

	Number of shares (In millions)
Shares as of January 1, 2019	3,079
Repurchase of shares	(2)
Shares as of December 31, 2019	3,077
Shares as of December 31, 2020	3,077

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. As of December 31, 2020, 2019 and 2018, the legal reserve amounted to $1,179, $1,049 and $851, respectively, which is included in retained earnings.

On February 25, 2020, the Annual Ordinary Shareholders' Meeting was held, in which the payment of a cash dividend of US$0.0164 per outstanding share was approved, equivalent to approximately US$51

($954). However, taking into account the effects derived from COVID-19, the Company approved at the Annual Ordinary Shareholders' Meeting held on June 19, 2020, to revoke the payments of the exhibitions of the declared dividends that were scheduled for July 1, October 1 and December 18, 2020, equivalent to US$38 ($715).

Dividends paid in the first quarter of 2020 and as of December 31, 2019 and 2018, were US$13 ($306) ($0.10 per share), $2,439 ($0.79 per share) and $3,281 ($1.06 per share), respectively, 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 2020. 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. As of December 31, 2020, the tax value of the consolidated CUFIN and value of the Capital Contribution Account (CUCA) amounted to $3,494 and $8,643, respectively.

In accordance with the Mexican Income Tax Law becoming effective on January 1, 2014, a 10% tax on income generated starting 2014 on dividends paid to foreign residents and Mexican individuals when these correspond to taxable income. It also establishes that for fiscal years 2001 to 2013, the net tax on profits will be determined as established in the Income Tax Law effective in the corresponding fiscal year.

The incentive is applicable provided that such dividends or profits were generated in 2014, 2015 and 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 profits distributed, which corresponds to the year such amounts are distributed as follows:

Year of distribution of dividend or profit	Percentage of application to the amount of dividend or profit distributed.
2020	5%
2021	5%
2022 onwards	5%

The tax credit will be used against the additional 10% income tax that the entity must withhold and pay.

To apply the tax credit, the Company must meet the following requirements:

- Must identify in its accounts the corresponding accounting records to earnings or dividends generated in 2014, 2015 and 2016 and the respective distributions.
- Present in the notes to the consolidated financial statements information for the period in which profits were generated, dividends were reinvested or distributed.

Entities distributing dividends or profits in respect of shares placed among the investing public should inform brokerage firms, credit institutions, investment firms, the people who carry out the distribution of shares of investment companies, or any other intermediary, the necessary details so that these brokers can make the corresponding withholding. For the years ended December 31, 2020, 2019 and 2018, the Company generated taxable income of $(933), $2,493 and $3,464, respectively, which may be subject to this withholding.

In the case of a capital reduction, Mexican tax law establishes that any excess of stockholders' equity over capital contributions be given the same tax treatment as applicable to dividends.

20. Share based payments

Nemak has a compensation scheme referenced to the value of Nemak and ALFA's shares for senior executives of Nemak 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 bonus will be paid in cash over the next five years, i.e. 20% each year based on the average price per share in pesos for the month of December of each year. The average share´s price considered for the compensation´s measurement in Mexican pesos in 2020, 2019 and 2018, for Nemak was \$6.41, \$8.15 and \$14.33 and for Alfa was \$15.39, \$15.72 and \$22.11, respectively.

Short and long-term liability consists of the following:

	December 31		
	2020	2019	2018
Short term	$ 12	$ 10	$ 14
Long term	31	27	36
Total carrying amount	$ 43	$ 37	$ 50

21. Expenses classified by nature

The total cost of sales and administrative expenses, classified by nature, were as follows:

	December 31		
	2020	2019	2018
Raw materials	$ (24,699)	$ (29,347)	$ (37,837)
Maquila (production outsourcing)	(5,254)	(6,068)	(6,841)
Employee benefit expenses (Note 24)	(15,630)	(17,166)	(17,534)
Personnel expenses	(54)	(157)	(172)
Maintenance	(3,760)	(4,263)	(4,779)
Depreciation and amortization	(6,826)	(6,079)	(6,166)
Freight charges	(451)	(498)	(594)
Advertising expenses	(9)	(10)	(17)
Consumption of energy and fuel	(3,253)	(3,679)	(3,869)
Travel expenses	(73)	(280)	(326)
Operating leases	(255)	(319)	(608)
Technical assistance, professional fees and administrative services	(1,070)	(1,293)	(1,558)
Other	(1,989)	(2,445)	(2,323)
Total	$ (63,323)	$ (71,604)	$ (82,624)

22. Other (expenses) income, net

	2020	2019	2018
Gain on sale of property, plant and equipment	$ 6	$ 4	$ (22)
Impairment of property, plant and equipment	(133)	(915)	(115)
Other income (1)	(908)	116	258
Total other (expenses) income, net	$ (1,035)	$ (795)	$ 121

(1) Primarily includes COVID-19 related items

23. Financial results, net

	2020	2019	2018
Financial income:			
Interest income in short-term bank deposits	$ 49	$ 32	$ 43
Intercompany financial income (Note 26)	4	46	44
Other financial income (1)	23	164	37
Total financial income	76	242	124
Financial expenses:			
Interest expense on bank loans	(1,641)	(1,534)	(1,807)
Other financial expenses (2)	(105)	(42)	(66)
Total financial expense	(1,746)	(1,576)	(1,873)
Exchange fluctuation gain (loss), net:			
Exchange fluctuation gain	8,484	5,336	4,575
Exchange fluctuation loss	(9,504)	(5,370)	(5,046)
Total exchange fluctuation loss, net	(1,020)	(34)	(471)
Financial results, net	$ (2,690)	$ (1,368)	$ (2,220)

(1) Mainly includes interest on plan assets and other items.

(2) Mainly includes the financial cost of employee benefits

24. Employee benefit expenses

	2020	2019	2018
Salaries, wages and benefits	$ 13,137	$ 14,586	$14,983
Contributions to social security	2,176	2,208	2,290
Employee pension benefits (Note 18)	157	54	56
Other contributions	160	318	205
Total	$ 15,630	$ 17,166	$17,534

25. Income taxes

The Company is subject to income tax, whose rate is 30% in Mexico. The statutory income tax rates applicable to the main foreign subsidiaries were as follows:

	2020	2019	2018
Germany	30.0%	30.0%	30.0%
Austria	25.0%	25.0%	25.0%
Brazil	34.0%	34.0%	34.0%
China	25.0%	25.0%	25.0%
Spain	24.0%	24.0%	28.0%
Slovakia	21.0%	21.0%	21.0%
United State of America	21.0%	21.0%	21.0%
Hungary	9.0%	9.0%	9.0%
Poland	19.0%	19.0%	19.0%
Turkey	20.0%	22.0%	20.0%

a) Income tax recognized in the consolidated statement of operations:

	2020	2019	2018
Current tax	$(513)	$(2,331)	$ (2,039)
Deferred tax	332	1,187	(237)
Income tax expense	$(181)	$(1,144)	$ (2,276)

b) The reconciliation between the statutory and effective income tax rates was as follows:

	2020	2019	2018
(Loss) income before taxes	$(752)	$ 3,637	$ 5,740
Equity in losses (income) of associates recognized through the equity method	29	(41)	(136)
(Loss) income before interests in associates	(723)	3,596	5,604
Statutory rate	30%	30%	30%
Taxes at statutory rate	217	(1,079)	(1,681)
(Add) less tax effect on:			
Inflation adjustments	(254)	(199)	(344)
Non-deductible expenses	(330)	(134)	(262)
Non-taxable income	286	220	(20)
Other	(100)	48	31
Total income tax expense	$(181)	$(1,144)	$(2,276)
Effective rate	24%	31%	40%

c) The detail of the deferred income tax asset and liability is as follows:

	December 31		
	2020	2019	2018
Inventories	$ 43	$ (12)	$ 45
Property, plant and equipment	(1,520)	(1,109)	(1,174)
Intangible assets	(181)	(108)	(64)
Asset valuation reserve	-	8	7
Valuation of derivative instruments	-	-	16
Provisions	1,236	1,042	276
Tax loss carryforwards	1,137	1,350	1,244
Other temporary differences, net	315	(114)	351
Deferred tax asset	$ 1,030	$ 1,057	$ 701
Inventories	$ (13)	$ (8)	(7)
Property, plant and equipment	(2,443)	(2,362)	(2,501)
Intangible assets	(1,392)	(1,414)	(1,026)
Debt issuance and obtaining costs	-	(56)	-
Asset valuation reserve	-	-	2
Provisions	1,495	1,161	778
Tax loss carryforwards	77	3	(7)
Other temporary differences, net	325	721	(45)
Deferred tax liability	$ (1,951)	$ (1,955)	$ (2,806)

Tax losses as of December 31, 2020 expire in the following years:

Expiration year	Amount
2023	$ 1,641
2024	895
2025 and thereafter	4,740
No maturity	4,459
	$11,735

Additionally, as of December 31, 2020, the Company holds tax losses to be amortized for an amount of $7,688 and has decided to reserve the total amount.

d) The tax charge/(credit) related to comprehensive income is as follows:

	2020			2019			2018		
	Before taxes	Tax charged/ (credited)	After taxes	Before taxes	Tax charged/ (credited)	After taxes	Before taxes	Tax charged/ (credited)	After taxes
Translation effect of foreign entities	$2,909	$ -	$2,909	$(1,846)	$ -	$(1,846)	$(1,182)	$ -	$(1,182)
Remeasurements of obligations for employee benefits	(14)	1	(13)	(137)	22	(115)	25	(7)	18
Other comprehensive income items	$2,895	$ 1	$2,896	$(1,983)	$ 22	$(1,961)	$(1,157)	$ (7)	$(1,164)

26. Transactions with related parties

Transactions with related parties during the years ended December 31, 2020, 2019 and 2018, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	December 31, 2020						
		Loans with related parties					
	Accounts receivable	Non-current Amount	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ -	$ 80	MXP	08/16/2021	5.49%	$ -
Associates	73	-	41	EUR	03/04/2021	4.35%	43
Ford	882	-	-				-
Total	$ 955	$ -	$ 121				$ 43

	December 31, 2019						
		Loans with related parties					
	Accounts receivable	Non-current Amount	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ -	$ 76	MXP	08/16/2020	4.98%	$ -
Associates	63	2	38	EUR	08/16/2020	8.50%	53
Ford	602	-	-				-
Total	$ 665	$ 2	$ 114				$ 53

	December 31, 2018						
		Loans with related parties					
	Accounts receivable	Non-current Amount	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ 706	$ 71	MXP	08/16/2020	4.98%	$ -
Affiliates	18	-	-				36
Associates	56	-	39	EUR	08/16/2020	8.50%	-
Ford	1,093	-	-				-
Total	$ 1,167	$ 706	$ 110				$ 36

During 2019, the Company received the deposit of a loan with Alfa at the rate of LIBOR 1 month + 3% with a maturity as of December 23, 2019 for the amount of $706.

Sales revenues and other related parties:

	Year ended December 31, 2020		
	Finished goods	Interest	Other
ALFA	$ -	$ 2	$ -
Ford	13,772	-	-
Associates	-	2	266
Total	$ 13,772	$ 4	$ 266

	Year ended December 31, 2019		
	Finished goods	Interest	Other
ALFA	$ -	$ 41	$ -
Ford	18,724	-	-
Associates	-	5	273
Total	$ 18,724	$ 46	$ 273

	Year ended December 31, 2018		
	Finished goods	Interest	Other
ALFA	$ -	$ 44	$ -
Ford	22,889	-	-
Associates	-	-	255
Total	$ 22,889	$ 44	$ 255

Cost of sales and other expenses with related parties:

	Year ended December 31, 2020		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 43	$ -	$ 231
Affiliates	-	97	-
Total	$ 43	$ 97	$ 231

	Year ended December 31, 2019		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ -	$ -	$ 1,825
Affiliates	78	-	-
Associates	-	166	-
Ford	-	-	119
Total	$ 78	$ 166	$ 1,944

	Year ended December 31, 2018		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ -	$ -	$ 2,468
Affiliates	89	-	-
Associates	-	249	-
Ford	-	-	179
Total	$ 89	$ 249	$ 2,647

For the years ended December 31, 2020, 2019 and 2018, wages and benefits received by senior management of the Company were $132, $142 and $143, respectively, an amount comprising base salary and other benefits associated with the Company's share based payment plans.

27. Segment financial information

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.

The Company manages and evaluates its operation through five primary operating segments, which are:

- 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".

The transactions between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on income before financial results, income taxes, depreciation and amortization ("EBITDA"), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity

The Company has defined Adjusted EBITDA by also adjusting for the impacts of asset impairment.

Following is the condensed financial information of these operating segments:

For the year ended December 31, 2020

	North America	Europe	Rest of the world	Eliminations	Total
Statement of operations					
Income by segment	$ 34,586	$25,023	$ 8,461	$ (1,745)	$ 66,325
Inter-segment income	(76)	(1,013)	(656)	1,745	-
Income from external customers	$ 34,510	$24,010	$ 7,805	$ -	$ 66,325
Adjusted EBITDA					
Operating income	$ 1,348	$ 825	$ (206)	$ -	$ 1,967
Depreciation and amortization	3,658	2,407	761	-	6,826
Impairment	117	12	4	-	133
Adjusted EBITDA	$ 5,123	$ 3,244	$ 559	$ -	$ 8,926
Capital investments (Capex and intangibles)	$ 3,452	$ 1,875	$ 328	$ -	$ 5,655

For the year ended December 31, 2019

	North America	Europe	Rest of the world	Eliminations	Total
Statement of operations					
Income by segment	$ 43,060	$ 28,413	$ 7,304	$ (1,414)	$ 77,363
Inter-segment income	(487)	(827)	(100)	1,414	-
Income from external customers	$ 42,573	$ 27,586	$ 7,204	$ -	$ 77,363
Adjusted EBITDA					
Operating income	$ 3,121	$ 2,170	$ (327)	$ -	$ 4,964
Depreciation and amortization	3,246	2,045	788	-	6,079
Impairment	735	5	175	-	915
Adjusted EBITDA	$ 7,102	$ 4,220	$ 636	$ -	$ 11,958
Capital investments (Capex and intangibles)	$ 3,475	$ 2,263	$ 878	$ -	$ 6,616

For the year ended December 31, 2018

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	$ 51,450	$ 32,695	$ 8,273	$ (2,091)	$ 90,327
Inter-segment income	(886)	(1,180)	(25)	2,091	-
Income from external customers	$ 50,564	$ 31,515	$ 8,248	$ -	$ 90,327
Adjusted EBITDA					
Operating income	$ 5,360	$ 2,661	$ (197)	$ -	$ 7,824
Depreciation and amortization	3,107	2,345	714	-	6,166
Impairment	95	20	-	-	115
Adjusted EBITDA	$ 8,562	$ 5,026	$ 517	$ -	$ 14,105
Capital investments (Capex and intangibles)	$ 4,076	$ 2,735	$ 975	$ -	$ 7,786

The reconciliation between “Adjusted EBITDA” and (loss) income before tax is as follows:

	2020	2019	2018
Adjusted EBITDA	$ 8,926	$ 11,958	$ 14,105
Depreciation and amortization	(6,826)	(6,079)	(6,166)
Impairment	(133)	(915)	(115)
Operating income	1,967	4,964	7,824
Financial results, net	(2,690)	(1,368)	(2,220)
Equity in (losses) income of associates recognized using the equity method	(29)	41	136
(Loss) income before taxes	$ (752)	$ 3,637	$ 5,740

For the year ended December 31, 2020

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	$ 26,582	$ 2,130	$ 3,622
Europe	20,754	4,064	3,224
Rest of the world	4,155	-	978
Total	$ 51,491	$ 6,194	$ 7,824

For the year ended December 31, 2019

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	$ 25,313	$ 2,013	$ 3,540
Europe	19,894	3,522	3,210
Rest of the World	2,933	-	660
Total	$ 48,140	$ 5,535	$ 7,410

For the year ended December 31, 2018

	Property, plant and equipment	Goodwill	Intangible assets
North America	$ 26,612	$ 2,102	$ 2,718
Europe	19,857	3,748	1,955
Rest of the World	5,160	-	784
Total	$ 51,629	$ 5,850	$ 5,457

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 23%, 25% and 26%, General Motors 19%, 19% and 22%, Fiat-Chrysler 11%, 12% and 12% and Volkswagen Group 15%, 14% and 12% in 2020, 2019 and 2018, respectively.

28. Commitments and contingencies

In the normal course of its business, the Company is involved in disputes and litigation. While the results of the disputes cannot be predicted, as of December 31, 2020, 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 damage significantly its individual or overall results of operations or financial position.

As of December 31, 2020, 2019 and 2018, the Company had the following contingency:

Nemak México, S.A. received from the Canada Revenue Agency (CRA) the claim for a tax credit for refunds of Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) for an approximate total amount, including interest, of US$82. The CRA alleges that Nemak delivered certain assets in Canada that were subject to GST and HST. However, the Company filed an objection to the CRA's Audit Division arguing that its clients acted as importers in Canada and that Nemak delivered the goods to them outside of such country. Evidence and arguments required to support Nemak's objection were presented to the CRA and management and its legal advisors consider that the case will be concluded favorably, and therefore no provision has been recognized in its statement of financial position.

29. Subsequent events

In preparing the consolidated financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2020 and through January 31, 2021, (issuance date of the consolidated financial statements), and has concluded that there are no subsequent events that require recognition or disclosure.

30. Authorization to issue the consolidated financial statements

On January 31, 2021, the issuance of the accompanying consolidated financial statements was authorized by Armando Tamez Martínez, Chief Executive Officer and Alberto Sada Medina, Chief Financial Officer.

These consolidated financial statements are subject to the approval of the Company's shareholders' meeting.

Nemak, S. A. B. de C. V. and Subsidiaries (Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Financial Statements as of March 31, 2021 and December 31, 2020 and for the three-month periods ended March 31, 2021 and 2020, and Independent Accountant's Review Report dated June 16, 2021

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Financial Statements as of March 31, 2021 and December 31, 2020 and for the three-month periods ended March 31, 2021 and 2020

Contents	**Page**
Independent Accountant's Review Report	2-3
Unaudited condensed consolidated interim statements of financial position	4
Unaudited condensed consolidated interim statements of operations	5
Unaudited condensed consolidated interim statements of comprehensive income	6
Unaudited condensed consolidated interim statements of changes in stockholders' equity	7
Unaudited condensed consolidated interim statements of cash flows	8
Notes to the unaudited condensed consolidated interim financial statements	9

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Ave. Juárez 1102, piso 40
colonia Centro,
64000 Monterrey,
México

Tel: +52 (81) 8133 7300
www.deloitte.com/mx

Independent Accountant's Review Report to the Board of Directors and Stockholders of Nemak, S. A. B. de C. V.

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim statement of financial position of Nemak, S. A. B. de C. V. and Subsidiaries (the "Company") as of March 31, 2021, and the unaudited condensed consolidated interim statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the three-month periods ended March 31, 2021 and 2020.

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, of the International Standards on Auditing. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements do not give a true and fair view of the consolidated financial position of the Company as of March 31, 2021, and of their consolidated financial performance and their consolidated cash flows for the three-month periods ended March 31, 2021 and 2020, in accordance with IAS 34, *Interim Financial Reporting*.

Other matters

We have previously audited, in accordance with International Standards on Auditing, the consolidated financial statements of the Company, as of and for the year ended December 31, 2020, and we expressed an unqualified opinion on such audited consolidated financial statements in our report dated January 31, 2021. Such consolidated financial statements are not included in this report, except for the condensed consolidated statement of financial position for comparative purposes. For a comprehensive understanding, the accompanying unaudited condensed consolidated interim financial statements, should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2020.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Carlos A. López Vázquez
Monterrey, Nuevo León, México
June 16, 2021

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Statements of Financial Position

As of March 31, 2021 and December 31, 2020
(In millions of Mexican pesos)

	Notes	As of March 31, 2021	As of December 31, 2020
Assets			
Current:			
Cash and cash equivalents	6	$ 5,673	$ 8,720
Restricted cash	7	122	121
Trade and other accounts receivable, net	8	11,136	9,229
Inventories	9	14,497	12,685
Prepaid expenses		514	436
Total current assets		31,942	31,191
Non-current:			
Property, plant and equipment, net	10	51,976	51,491
Right-of-use assets, net	11	1,725	1,797
Goodwill and intangibles assets, net	12	12,122	12,221
Deferred income taxes		978	1,030
Other non-current accounts receivable	8	3	-
Other non-current assets		969	1,002
Total non-current assets		67,773	67,541
Total assets		$ 99,715	$ 98,732
Liabilities and Stockholders' Equity			
Liabilities			
Current:			
Debt	14	$ 2,495	$ 4,490
Lease liability	15	689	422
Trade and other accounts payable	13	26,333	24,985
Income taxes payable		663	682
Other current liabilities		613	416
Total current liabilities		30,793	30,995
Non-current:			
Debt	14	27,077	26,723
Lease liability	15	1,218	1,554
Employee benefits		1,595	1,568
Deferred income taxes		2,032	1,951
Other non-current liabilities		277	273
Total non-current liabilities		32,199	32,069
Total liabilities		62,992	63,064
Stockholders' equity	16		
Capital stock		6,599	6,599
Share premium		10,434	10,434
Retained earnings		10,725	10,201
Other reserves		8,965	8,434
Total stockholders' equity		36,723	35,668
Total liabilities and stockholders' equity		$ 99,715	$ 98,732

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Statements of Operations

For the three-month periods ended March 31, 2021 and 2020
(In millions of Mexican pesos, except per share amounts)

	Notes	March 31, 2021	March 31, 2020
Revenues		$ 21,125	$ 17,841
Cost of sales		(17,866)	(15,109)
Gross profit		3,259	2,732
Administrative and sales expenses		(1,369)	(1,492)
Other (expenses) income, net		(72)	39
Operating income		1,818	1,279
Financial income		15	11
Financial expense		(420)	(405)
Exchange fluctuation loss, net		(276)	(1,068)
Financial results, net		(681)	(1,462)
Equity in income of associates recognized using the equity method		57	10
Income (loss) before income taxes		1,194	(173)
Income taxes	17	(367)	(130)
Net consolidated income (loss)		$ 827	$ (303)
Basic and diluted earnings (loss) per share, in Mexican pesos		0.27	(0.10)
Weighted average number of outstanding shares (millions)	16	3,077	3,077

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month periods ended March 31, 2021 and 2020
(In millions of Mexican pesos)

	Notes	March 31, 2021	March 31, 2020
Net consolidated income (loss)		$ 827	$ (303)
Other comprehensive income for the period:			
Items that will not be reclassified to the unaudited condensed consolidated interim statement of operations:			
Remeasurement of employee benefits obligations, net of income taxes		(1)	(1)
Items that will be reclassified to the unaudited condensed consolidated interim statement of operations:			
Translation effect of foreign entities		532	6,919
Total comprehensive income for the period		531	6,918
Consolidated comprehensive income		$ 1,358	$ 6,615

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity

For the three-month periods ended March 31, 2021 and 2020
(In millions of Mexican pesos)

	Capital stock	Share premium	Retained earnings	Other reserves	Total stockholders' equity
Balances as of January 1, 2020	$6,599	$10,434	$11,373	$ 5,538	$ 33,944
Transactions with stockholders:					
Dividends declared	-	-	(954)	-	(954)
	6,599	10,434	10,419	5,538	32,990
Net consolidated loss	-	-	(303)	-	(303)
Total other comprehensive income for the period	-	-	-	6,918	6,918
Comprehensive income for the period	-	-	(303)	6,918	6,615
Balances as of March 31, 2020	**$6,599**	**$10,434**	**$10,116**	**$12,456**	**$ 39,605**
Balances as of January 1, 2021	**6,599**	**10,434**	**10,201**	**8,434**	**35,668**
Other	-	-	(303)	-	(303)
	6,599	10,434	9,898	8,434	35,365
Net consolidated income	-	-	827	-	827
Total other comprehensive income for the period	-	-	-	531	531
Comprehensive income for the period	-	-	827	531	1,358
Balances as of March 31, 2021	**$6,599**	**$10,434**	**$10,725**	**$ 8,965**	**$ 36,723**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three-month periods ended March 31, 2021 and 2020
(In millions of Mexican pesos)

	March 31, 2021	March 31, 2020
Cash flows from operating activities		
Income (loss) before income tax	$ 1,194	$ (173)
Depreciation and amortization	1,614	1,535
Gain from sale of property, plant and equipment	(1)	-
Impairment of property, plant and equipment	4	-
Exchange fluctuation, net	276	1,068
Interest expense, net	380	355
Other	(96)	61
Movements in working capital:		
Trade receivables and other accounts receivable, net	(1,814)	1,452
Inventories	(1,754)	(840)
Suppliers and related parties	1,249	(498)
Income taxes paid	(257)	(252)
Net cash generated from operating activities	795	2,708
Cash flows from investing activities		
Interest collected	13	10
Cash flows in acquisitions of property, plant and equipment	(1,094)	(1,660)
Cash flows in acquisition of intangible assets	(184)	(279)
Restricted cash	3	(3)
Other	22	4
Net cash used in investing activities	(1,240)	(1,928)
Cash flows from financing activities		
Proceeds from debt	19	11,759
Payment of debt	(1,938)	(714)
Lease payments	(179)	(155)
Interest paid	(564)	(566)
Other	-	1
Net cash (used in) provided by financing activities	(2,662)	10,325
Net (decrease) increase in cash and cash equivalents	(3,107)	11,105
Exchange fluctuation of cash and cash equivalents	60	1,166
Cash and cash equivalents at the beginning of the period	8,720	5,883
Cash and cash equivalents at the end of the period	$ 5,673	$ 18,154

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Nemak, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Nemak, S. A. B. de C. V.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As of March 31, 2021 and December 31, 2020, and for the three-month periods ended March 31, 2021 and 2020
(In millions of Mexican pesos, except where otherwise indicated)

1. General information

Nemak, S. A. B. de C. V. and Subsidiaries ("Nemak" or the "Company"), became a subsidiary of Controladora Nemak, S. A. B. de C. V. ("Controladora Nemak") on October 5, 2020, based on the approval of the shareholders of Alfa S. A. B. de C. V. ("ALFA") on August 17, 2020. On December 4, 2020, ALFA, Nemak's former parent company, received authorization from the Mexican National Banking and Securities Commission ("CNBV" for its acronym in Spanish) to list the shares of Controladora Nemak in the National Securities Registry ("RNV" for its acronym in Spanish) maintained by the CNBV. Under the transaction, ALFA's shareholders received one share of Controladora Nemak for each Alfa share they owned as of the close of the market on December 11, 2020. The number of Nemak's shares remained unchanged. Controladora Nemak began trading on the Mexican Stock Exchange on December 14, 2020. As a result of the transaction, Alfa transferred control to Controladora Nemak, which became the ultimate parent company of the Company.

Nemak is a leading provider of innovative light-weighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, e-mobility, and structural applications. The main offices of Nemak are located in Libramiento Arco Vial Km. 3.8, Col. Centro in García, Nuevo León, Mexico. When reference is made to the controlling entity Nemak, S. A. B. of C. V. as an individual legal entity, it will be referred to as "Nemak SAB".

Nemak SAB is a public corporation whose shares are listed on the Mexican Stock Exchange. The Company is owned 75.24% by Controladora Nemak and the remaining 24.76% is owned, through the Mexican Stock Exchange by a group of Mexican and foreign investors (including Ford). Controladora Nemak has control over the relevant activities of the Company.

In the notes to the unaudited condensed consolidated interim financial statements, reference to pesos, Mexican pesos or "$" stands for millions of Mexican pesos. The captions dollars or "US$" refer to millions of U.S. dollars. In the case of information in millions of euros, reference will be made to "EUR" or Euros.

2. Basis for preparation

a. Basis of preparation

These unaudited condensed consolidated interim financial statements as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020, are unaudited and have been prepared in accordance with IAS 34, *Interim financial reporting*. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements as of and for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b. Seasonality

The Company's 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. There were no effects included in the Company's results of operations arising from seasonality factors that affect the comparability for the three-month periods ended March 31, 2021 and 2020.

3. Financial instruments and financial risk management

Capital and financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including exchange rate risks, interest rate risk on cash flows and interest rate risk on fair values), credit risks and liquidity risk. There have not been changes in the risk management department and the risk management policies compared to those applied as of December 31, 2020.

The financial ratio of total liabilities/total equity was 1.72 and 1.77 as of March 31, 2021 and December 31, 2020, respectively, resulting in a leverage ratio that complies with the Company’s management and risk policies.

Financial instruments by category

As of March 31, 2021 and December 31, 2020, financial assets and liabilities consist of the following:

	As of March 31, 2021	As of December 31, 2020
Cash and cash equivalents	$ 5,673	$ 8,720
Restricted cash	250	256
Financial assets measured at amortized cost:		
Trade and other accounts receivables, net	8,982	7,699
Other non-current accounts receivables	3	-
	$ 14,908	$ 16,675
Financial liabilities measured at amortized cost:		
Debt	$ 29,572	$ 31,213
Lease liability	1,907	1,976
Trade and other accounts payable	18,656	17,451
	$ 50,135	$ 50,640

Fair value of financial assets and liabilities measured at amortized cost

The amount of cash and cash equivalents, restricted cash, customers and other accounts receivable, other current assets, trade and other accounts payable, current debt, and other current liabilities approximate their fair value because their maturity date is less than twelve months. The net carrying amount of these accounts represents the expected cash flows to be received as of March 31, 2021 and December 31, 2020.

The carrying amount and estimated fair value of non-current financial assets and liabilities valued at amortized cost is presented below:

	As of March 31, 2021		As of December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Non-current accounts receivable	$ 3	$ 3	$ -	$ -
Financial liabilities:				
Debt	$27,587	28,220	$27,239	$27,959

Estimated fair values as of March 31, 2021 and December 31, 2020, were determined based on a discounted cash flow basis. Measurement at fair value of non-current accounts receivable is considered within Level 3 of the fair value hierarchy, whereas, for the financial debt, the measurement at fair value is considered within Levels 1 and 2 of the hierarchy.

As of March 31, 2021, there were no transfers between the levels of the fair value hierarchy.

Market risk

a) Exchange rate risk

The Company is exposed to the risk of variations in exchange rates for those financial instruments denominated in a foreign currency, (i.e. a currency other than the functional currency). Nemak has main currency risk associated with its financial instruments arises from its financial debt in foreign currencies, mainly in euros, held by entities whose functional currency is the US dollar. In addition, the Company maintains assets and liabilities denominated in foreign currency in relation to the functional currency of the Subsidiaries in Mexican pesos and Euros. The monetary position in euros has been converted to millions of Mexican pesos at the closing exchange rate of March 31, 2021:

	MXP	EUR
Financial assets	$ 1,080	$ 68
Financial liabilities	(4,226)	(12,243)
Financial position in foreign currency	$ (3,146)	$(12,175)

The exchange rate used to convert the financial position in foreign currency from Euros to Mexican pesos was $24.2198 Mexican peso per Euro.

Based on the monetary positions in foreign currencies that the Company maintains, a hypothetical variation of 10% in the exchange rate USD/MXP and USD/EUR, maintaining all the other variables constant, will result in an effect of $1,033 in the unaudited condensed consolidated interim statements of operations and of $1,532 in equity.

Financial instruments to hedge net investments in foreign transactions

The Company designates certain non-current debt instruments as hedges to net investments in foreign transactions in order to mitigate the variations in exchange rates arising between the functional currency for such transactions and the functional currency of the holding or sub-holding company that maintains these investments.

The Company formally designated and documented each hedging relationship establishing objectives, management's strategy to cover the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology to assess the effectiveness. Given that the exchange rate hedging relationship is clear, the method that the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items. The hedging effectiveness results confirm that the hedging relationships are highly effective due to the economic relationship between the hedging instrument and the hedged items. For its part, when the value of the net assets of the foreign transaction is less than the notional value of the designated debt, the company performs a rebalancing of the hedging relationship and recognizes ineffectiveness in the unaudited condensed consolidated interim statement of operations.

The Company maintains the following hedging relationships:

As of March 31, 2021

Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)	Covered item	Net assets of the hedged item (Euros)
Nemak, S. A. B. de C. V.	USD	Senior Notes	€ 241	Nemak Dillingen GmbH	€ 130
				Nemak Linz GmbH	28
				Nemak Gyor Kft.	134
				Nemak Slovakia, S.r.o.	59
				Nemak Wernigerode GmbH	71
				Nemak Czech Republic, S.r.o.	56
				Nemak Poland Sp.z.o.o.	41
				Nemak Spain, S.L.	24
				Nemak Pilsting GmbH	12
				Nemak Izmir Dokum Sanayi A.S.	53
			€ 241		€ 608

As of March 31, 2020						
Holding	Functional Currency	Hedging Instrument	Notional Value (Euros)		Covered item	Net assets of the hedged item (Euros)
Nemak, S. A. B. de C. V.	USD	Senior Notes	€	284	Nemak Dillingen GmbH	€ 112
		Bank Loans		4	Nemak Linz GmbH	30
					Nemak Gyor Kft.	129
					Nemak Slovakia, S.r.o.	44
					Nemak Wernigerode GmbH	67
					Nemak Czech Republic, S.r.o.	56
					Nemak Poland Sp.z.o.o.	44
					Nemak Spain, S.L.	32
					Nemak Pilsting GmbH	10
					Nemak Izmir Dokum Sanayi A.S.	48
			€	288		€ 572

The average coverage ratio of the Company amounted to 35.06% and 41.75%, for the three-month periods ended March 31, 2021 and 2020, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the three-month periods ended March, 31, 2021 and 2020, amounted to a net loss of $228 and $105, respectively, which was recognized in other comprehensive income compensating the translation effect by each foreign investment. The results of the effectiveness of each hedging instrument confirms that the hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedging items.

b) Price risk commodities

i. Aluminum

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 entered into agreements with its customers, whereby the variations of aluminum prices are transferred to 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 Entity to buy aluminum, which could negatively or positively impact its business, financial position and the results of its operations.

ii. Natural gas

Nemak is an entity that uses natural gas to carry out its operating processes and develop its products. This consumption has grown as the volume of their end products increase, which causes that an increase in the price of natural gas creates negative effects on the operating cash flows. In order to mitigate its exposure to the price of this material, the Entity conducts, some natural gas hedging transactions using derivative instruments. Therefore, according to its risk management program, the Company enters into hedges against the exposure to the increase in natural gas prices, for future purchases by entering into swaps where variable prices are received and a fixed price is paid. A strategy called roll-over has been implemented, through which it is analyzed each month if more derivatives should be contracted to expand the time or the amount of hedging.

As of March 31, 2021 and December 31, 2020, the Company does not keep open positions of these type of derivative financial instruments.

Interest rate risk

The Company is exposed to interest rate risk mainly for long-term loans bearing interest at variable rates. Fixed-interest loans expose the Company to interest rate risk at fair value, which implies that Nemak might be paying interest at rates significantly different from those of an observable market.

As of March 31, 2021, if interest rates on variable rate are increased or decreased by 100 basis points in relation to the rate in effect, the income and stockholders' equity of the Company would change by $39.

Credit risk

The credit risk represents the potential loss due to non- compliance of counterparts in their payment obligations. Credit risk is generated by 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.

As of March 31, 2021, there have been no changes in the techniques of estimation or assumption for its allowance for impairment of trade accounts receivable and related parties determination, with respect of the techniques used as of December 31, 2020.

Liquidity risk

The Company's finance department continuously monitors cash flow projections and liquidity requirements ensuring there is an adequate level of liquidity to meet operational needs. The following table breaks down the financial liabilities of the Company, grouped according to their maturity, as of the reporting date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows, except for the lease liability.

	Less than 1 year	From 1 to 5 years	More than 5 years
As of March 31, 2021			
Trade and other accounts payable	$18,656	$ -	$ -
Debt (excluding debt obtaining costs)	3,453	4,887	3,301
Lease liability	689	922	296
Senior Notes (excluding issuance costs)	43	22,530	-
Interest payable	129	-	-
As of December 31, 2020			
Trade and accounts payable	$17,451	$ -	$ -
Debt (excluding debt obtaining costs)	4,267	1,741	3,776
Lease liability	422	1,189	365
Senior Notes (excluding issuance costs)	870	24,930	-
Interest payable	346	-	-

The Company expects to meet its financial obligations with cash flows provided by operations and/or through its financing activities as debt maturities come due. Additionally, Nemak has access to credit lines with various banks to meet possible requirements.

As of March 31, 2021 and December 31, 2020, the Company has uncommitted short-term credit lines unused for more than US$337 ($6,950) and US$425 ($8,478), respectively. Additionally, as of March 31, 2021 and December 31, 2020, Nemak has committed medium-term credit lines available of US$408 ($8,410) and US$412 ($8,215), respectively.

4. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year. For the purpose of the unaudited condensed consolidated interim financial statements, certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with IFRS have been condensed in the unaudited condensed consolidated interim financial statements. Additionally, the operating results of the interim periods presented are not necessarily indicative of the results that the Company would have had if they had been presented on an annual basis. Therefore, for a better understanding, the unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements as of and for the year ended December 31, 2020.

a. New standards and changed adopted by the Company

In the current year, the Company has applied a number of new and amended IFRS and interpretations issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2021. The conclusions related to their adoption are described as follows:

i. Phase 2 of the benchmark interest rate reform (IBOR- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interbank benchmark rates such as LIBOR, EURIBOR and TIBOR, which represent the cost of obtaining unsecured funds, have been questioned about their viability as long-term financing benchmarks. The changes in the reform to the reference interest rates in its phase 2 refer to the modifications of financial assets, financial liabilities and lease liabilities, requirements for accounting coverage and disclosure of financial instruments.

Regarding the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate.

On the other hand, regarding hedge accounting, the hedge relationships and documentation must reflect the modifications to the hedged item, the hedging instrument and the risk to be hedged. Hedging relationships must meet all criteria for applying hedge accounting, including effectiveness requirements.

Finally, regarding disclosures, entities should disclose how they are managing the transition to alternative reference rates and the risks that may arise from the transition; in addition, they must include quantitative information on financial assets and non-derivative financial liabilities, as well as non-derivative financial instruments, that continue under the reference rates subject to the reform and the changes that have arisen to the risk management strategy.

The Company will continue to work with its financial lenders to address any changes in the long-term financing benchmarks in order to mitigate any adverse impacts.

b. New and revised IFRS in issue but not yet effective

At the date of authorization of these unaudited condensed consolidated interim financial statements, the Company has not applied the following new and revised IFRS that have been issued but are not yet effective. The Company expects only precision effects in the accounting policies:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current (1)
- Amendments to IAS 16, Property, Plant and Equipment Proceeds before Intended Use (1)
- Amendments to IFRS 9, *Financial instruments* (1)
- IFRS 17, *Insurance Contracts* (2)

(1) Effective for annual reporting periods beginning on January 1, 2022

(2) Effective for annual reporting periods beginning on January 1, 2023

5. Critical accounting estimates and judgments

The preparation of the unaudited condensed consolidated interim financial statements requires the use of certain critical accounting estimates. Additionally, it requires the Company's management to use judgment in the process of applying the accounting policies of the Company and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in the process of applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2020.

6. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	As of March 31, 2021	As of December 31, 2020
Cash on hand and in banks	$ 2,232	$ 2,943
Short-term bank deposits	3,441	5,777
Total cash and cash equivalents	$ 5,673	$ 8,720

7. Restricted cash

The value of restricted cash is as follows:

	As of March 31, 2021	As of December 31, 2020
Current	$ 122	$ 121
Non-current	128	135
Restricted cash [1]	$ 250	$ 256

[1] In accordance with the provisions of a credit agreement, the Company has made long term cash deposit pursuant to a preferential loan arranged in order to participate in a financing by a US agency to promote investment in rural / low-development regions in the USA.

8. Trade and other accounts receivables, net

Trade and other receivables are comprised as follows:

	As of March 31, 2021	As of December 31, 2020
Current:		
Trade accounts receivables	$ 6,413	$ 6,354
Due from related parties (Note 18)	2,350	1,076
Recoverable taxes	2,154	1,530
Sundry debtors	446	512
Allowance for impairment of trade accounts receivable and related parties	(227)	(243)
Total	$ 11,136	$ 9,229
Non-current:		
Non-current receivable due from related parties (Note 18)	$ 3	$ -

The movements of the allowance for impairment of trade accounts receivables and related parties is as follows:

	As of March 31, 2021	As of December 31, 2020
Opening balances as of January 1	$ (243)	$ (230)
Allowance for impairment of trade and related parties	(7)	(43)
Receivables written off during the year	24	43
Other	(1)	(13)
Ending balance	$ (227)	$ (243)

The net change in the allowance for impairment of trade accounts receivable and related parties for the three-month periods ended March 31, 2021 and 2020, were $(16) and $5, respectively, was mainly due to changes in the estimation of probabilities of default and the percentage of recovery, allocated to different customer groups in which the Company operates, which reflected an increase in credit risk over these financial assets.

Increases and decreases in customer impairment estimation, when they do not imply the legal loss of an account receivable, are recognized in the unaudited condensed consolidated interim statement of operations within the heading of sales costs. On the other hand, when collection rights are legally lost, the Company cancels the accumulated doubtful collection estimate, with the gross amount of the account receivable.

The Company does not maintain any significant collateral or guarantees that mitigate exposure to the credit risk of its financial assets.

9. Inventories

	As of March 31, 2021	As of December 31, 2020
Raw material and other consumables	$ 6,894	$ 6,024
Work in process	4,857	4,134
Finished goods	2,746	2,527
	$ 14,497	$ 12,685

For the three-month periods ended on March 31, 2021 and 2020, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of $37 and $17, respectively.

As of March 31, 2021 and December 31, 2020, there were no inventories pledged as collateral.

10. Property, plant and equipment, net

Property, plant and equipment is comprised as follows:

	As of March 31, 2021	As of December 31, 2020
Non-depreciable assets		
Land	$ 1,705	$ 1,678
Constructions in process	5,473	5,077
Total non-depreciable assets	7,178	6,755
Depreciable assets		
Buildings and constructions	$ 16,686	$ 16,351
Machinery and equipment	88,365	89,480
Vehicles	297	287
Furniture and equipment	2,808	2,726
Other fixed assets	3,987	1,317
Accumulated depreciation	(67,345)	(65,425)
Total depreciable assets	44,798	44,736
Total	$ 51,976	$ 51,491

Opening balance as of December 31, 2020	$ 51,491
Translation effect	780
Additions	1,094
Disposals	(158)
Depreciation charge of the period	(1,231)
Balance as of March 31, 2021	$ 51,976

Of the depreciation expense, $1,124 and $1,102 has been recorded in cost of sales, and $107 and $67 in administrative expenses, for the three-month periods ended March 31, 2021 and 2020, respectively.

As of March 31, 2021 and December 31, 2020, there was no property, plant and equipment pledged as collateral.

11. Right-of-use asset

The Company leases a different set of fixed assets including, buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts as of March 31, 2021 and December 31, 2020 is of 12 years.

a) The right of use recognized in the unaudited condensed consolidated interim statements of financial position as of March 31, 2021 and December 31, 2020, and on the unaudited condensed consolidated interim statements of operations for the three-month periods ended March 31, 2021 and 2020, is integrated as follows:

	Buildings	Machinery and equipment	Vehicles	Other fixed assets	Total
Final balances as of March 31, 2021	$ 1,244	$ 128	$ 304	$ 49	$1,725
Final balances as of December 31, 2020	$ 1,264	$ 135	$ 343	$ 55	$1,797
Depreciation expense for the three-month period ended March 31, 2021	$ 50	$ 20	$ 54	$ 8	$ 132
Depreciation expense for the three-month period ended March 31, 2020	$ 60	$ 31	$ 53	$ 7	$ 151

The additions to the net book value of the right of use assets for the three-month period ended March 31, 2021 and for the year ended December 31, 2020, amounted $56 and $376, respectively.

b) Expenses recognized in the unaudited condensed consolidated interim statement of operations for the three-month period ended March 31, 2021 and for the year ended December 31, 2020.

	March 31, 2021	March 31, 2020
Rent expenses from a short term and low-value assets leases	$72	$ 64

12. Goodwill and intangible assets, net

Goodwill and intangible assets is comprised as follows:

	As of March 31, 2021	As of December 31, 2020
Non-amortizable intangible assets		
Goodwill	$ 6,233	$ 6,194
Amortizable intangible assets		
Development costs	11,398	10,929
Relationships with customers	2,681	2,712
Software and licenses	373	353
Intellectual property rights	111	108
Others	222	635
Accumulated amortization	(8,896)	(8,710)
	5,889	6,027
Total	$ 12,122	$ 12,221

Opening balance as of December 31, 2020	$ 12,221
Exchange differences	14
Additions	184
Disposals	-
Amortization charge of the period	(297)
Balance as of March 31, 2021	$ 12,122

Of the amortization expense, $177 and $306, has been recorded in cost of sales, $74 and $59 in administrative expenses, $1 and $1 in selling expenses and $45 and $38 decreasing the revenues for costs incurred to obtain new agreements with clients for the three-month periods ended March 31, 2021 and 2020, respectively.

13. Trade and other accounts payables

	As of March 31, 2021	As of December 31, 2020
Trade payables	$ 18,643	$ 17,408
Advances from customers	526	522
Other social security fees and benefits	2,130	1,859
Related parties (Note 18)	13	43
Other payables	5,021	5,153
	$ 26,333	$ 24,985

14. Debt

The carrying amounts of debt are as follows:

	As of March 31, 2021	As of December 31, 2020
Current:		
Bank loans [(1)]	$ 2,115	$ 3,894
Current portion of non-current debt	251	250
Interest payable [(1)]	129	346
Total current debt [(2)]	$ 2,495	$ 4,490
Non-current debt:		
Secured bank loans	$ 5	$ 5
Unsecured bank loans	5,169	5,057
In U.S dollars:		
Senior Notes	10,303	9,974
In Euros:		
Senior Notes	12,110	12,203
Non-current debt before debt issuance costs	27,587	27,239
Less: debt issuance costs	(259)	(266)
Less: current portion of debt	(251)	(250)
Non-current debt	$ 27,077	$ 26,723

(1) As of March 31, 2021 and December 31, 2020, short-term bank loans bore interest at an average rate of 4.51% and 3.97%, respectively.

(2) The fair value of bank loans approximate their current book value, due to their short maturity.

The carrying amounts, terms and conditions of non-current debt were as follows:

Description	Contractual currency	Value (MXP)	Debt issuance costs	Interest payable	Balance as of March 31, 2021	Balance as of December 31, 2020	Inception date DD/MM/YYYY	Maturity date DD/MM/YYYY	Interest rate
Brazil	BRL	$ 5	$ -	$ -	$ 5	$ 5	31/01/2016	20/01/2025	6.00%
Total secured bank loans		5	-	-	5	5			
Bancomext LP	USD	3,898	20	1	3,879	3,788	23/12/2019	23/12/2029	Libor 3M +2.70%
Scotiabank Turquía	EUR	605	-	1	606	612	28/10/2019	28/10/2024	1.06%
Spain	EUR	76	-	-	76	86	13/08/2012	02/01/2028	1.50%
USA	USD	590	95	-	495	476	06/04/2017	21/12/2025	1.30%
China	RMB	-	-	17	17	-			
Total unsecured bank loans		5,169	115	19	5,073	4,962			
Total bank loans		5,174	115	19	5,078	4,967			
Senior Notes	USD	10,303	77	92	10,318	10,103	25/01/2018	25/01/2025	4.75%
Senior Notes	EUR	12,110	67	18	12,061	12,249	15/03/2017	15/03/2024	3.25%
Total Senior Notes		22,413	144	110	22,379	22,352			
Total		27,587	259	129	27,457	27,319			
Less: current portion of non-current debt		(251)	-	-	(251)	(250)			
Non-current debt		$ 27,336	$ 259	$ 129	$ 27,206	$ 27,069			

(1) As of March 31, 2021 and December 31, 2020, the interests payable were $129 and $346, respectively, and the debt issuance costs were $259 and $266, respectively.

As of March 31, 2021, the annual maturities of outstanding debt, gross of debt issuance costs, are as follows:

	Less than 1 year	**1 -3 years**	**3- 5 years**	**More than 5 years**	**Total**
Bank loans (1)	$ 2,366	$ 559	$ 1,302	$ 3,062	$ 7,289
Senior Notes (2)	-	12,110	10,303	-	22,413
Total	$ 2,366	$ 12,669	$11,605	$ 3,062	$ 29,702

(1) Interest on bank loans will be paid quarterly.

(2) Interest on Senior Notes will be paid semiannually.

As of March 31, 2021 and December 31, 2020 and at the date of issuance of these unaudited condensed consolidated interim financial statements, the Company complied with all debt covenants and restrictions.

As of March 31, 2021 and December 31, 2020, there are no assets pledged as collateral for any of the Subsidiaries, except for some assets, pledged as collateral in a long-term debt granted by a Brazilian government entity to promote investment (“BNDES”). As of March 31, 2021 the outstanding balance and the value of the pledged assets are approximately US$0.2 ($4.6) and US$0.2 ($4.6). As of December 31, 2020 the outstanding balance and the value of the pledged assets are approximately US$0.3 ($5.1) and US$0.3 ($5.1).

15. Lease liability

	March 31, 2021	**December 31, 2020**
Current portion:		
USD	$ 489	$ 212
EUR	177	186
Other currencies	23	24
Current lease liability	$ 689	$ 422
Non-current portion:		
USD	$ 432	$ 458
EUR	922	973
Other currencies	553	545
	$ 1,907	$ 1,976
Less; Current portion of lease liability	(689)	(422)
Non-current lease liability	$ 1,218	$ 1,554

As of March 31, 2021 and December 31, 2020, changes in the lease liability related to the finance activities in accordance with the unaudited condensed consolidated interim statement of cash flow are integrated as follows:

	2021	**2020**
Beginning balance	$ 1,976	$ 1,853
New contracts	57	376
Write-offs	-	(9)
Interest expense from lease liability	33	86
Lease payments	(179)	(298)
Exchange loss (gain)	20	(32)
Ending balance	$ 1,907	$ 1,976

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	March 31, 2021
Less than 1 year	$ 689
Over 1 year and less than 3 years	624
Over 3 year and less than 5 years	298
Over 5 years	296
Total	$ 1,907

16. Stockholders' equity

As of March 31, 2021 and December 31, 2020, the fixed, capital stock of $6,599, was represented by 3,077 million registered common shares, "Class I" of the Series "A", without face value, fully subscribed and paid.

On February 25, 2020, the Annual Ordinary Shareholders' Meeting was held, in which the payment of a cash dividend of US$0.0164 per outstanding share was approved, equivalent to approximately US$51 ($954). However, taking into account the effects derived from COVID-19, the Company approved at the Annual Ordinary Shareholders' Meeting held on June 19, 2020, to revoke the payments of the exhibitions of the declared dividends that were scheduled for July 1, October 1 and December 18, 2020, equivalent to US$38 ($715).

On March 11, 2021, the Annual Ordinary General Shareholders' Meeting was held, in which the 2020 results report were approved. Additionally, among other resolutions, a maximum amount of $2.5 billion Mexican pesos was approved for the purchase of treasury shares during 2021.

17. Income taxes

Income tax expense for the three-month periods ended March 31, 2021 and 2020 are as follows:

	Three-month periods ended March 31,	
	2021	2020
Current tax	$ (202)	$ (222)
Deferred tax	(165)	92
Income tax expense	$ (367)	$ (130)

The reconciliation between the statutory and effective income tax rates was as follows:

	Three-month periods ended March 31,	
	2021	2020
Income (loss) before taxes	$ 1,194	$ (173)
Equity in income of associates recognized through the equity method	(57)	(10)
Income (loss) before share of interest in associates	1,137	(183)
Statutory rate	30%	30%
Taxes at statutory rate	(341)	55
(Add) less tax effect on:		
Inflation adjustments	(75)	(81)
Non-deductible expenses	(29)	(309)
Non-taxable income	80	321
Other	(2)	(116)
Total income tax expense	$ (367)	$ (130)
Effective rate	31%	75%

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

18. Related parties

Transactions with related parties for the three-month periods ended March 31, 2021 and 2020, were as follows:

	Three-month periods ended March 31, 2021	Three-month periods ended March 31, 2020
Sales revenues and others:		
Finished goods	$ 4,257	$ 4,011
Interest	1	-
Other	102	114
Cost of sales and other expenses:		
Administrative services	21	18
Other costs and expenses	9	9

As of March 31, 2021 and December 31, 2020, the balances with related parties are as follows:

	Nature of the transaction	March 31, 2021	December 31, 2020
Receivable:			
Associates	Accounts receivable	$ 89	$ 73
Ford	Accounts receivable	2,138	882
ALFA	Capital and interest	80	80
Associates	Capital and interest	46	41
		$ 2,353	$ 1,076
Payable:			
Associates	Accounts payable	$ 13	$ 43
		$ 13	$ 43

For the three-month periods ended March 31, 2021 and 2020, wages and benefits received by senior management of the Company were $81 and $82, respectively, an amount comprising base salary and other benefits associated with the Company's share based payment plans.

19. Financial information by segments

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.

The Company manages and evaluates its operation through five primary operating segments, which are:

- 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 the operating segments are carried out at market value and the accounting policies used to prepare information by segments are consistent with those used to prepare the Company's consolidated annual financial statements.

The Company evaluates the performance of each of the operating segments based on income before financial results, income taxes, depreciation and amortization ("EBITDA"), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined Adjusted EBITDA by also adjusting for the impacts of asset impairment.

Following is the unaudited condensed consolidated interim financial information of these operating segments:

For the three-month periods ended March 31, 2021:

	North America	Europe	Rest of the World	Eliminations	Total
Unaudited condensed consolidated interim statement of operations					
Sales by segment	$10,589	$8,369	$ 2,626	$ (459)	$21,125
Inter-segment sales	(15)	(282)	(162)	459	-
Sales from external customers	10,574	8,087	2,464	-	21,125
Adjusted EBITDA					
Operating income	794	959	65	-	1,818
Depreciation and amortization	873	566	175	-	1,614
Impairment	1	2	1	-	4
Adjusted EBITDA	1,668	1,527	241	-	3,436
Capital investments (Capex and intangibles)	735	459	84	-	1,278

For the three-month periods ended March 31, 2020:

	North America	Europe	Rest of the World	Eliminations	Total
Unaudited condensed consolidated interim statement of operations					
Sales by segment	$10,106	$6,621	$ 1,585	$ (471)	$17,841
Inter-segment sales	(132)	(256)	(83)	471	-
Sales from external customers	9,974	6,365	1,502	-	17,841
Adjusted EBITDA					
Operating income	1,007	389	(117)	-	1,279
Depreciation and amortization	815	510	210	-	1,535
Adjusted EBITDA	1,822	899	93	-	2,814
Capital investments (Capex and intangibles)	1,071	693	175	-	1,939

The reconciliation between "Adjusted EBITDA" and income before taxes is as follows:

	Three-month periods ended March 31,	
	2021	2020
Adjusted EBITDA	$ 3,436	$ 2,814
Depreciation and amortization	(1,614)	(1,535)
Impairment of non-current assets	(4)	-
Operating income	1,818	1,279
Financial results, net	(681)	(1,462)
Equity in income of associates recognized using the equity method	57	10
Income (loss) before income tax	$ 1,194	$ (173)

As of March 31, 2021:

	Property, plant and equipment, net	Goodwill	Intangible assets and right-of-use
North America	$ 27,374	$ 2,201	$ 3,559
Europe	20,483	4,032	3,089
Rest of the world	4,119	-	966
Total	$ 51,976	$ 6,233	$ 7,614

As of December 31, 2020:

	Property, plant and equipment, net	Goodwill	Intangible assets and right-of-use
North America	$ 26,582	$ 2,130	$ 3,622
Europe	20,754	4,064	3,224
Rest of the world	4,155	-	978
Total	$ 51,491	$ 6,194	$ 7,824

Nemak's clients are automotive companies, known as OEMs. The Company has the following global clients whose transactions represent more than 10% of consolidated sales: Ford 24% and 23%, General Motors 20% and 17%, and Fiat-Chrysler 12% and 10%, and Volkswagen Group 13% and 15% for the three-month periods ended March 31, 2021 and March 31, 2020, respectively.

20. Commitments and contingencies

The commitments and contingencies of the Company are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2020. As of March 31, 2021, there have been no material changes to the Company’s commitments and contingencies since December 31, 2020.

a) Nemak México, S.A. received from the Canada Revenue Agency (CRA) the claim for a tax credit for refunds of Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) for an approximate total amount, including interest, of US$82. The CRA alleges that Nemak delivered certain assets in Canada that were subject to GST and HST. However, the Company filed an objection to the CRA's Audit Division arguing that its clients acted as importers in Canada and that Nemak delivered the goods to them outside of such country. Evidence and arguments required to support Nemak’s objection were presented to the CRA and management and its legal advisors consider that the case will be concluded favorably, and therefore no provision has been recognized as of March 31, 2021.

21. Subsequent events

In preparing the unaudited condensed consolidated interim financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to March 31, 2021 and through June 16, 2021, (issuance date of the unaudited condensed consolidated interim financial statements), and except for the matters mentioned in the following paragraph, no additional significant subsequent events have been identified:

a. The Company plans to merge with Controladora Nemak in the next several months, with the Company as the surviving entity. Controladora Nemak is a non-operating entity with no liabilities and no assets other than its 75.24% ownership interest in the Company. The merger is intended to be conducted on a share for share basis and is subject to regulatory and shareholder approval. Although no assurances can be provided, the Company anticipates that the merger will take place prior to September 30, 2021.

22. Authorization to issue the unaudited condensed consolidated interim financial statements

On June 16, 2021, the accompanying unaudited condensed consolidated interim financial statements were authorized for issuance by Armando Tamez Martínez, Chief Executive Officer and Alberto Sada Medina, Chief Financial Officer.

ISSUER

Nemak, S.A.B. de C.V.
Libramiento Arco Vial Km. 3.8
García, Nuevo León
C.P. 66017 México

LEGAL ADVISORS

To the Issuer

As to U.S. law
Paul Hastings LLP
200 Park Avenue
New York, New York 10166
United States

To the Initial Purchasers

As to U.S. law
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
United States

As to Mexican law
Galicia Abogados, S.C.
Blvd. Manuel Ávila Camacho 24, Piso 7
Col. Lomas de Chapultepec, Alcaldía Miguel Hidalgo
C.P. 11000, Ciudad de México
México

INDEPENDENT AUDITORS

Galaz, Yamazaki, Ruiz Urquiza, S.C.
(Member of Deloitte Touche Tohmatsu Limited)
(Member of Mexican Institute of Public Accounts)
Ave. Juárez 1102, Floor 40 Centro
Monterrey, Nuevo León
C.P. 64000 México

TRUSTEE, PAYING AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon
240 Greenwich Street, 7th Floor East
New York, New York 10286
United States

LONDON PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
Canary Wharf
London E14 5AL
England

IRISH LISTING AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside II, Sir John Rogerson's Quay
Grand Canal Dock, Dublin 2, Ireland

€500,000,000

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

2.250% Senior Notes due 2028

OFFERING MEMORANDUM

Joint Lead Book-Running Managers and Joint Sustainability-Linked Bond Structuring Agents

BBVA **BNP PARIBAS** **HSBC**

Passive Bookrunners

BofA Securities **Citigroup** **J.P. Morgan** **Santander**