



**Nemak, S.A.B. de C.V.**

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<https://www.nemak.com>

**Ticker Symbol:**

"NEMAKA"

### **Corporate Restructuring Information Memorandum**

*filed pursuant to Article 35 of the General Provisions Applicable to Securities Issuers and Other Securities Market Participants*

Capitalized terms not defined in this Information Memorandum will have the meanings stated in the annual report of Nemak, S.A.B. de C.V. ("Nemak" or the "Issuer") for the year ended December 31, 2020, filed with the Mexican National Banking and Securities Commission and the Bolsa Mexicana de Valores, S.A.B. de C.V. ("BMV"), pursuant to the Securities Market Law and the Provisions, which may be reviewed on Nemak's website <https://www.nemak.com>, on the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx) or on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv), and in the "Glossary of Terms and Definitions" section of this Information Memorandum.

**Brief Summary of the Corporate Restructuring.** The Corporate Restructuring explained in this Corporate Restructuring Information Memorandum is the merger of Controladora Nemak, S.A.B. de C.V. ("Controladora Nemak"), as the merged company and which will cease to exist, and Nemak, S.A.B. de C.V. as the surviving merging company, pursuant to which the shareholders of Controladora Nemak will receive 0.472157717310754 Nemak Shares for each share of Controladora Nemak held by them at the time the merger becomes effective (the "Merger," "Corporate Restructuring" or "Transaction").

The Corporate Restructuring is subject to obtaining a number of common and regulatory corporate authorizations that are ordinary in this type of transaction, including, among others, authorization by the shareholders of Nemak and Controladora Nemak, through their respective General Extraordinary Shareholders' Meetings, which in order to be legally convened, upon a first call notice, require the attendance of shareholders representing at least 75% (seventy-five percent) of the capital stock, and to be approved requires the affirmative vote of shareholders representing at least 50% (fifty percent) of the capital stock, respectively. For a second or subsequent call notices, they require the attendance of shareholders representing at least 50% (fifty percent) of the capital stock, and to be approved they require the affirmative vote of shareholders representing at least 50% (fifty percent) of the capital stock, respectively. If any shareholder of Nemak or Controladora Nemak wishes to sell its shares, before or after the relevant Meetings

and before the Merger becomes effective, due to disagreeing with the Merger or for any other reason, that shareholder may do so without restrictions, since the shares of Nemark and Controladora Nemark are recorded in the Mexican National Securities Registry (Registro Nacional de Valores - “RNV”) and listed on the BMV.

Once the Merger is concluded, Nemark, as the surviving company, will remain as a publicly traded variable capital stock corporation and its shares will continue to be listed on the BMV, while Controladora Nemark, as the merged company, will cease to exist, and its registration in the RNV and its listing on the BMV will be cancelled.

### **Characteristics of Shares before and after Corporate Restructuring:**

If the Merger is approved by the shareholders of both Controladora Nemark and Nemark, the shareholders of Controladora Nemark will receive 0.472157717310754 shares of the capital stock of Nemark, in exchange for each share of Controladora Nemark held by them at the time the Merger becomes effective (the “Exchange Ratio”). As a result of the Merger, the shareholders of Controladora Nemark will be the owners of approximately 75.24% of the shares of the capital stock of Nemark, after the Merger becomes effective.

Nemark Shares will continue to be listed on the BMV with the ticker symbol “NEMAKA.”

As a result of the Merger, Controladora Nemark will cease to exist and the securities representing its shares will be cancelled, while the Merger will not impact Nemark’s capital stock; therefore, none of the characteristics of the Nemark’s Shares will be modified.

Except as provided above, there will be no changes to the characteristics of the Nemark Shares as a result of the Merger.

For more information on the characteristics of the Nemark Shares and the shares of Controladora Nemark, see section “*III. Detailed Information on Corporate Restructuring - 3.6 ‘Significant differences between Nemark’s shares and those of Controladora Nemark arising from Corporate Restructuring’*” of this Information Memorandum.

Registration with the National Securities Registry does not imply certification as to the benefits of the securities, the solvency of the Issuer or the accuracy or truthfulness of the information included in this Information Memorandum, nor does it validate any acts that may have been carried out in breach of applicable law.

For any questions regarding this Corporate Restructuring Information Memorandum, please call +52 (81) 8748 5107, or send an e-mail to [investor@nemark.com](mailto:investor@nemark.com) in the Investor Relations department; or alternatively, contact us at our corporate domicile located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, C.P. 66017, Mexico.

This Corporate Restructuring Information Memorandum is available on the website of Nemark at <https://www.nemark.com>, on the relevant website of the BMV at [www.bmv.com.mx](http://www.bmv.com.mx) and on the website of the CNBV at [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

San Pedro Garza García, N.L. on June 30, 2021.

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## **I. Glossary of Terms and Definitions**

The following glossary contains the definitions of the principal terms and abbreviations used in this Information Memorandum:

<b>“ALFA”</b>	Alfa, S.A.B. de C.V., together with its subsidiaries, unless otherwise required by the context, requires that the term Alfa be used to refer only to Alfa, S.A.B. de C.V.
<b>“Annual Report of Controladora NemaK”</b>	The Annual Report of Controladora NemaK for the year ended December 31, 2020, filed with the CNBV and the Mexican Stock Exchange pursuant to the LMV and the Provisions, which may be accessed on the website of Controladora NemaK at <a href="https://controladora.nemak.com/es">https://controladora.nemak.com/es</a> , on the Mexican Stock Exchange website at <a href="http://www.bmv.com.mx">www.bmv.com.mx</a> , and on the CNBV website at <a href="http://www.gob.mx/cnbv">www.gob.mx/cnbv</a> .
<b>“blocks” or “monoblocks”</b>	Aluminum engine blocks for automobiles and automotive vehicles. The monoblock is one of the main elements of an automobile engine and serves to transform the energy generated in the combustion chamber into mechanical energy to drive the vehicle. Unless otherwise expressly stated, any reference to monoblocks will be understood as a reference to aluminum engine blocks made of aluminum.
<b>“BMW”</b>	Bayerische Motoren Werke AG and some of its subsidiaries in different countries.
<b>“CNBV”</b>	National Banking and Securities Commission.
<b>“CO<sub>2</sub>”</b>	Carbon dioxide.
<b>“COVID-19”</b>	COVID-19, an infectious disease caused by the SARS-CoV-2 virus, was declared a global pandemic by the World Health Organization on March 11, 2020.
<b>“Daimler”</b>	Daimler AG and some of its subsidiaries in different countries.
<b>“Deloitte”</b>	Galaz, Yamazaki, Ruiz Urquiza S.C., a member of Deloitte Touche Tohmatsu Limited, the audit firm that audited NemaK's financial statements for 2020 and 2019.
<b>“Dollar(s),” “Dls.” or “US\$”</b>	The lawful currency of the United States of America.
<b>“equivalent volume”</b>	The total tons of standardized aluminum heads, monoblocks and other components with an equivalent factor of 30 pounds.
<b>“Euro”</b>	The lawful currency in the Eurozone.
<b>“FCA” or “Fiat-Chrysler”</b>	Fiat Chrysler Automobiles and some of its subsidiaries in different countries.
<b>“Ford”</b>	Ford Motor Company and some of its subsidiaries in different countries.
<b>“GMC”</b>	General Motors Company and some of its subsidiaries in different countries.
<b>“Hyundai”</b>	Hyundai Motor Company and some of its subsidiaries in different countries.
<b>“IFRS”</b>	International Financial Reporting Standards issued by the IASB (International Accounting Standards Board).
<b>“Indeval”</b>	S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.
<b>“Information Memorandum” or “Memorandum”</b>	This Corporate Restructuring Information Memorandum, which is prepared in accordance with the provisions of Article 35 and Annex P of the Provisions.
<b>“KIA”</b>	Kia Motors Corporation and some of its subsidiaries in different countries.

<b>“LGSM”</b>	General Corporations Law.
<b>“LMV”</b>	Securities Market Law.
<b>“Merger,” “Corporate Restructuring” or “Transaction”</b>	This has the meaning given to that term on the cover page of this Information Memorandum.
<b>“Mexican Stock Exchange” or “BMV”</b>	Bolsa Mexicana de Valores, S.A.B. de C.V.
<b>“Mexico”</b>	The United Mexican States.
<b>“Nemak Annual Report”</b>	Nemak’s Annual Report for the year ended December 31, 2020, filed with the CNBV and the Mexican Stock Exchange pursuant to the LMV and the Provisions, which may be accessed on Nemak’s website at <a href="https://www.nemak.com">https://www.nemak.com</a> , on the Mexican Stock Exchange website at <a href="http://www.bmv.com.mx">www.bmv.com.mx</a> , and on the CNBV website at <a href="http://www.gob.mx/cnbv">www.gob.mx/cnbv</a> .
<b>“Nemak,” “Company,” “Issuer,” or “Merging Company”</b>	The business unit comprised of Nemak, S.A.B. de C.V. and its subsidiaries, of which Controladora Nemak owns approximately 75.24% of the capital stock as of the date of this Information Memorandum.
<b>“Nemak Shares”</b>	Common shares, registered, Class “I” of Series “A,” without par value, representative of the fixed capital stock of Nemak.
<b>“Nemak 2020 Financial Statements”</b>	Nemak’s consolidated financial statements as of and for the years ended December 31, 2020, and 2019 and audited by Deloitte.
<b>“OEMs”</b>	Original Equipment Manufacturers.
<b>“Operating Cash Flow” or “EBITDA”</b>	This has been defined as the calculation of adding depreciation and amortization and impairment of assets and other non-recurring items to operating income.
<b>“Pesos,” or “Ps. \$”</b>	The lawful currency in Mexico.
<b>“Provisions”</b>	The General Provisions Applicable to Securities Issuers and Other Securities Market Participants, issued by the CNBV and published in the Federal Official Gazette of Mexico on March 19, 2003, plus their relevant updates.
<b>“Pro Forma Financial Statements”</b>	The pro forma consolidated condensed financial statements of the Company as of and for the year ended December 31, 2020, and for the three-month period ended March 31, 2021. The Pro Forma Financial Statements take into consideration the impact of the Merger on the figures of Controladora Nemak.
<b>“PSA”</b>	Peugeot Citroën S.A. and some of its subsidiaries in different countries.
<b>“Quarterly Report March 2021”</b>	The quarterly earnings report for the three-month period ended March 31, 2021, which was filed with the CNBV and the Mexican Stock Exchange and can be accessed on Nemak’s website at <a href="https://www.nemak.com">https://www.nemak.com</a> , on the Mexican Stock Exchange website at <a href="http://www.bmv.com.mx">www.bmv.com.mx</a> , and on the CNBV website at <a href="http://www.gob.mx/cnbv">www.gob.mx/cnbv</a> .
<b>“Quarterly Report March 2021 Controladora Nemak”</b>	The quarterly earnings report for the three-month period ended March 31, 2021, which was filed with the CNBV and the Mexican Stock Exchange and which may be reviewed on the website of Controladora Nemak at <a href="https://controladora.nemak.com/es">https://controladora.nemak.com/es</a> , on the Mexican Stock Exchange website at <a href="http://www.bmv.com.mx">www.bmv.com.mx</a> , and on the CNBV’s website at <a href="http://www.gob.mx/cnbv">www.gob.mx/cnbv</a> .
<b>“Renault”</b>	Renault S.A. and some of its subsidiaries in different countries.
<b>“Renault-Nissan”</b>	The joint venture between Renault and Nissan Inc. and some of their subsidiaries in different countries.
<b>“RNV”</b>	The National Securities Registry kept by the CNBV.

<b>“Research and Development”</b>	Any activity related to research, development and innovation of any product, process, or technology.
<b>“Shareholders’ Meetings”</b>	Means, jointly, the Shareholder Meeting of Controladora Nemaq and the Shareholder Meeting of Nemaq.
<b>“Shareholders’ Meeting of Controladora Nemaq”</b>	The General Extraordinary Shareholders’ Meeting of Controladora Nemaq, to be held on July 29, 2021, during which, among other matters, a decision will be made regarding approval of the Corporate Restructuring.
<b>“Shareholders’ Meeting of Nemaq”</b>	The General Extraordinary Shareholders’ Meeting of Nemaq, to be held on July 29, 2021, during which, among other matters, a decision will be made regarding approval of the Corporate Restructuring.
<b>“Spin-off”</b>	The partial spin-off of ALFA which, without being dissolved, contributed a block of certain assets and capital to Controladora Nemaq, including the entire shareholding owned by ALFA in the capital stock of Nemaq at the time the spin-off became effective on August 17, 2020.
<b>“TMEC,” “TLCAN,” “NAFTA” or “USMCA”</b>	The free trade agreement signed by Mexico, the US and Canada, in force since January 1, 1994, amended by a final agreement in December 2019, and ratified by the three countries, entering into force on July 1, 2020.
<b>“Toyota”</b>	Toyota Motor Corporation and some of its subsidiaries in different countries.
<b>“US” or “United States”</b>	The United States of America.
<b>“Volkswagen Group”</b>	Volkswagen AG and some of its subsidiaries in different countries.

*Unless stated otherwise, the financial information included in this Information Memorandum is submitted in pesos (Ps. \$). This Information Memorandum contains conversions of certain peso amounts into dollars using specific exchange rates solely for the convenience of the reader. These conversions should not be construed as representations that the peso amounts represent such dollar amounts or could be converted into dollars using the exchange rate mentioned herein or otherwise. In addition, the exchange rates used for such conversions are not necessarily the same as those used in preparing the consolidated financial statements, which means that some dollar-denominated items, including dollar-denominated expenses and liabilities, may have been converted into pesos using one exchange rate (or an average exchange rate over a period) and reconverted into dollars for the convenience of the reader using different exchange rates.*

*Unless otherwise stated, the exchange rate used in the conversions for reference purposes is:*

- with respect to the statement of financial position data, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette (the "Official Exchange Rate") for the period ended December 31, 2020 (Ps. \$19.9487 to US\$1.00);*
- with respect to the financial information other than the statement of financial position, the average exchange rate for the year ended December 31, 2020, which is the daily average of the Official Exchange Rate during each day of the year ended December 31, 2020 (Ps. \$21.4886 to US\$1.00); and*
- with respect to the financial information other than the statement of financial position, the average exchange rate for the three-month period ended March 31, 2021, which is the daily average of the Official Exchange Rate applicable to each day of that period (Ps. \$20.3191 to US\$1.00).*

*Unless otherwise stated herein, references to “Nemaq,” the “Company,” the “Issuer” or the “Merging Company” will be understood as references to Nemaq, S.A.B. de C.V. and its subsidiaries. For the meaning*

*of abbreviations and capitalized terms used in this Information Memorandum, see the “Glossary of Terms and Definitions” section.*

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## **II. Executive Summary**

### **2.1. Brief Description of Participants**

This summary only provides a brief description of the participants and the most relevant items related to the Corporate Restructuring, and does not intend to contain all information that may be relevant, and it is supplemented by the detailed information and financial information included in other sections of this Information Memorandum, and in Nemak's Annual Report and the Nemak 2020 Financial Statements, both available on Nemak's website (<https://www.nemak.com>), Nemak's website (<https://www.nemak.com>), the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx), and on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

#### **Controladora Nemak**

Controladora Nemak, S.A.B. de C.V., is a publicly traded variable capital stock corporation incorporated through public instrument number 1224 dated October 1, 2020, granted before Mr. José Martínez González, notary public number 29, authorized to practice in the Notarial Region for the First Registry District in the State of Nuevo León, based in Monterrey, Nuevo León, which first copy was recorded in the Public Registry of Commerce of Nuevo León under electronic commercial folio No. N-2020070949, on November 19, 2020, which, as a result of the Spin-off, has Nemak as its only direct subsidiary. As of the date of this Information Memorandum, Controladora Nemak owns approximately 75.24% of the Nemak Shares.

The capital stock of Controladora Nemak is variable, with a fixed minimum of \$35,634,824.00 (thirty-five million, six hundred thirty-four thousand, eight hundred and twenty-four and 00/100 Mexican pesos) represented by 4,909,211,020 (four billion, nine hundred and nine million, two hundred and eleven thousand and twenty) common shares, registered, Class "I" of Series "A" without par value, with full voting rights, registered in the RNV and identified with the ticker symbol "NMKA." These shares of Controladora Nemak grant to their holders full economic and voting rights, such that the holders may exercise their voting rights in all the shareholders' meetings for which they register and attend.

After the Spin-Off became effective, the only assets of Controladora Nemak consist of the shares of the capital stock of Nemak, which at the time were owned by ALFA, prior to the Spin-off. Controladora Nemak's main business is to own and control, directly or indirectly, through other companies or trusts, shares or stakes in other companies.

Controladora Nemak's business is substantially similar to Nemak's business and, therefore, is subject to the same risks to which Nemak's business is subject. Therefore, the description of Nemak's business included in this Information Memorandum is the same as that of Controladora Nemak.

The shares of Controladora Nemak have been listed on the BMV since December 2020, therefore Controladora Nemak periodically publishes its corporate, financial, and operating information, which may be accessed on the BMV website, [www.bmv.com.mx](http://www.bmv.com.mx). In addition, corporate, financial, and operating information about Controladora Nemak and its subsidiaries, including information about its products and services, is available on Controladora Nemak's website, <https://controladora.nemak.com/es>.

#### **Nemak**

Nemak, S.A.B. de C.V., is a publicly traded variable capital stock corporation, incorporated through public instrument number 1435 dated December 6, 1993, granted before Mr. Luciano G. Galindo Ruiz, Notary Public No. 115, authorized to practice in San Pedro Garza García, Nuevo León, recorded in the Public Registry of Commerce under No. 2461, Folio 01, Volume 407, Book No. 3, Second Auxiliary Instrument of Corporations, Commerce Section in Monterrey, Nuevo León on December 10, 1993, incorporated under the name Acciones Corporativas de México, S.A. de C.V. The Company made several modifications to its

legal name. In 2015, the Company changed its legal regime to *Sociedad Anónima Bursátil de Capital Variable*, through public instrument 421 dated June 15, 2015, granted before Mr. Gonzalo Galindo Ruiz, Acting Notary Public of Notary Public Office No. 115, authorized to practice in the First Registry District of Monterrey, Nuevo León and recorded in the Public Registry of Commerce of Monterrey, Nuevo León under electronic commercial folio No. 43888\*9 on June 16, 2015.

Nemak Shares have been listed on the BMV since June 2015, therefore Nemak periodically publishes its corporate, financial, and operating information, which may be accessed on the BMV website, [www.bmv.com.mx](http://www.bmv.com.mx). In addition, corporate, financial, and operating information of Nemak and its subsidiaries, including information on its products and services, is available on Nemak's website, <https://www.nemak.com>.

The Company focuses on providing lightweighting solutions for the automotive industry, specializing in the manufacturing of complex aluminum powertrain, e-mobility, and structural components. Powertrain parts consist of engine heads, monoblocks and others, as well as transmission parts, such as gearboxes, converter boxes and others. The engine heads and monoblock comprise the main structure of the engine. The gearbox comprises the exterior portion for various parts of the transmission system. Structural and electric vehicle components comprise the vehicle structure and chassis, including pillars or posts, suspension towers, door frames, crossmembers, motor mounts, suspension arms and crossbeams, among others, as well as parts that protect the batteries and the engines and transmissions of electric cars. Nemak has recently been making inroads into the structural and electric vehicle components businesses. In 2020, Nemak's revenues were approximately US\$171 million in this business. As of the date of this Information Memorandum, Nemak has obtained production contracts for this type of component for different customers representing approximately US\$900 million in annual revenue.

Nemak uses a variety of casting technologies to produce its products, including the injection or application of molten aluminum to a mold. It offers a broad range of experience in machining and component-assembly processes. This creates a competitive advantage in the market, as it allows the Company to offer its customers the most suitable technology for the design and production of its components. Nemak's collaboration with its clients in the early design and engineering stages of product development creates an important relationship with them, which translates into a competitive advantage to secure new business.

The Company's product portfolio includes engine heads, monoblocks, transmission housings, structural and electric vehicle components, and others, enabling OEMs to reduce weight and improve the performance and efficiency of the vehicles they produce. Weight reduction is a key factor that enables OEMs to comply with strict environmental regulations regarding CO<sub>2</sub> emissions and fuel efficiency. The Company supplies its components primarily to OEMs as a direct or Tier 1 supplier. Nemak has a global footprint through 38 plants in 15 countries in North America, Europe, South America, and Asia, enabling it to efficiently supply its products to most of the world's automotive manufacturers.

During the year ended December 31, 2020, Nemak had revenues and EBITDA of Ps. \$66,325 million (US\$3,151 million) and Ps. \$8,926 million (US\$432 million), respectively. For the three-month period ended March 31, 2021, Nemak had revenues and EBITDA of Ps. \$21,125 million (US\$1,040 million) and Ps. \$3,436 million (US\$169 million), respectively. As at December 31, 2020, Nemak had consolidated assets of Ps. \$98,732 million (US\$4,949 million) and employed approximately 22,000 people, of which Nemak had about 18,000 hourly employees and approximately 4,000 salaried employees in 15 countries.

The Company has a portfolio of more than 60 customers, including ten of the world's leading automotive groups and their subsidiaries, such as BMW, Daimler, Fiat-Chrysler, Ford, GMC, Hyundai-KIA, PSA, Renault-Nissan, Toyota, and Volkswagen Group. Nemak is a single-source supplier for most of the components it produces, and as such has been designated as a component supplier for the entire engine

design life cycle, which historically spans six to eight years. This life cycle compares to four years for interior components and two years for exterior vehicle components.

The Company's capital stock consists of 3,080,747,324 Class "I" of Series "A" shares, representing the fixed capital stock, registered in the RNV and identified with the ticker symbol "NEMAKA." These Issuer shares grant full economic and voting rights to their holders, so that the holders can exercise their voting rights at all shareholders' meetings they attend. As of the date of this Information Memorandum, Controladora Nemark owns approximately 75.24% of the Company's shares, while the remaining shares, approximately 24.76%, trade in the market. As of the date of this Information Memorandum, the Company has 4,152,599 shares in its treasury, as a result of its share repurchase program.

## **2.2. Corporate Restructuring Highlights**

The Corporate Restructuring explained in this Information Memorandum entails the merger of Controladora Nemark, as a company that is merged with Nemark and which will subsequently cease to exist, with Nemark remaining as the surviving merging company.

Upon conclusion of the Merger, Nemark, as the surviving merging company, will continue as a publicly traded variable capital stock corporation and its shares will continue to be listed on the BMV, while Controladora Nemark, as the merged company, will cease to exist.

As a result of the Merger and once it becomes effective, the shareholders of Controladora Nemark will receive 0.472157717310754 Series "A" shares of the capital stock of Nemark, in exchange for each Series "A" share of Controladora Nemark that they hold at the time the Merger becomes effective. The Exchange Ratio was determined based on the opinion and valuation performed by HSBC Securities USA Inc. and BofA Securities, Inc. (the "Independent Experts") and the negotiations between the parties, using traditional analysis methods to estimate the relative values of Controladora Nemark and Nemark, as explained in section "3.1 - Detailed Description of the Corporate Restructuring" of this Information Memorandum. The exchange conditions of the Merger, including the Exchange Ratio, regardless of the share class or type, including limited, restricted, or non-voting shares, will be the same for all shareholders of Controladora Nemark.

As a result of the Merger, Nemark will acquire all assets, property, and rights of Controladora Nemark, including its liabilities and obligations, in full, except for those assets that are dissolved at the time of the Merger.

As part of the Corporate Restructuring, there are no payments or agreements that involve a bonus or surplus to the amount of the Merger Exchange Ratio, made by itself or through an intermediary to a person or group of persons related to Controladora Nemark, other than the exchange conditions of the Merger, nor are any commitments or agreements assumed in relation to the Merger that impose any covenants to the benefit of Nemark or Controladora Nemark or their control groups.

On April 14, 2021, Controladora Nemark and Nemark requested that the CNBV grant an exception to make a public offering regarding the Merger and subsequent cancellation of the registration of shares of Controladora Nemark in the RNV, pursuant to the provisions of Article 15 Bis of the Provisions, Article 108, subsection II, and Article 102 subsection VI of the LMV, which was authorized by the CNBV's Board of Directors in a meeting held on June 14, 2021, as notified by an official document issued by the CNBV on June 23, 2021, No. 153/10026648/2021.

The Corporate Restructuring is subject to obtaining a series of corporate authorizations that are standard in this type of transaction, including authorization by the shareholders of Nemark and those of Controladora Nemark, through their respective Meetings, which in order to be legally in session upon the first call notice,

require the attendance of shareholders representing at least 75% (seventy-five percent) of the capital stock, and to be approved require the affirmative vote of shareholders representing at least 50% (fifty percent) of the capital stock, respectively. For the second or subsequent call notices, the attendance of shareholders representing at least 50% (fifty percent) of the capital stock is required, and approval requires the affirmative vote of shareholders representing at least 50% (fifty percent) of the capital stock, respectively. The Merger to be approved by the respective Meetings will be subject to the condition precedent consisting of the registration of the Merger Agreement and the agreements of the Merger in the Public Registry of Commerce in which Nemark and Controladora Nemark are recorded, and publication of the agreements, the basic balance sheet, and the system for settling liabilities in the electronic system of publications of corporations of the Ministry of the Economy.

For more information on the characteristics of Nemark's shares and those of Controladora Nemark, see section “*III. Detailed Information on Corporate Restructuring*” of this Information Memorandum.

### **III. Detailed Information on the Corporate Restructuring**

#### **3.1. Detailed description of Corporate Restructuring**

The Corporate Restructuring explained in this Information Memorandum is the merger of Controladora Nemark, as a merged company and which will cease to exist, and Nemark, the surviving merging company, pursuant to which the shareholders of Controladora Nemark will receive 0.472157717310754 shares of Nemark for each share of Controladora Nemark they own. The Merger to be approved by the respective Meetings will be subject to the condition precedent consisting of the registration of the Merger Agreement and the agreements of the Merger in the Public Registry of Commerce in which Nemark and Controladora Nemark are recorded, and the publication of the agreements, the basic balance sheet, and the system for settling liabilities in the electronic system of publications of corporations of the Ministry of Economy. The exchange conditions of the Merger, including the Exchange Ratio, regardless of the share class or type, including limited, restricted, or non-voting shares, will be the same for all shareholders of Controladora Nemark.

On June 25, 2021, by unanimous resolutions adopted out of the meeting of the Board of Directors, the members of the Board of Directors of Controladora Nemark and the members of Nemark's Board of Directors (i) approved the terms and conditions of the Merger and recommended its approval by the General Extraordinary Shareholders' Meeting of Controladora Nemark and Nemark; and (ii) issued an authorization on the Exchange Ratio of the Merger, upon the opinion of the respective Audit and Corporate Practices Committees of Nemark and Controladora Nemark. The Board of Directors of Controladora Nemark and Nemark have obtained the opinion of the Independent Experts, from a financial point of view and in their capacity as independent expert, regarding the reasonableness of the Exchange Ratio for Controladora Nemark and Nemark.

The Corporate Restructuring is subject to authorization by the shareholders of Nemark and Controladora Nemark, through their respective General Extraordinary Shareholders' Meetings, which in order to be legally in session upon a first call notice, require the attendance of shareholders representing at least 75% (seventy-five percent) of the capital stock, and to be approved require the affirmative vote of shareholders representing at least 50% (fifty percent) of the capital stock, respectively. For a second or subsequent call notices, the attendance of shareholders representing at least 50% (fifty percent) of the capital stock is required, and to be approved requires the affirmative vote of shareholders representing at least 50% (fifty percent) of the capital stock, respectively. At these Shareholders' Meetings, the shareholders of Controladora Nemark and Nemark will be presented with all available and necessary information regarding the Merger, in accordance with applicable law, as well as the Pro Forma Financial Statements regarding the Merger. In addition, such information will be available to the shareholders of both companies from the date

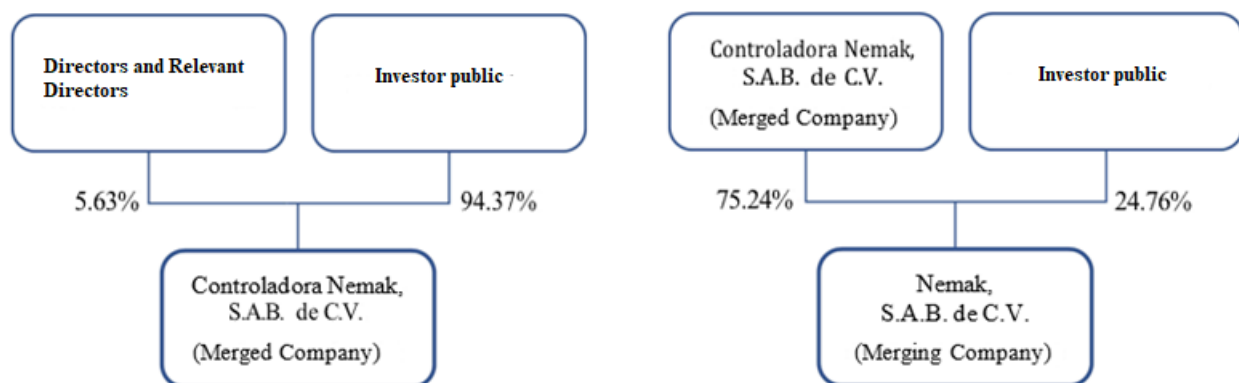
of publication of the summons of the indicated Meetings, pursuant to Article 49 of the LMV. If any shareholder of Nemark or Controladora Nemark wishes to sell their shares, prior or subsequent to the corresponding Meetings and before the Merger becomes effective, due to disagreeing with the Merger or for any other reason, that shareholder may do so without restrictions, given that Nemark's shares and those of Controladora Nemark are recorded in the RNV and listed on the BMV.

Once the Merger becomes effective, Nemark, as the surviving merging company, will continue as a publicly traded variable capital stock corporation and its shares will continue to be listed on the BMV, while Controladora Nemark will cease to exist as the merged company.

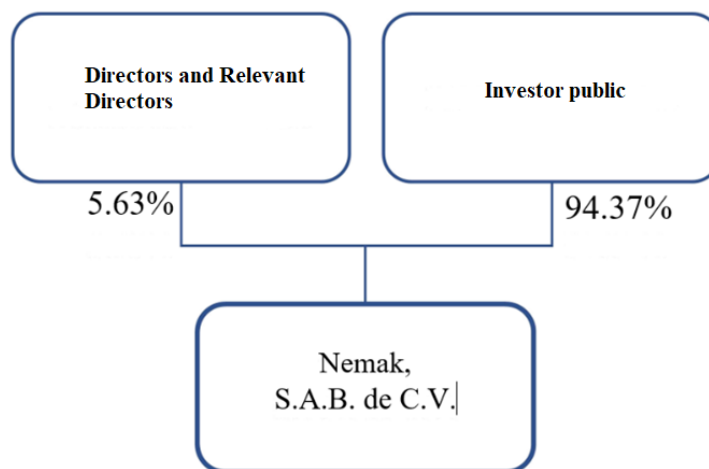
The system for dissolving the liabilities of Controladora Nemark will mean that Nemark, as the Merging Company, will be required to comply with all the obligations of the Merged Company, which will be considered expired for this purpose, except those creditors that have expressed their consent to the Merger. The credits that expire in advance will be paid immediately by Nemark, at the request of their holder, upon submission of the respective documentation, and the loans of lenders that have agreed to the Merger will be paid on the respective due dates in accordance with the agreed terms.

The Merger will be effective between the parties and before third parties, upon (i) registration in the Public Registry of Commerce of the public instruments including the Merger Agreement, the resolutions from the Shareholders' Meetings of Nemark and Controladora Nemark in which the decision was made to finalize the Merger, and (ii) publication of such Merger agreements, the basic balance sheet of Nemark and of Controladora Nemark, and the system for settling liabilities, in the electronic system for publications of commercial corporations of the Ministry of Economy, pursuant to the terms of Article 223 of the LGSM. The foregoing is upon agreement to immediate payment of the liabilities of the parties to the lender making such a demand, which would be included in the merger notice, pursuant to Article 225 of the LGSM.

### Before Corporate Restructuring



### After Corporate Restructuring



Once the Merger becomes effective, and since Nemak will be the complete beneficiary of all the rights and obligations of Controladora Nemak, as the merged company, Controladora Nemak will cease to exist and therefore will not have any shareholder structure after the Merger becomes effective.

Once the Exchange Ratio has been applied, Controladora Nemak shareholders who no longer hold a whole number of Nemak's shares will be entitled to receive the cash equivalent of the shares or fractions of shares they hold in Controladora Nemak at the market price of such shares at the close of market on the business day immediately preceding the Exchange Date (the "Payment of Fractions"). The Payment of Fractions (i) to those shareholders of Controladora Nemak who keep their shares deposited with Indeval Institución para el Depósito de Valores, S.A. de C.V. ("Indeval"), will be determined by holding Controladora Nemak's shares according to Indeval's records on the Exchange Date, so that each custodian will define, in accordance with their internal policies, the manner in which Payment of the Fractions will occur, which, where applicable, result from the allocation of Nemak's shares among its clients; and (ii) for those shareholders of Controladora Nemak that do not keep their shares deposited with Indeval, it will be determined by shareholder and payment will be made to the account that the corresponding shareholder provides to the Secretary of Nemak. The representative shares of the capital stock of Nemak resulting from the sum of the Payment of Fractions will be kept in Nemak's treasury for subsequent cancellation at a General Extraordinary Shareholders' Meeting of Nemak, which will also approve the subsequent capital reduction and the corresponding update of the registration of Nemak's shares in the RNV.

On April 14, 2021, Controladora Nemak and Nemak requested that the CNBV grant an exception to make a public offering in relation to the Merger and subsequent cancellation of the registration of shares of Controladora Nemak in the RNV, pursuant to the provisions of Article 15 Bis of the Provisions, Article 108, subsection II and Article 102 subsection VI of the LMV, which was authorized by the CNBV's Board of Directors in a meeting held on June 14, 2021, as notified by an official document issued by the CNBV on June 23, 2021, No. 153/10026648/2021.

As part of the Corporate Restructuring, there are no payments or agreements that involve a bonus or surplus to the amount of the Merger Exchange Ratio, made by itself or through an intermediary to a person or group of persons related to Controladora Nemak, other than the exchange conditions of the Merger, nor are any commitments or agreements assumed in relation to the Merger that impose any covenants to the benefit of Nemak or Controladora Nemak or their control groups.

For further information and a detailed description of the way the consolidated pro forma financial information was prepared and the Merger is reflected, please refer to the Pro Forma Financial Statements attached as Exhibits in section XI of this Information Memorandum.

### **3.2. Corporate Restructuring Purpose**

The purpose of the Merger is to consolidate the equity in a single entity, and to avoid the existence of two series of shares with different listings for each entity, with the only reference being that of Nemark.

### **3.3. Sources of Financing and Related Expenses**

The expenses derived from the legal and corporate acts that constitute the Corporate Restructuring will be assumed by Nemark, except for those which, by their very nature, will be assumed by Controladora Nemark. Such expenses and fees related to the Corporate Restructuring include, but are not limited to, fees and expenses of auditors, notaries, legal and tax advisors, payment of duties, taxes, and registration fees at the corresponding Public Registry of Commerce. Nemark estimates that the expenses related to the Merger will be approximately Ps. \$20 million.

### **3.4. Approval of the Corporate Restructuring**

The Corporate Restructuring has been authorized by the Boards of Directors of Nemark and Controladora Nemark through unanimous resolutions adopted out of session of the Board of Directors meeting on June 25, 2021. Also, on June 29, 2021, the relevant call notices were published, and in each case, considering a term of 21 (twenty-one) business days prior to the corresponding Meetings pursuant to the terms of Article 97, subsection I of the LMV, in the newspapers with the largest circulation in Monterrey and Mexico City, as well as in the electronic system of publications of corporations of the Ministry of the Economy, by which it is informed that on July 29, 2021 the Meetings will be held to discuss, among other items of the Agenda, approval for the Corporate Restructuring.

### **3.5. Exchange date of the shares**

The shareholders of Controladora Nemark will exchange their shares of Controladora Nemark for Nemark Shares, once the Merger takes full effect, either through Indeval or directly through the delivery of the relevant security. Since the effectiveness of the Merger is conditioned on the registration of the Merger covenants with the Public Registry of Commerce, at this time it is not possible to know with certainty the date of the exchange. The exchange may take place after the effective date of the Merger. As a result of the foregoing, the right to receive the Nemark Shares will be transferred upon delivery of the securities of Controladora Nemark's shares as of the effective date of the Merger and until the exchange date.

The exchange date will be reported to the shareholders of Controladora Nemark at least six business days in advance through the means provided by applicable law in compliance with the Provisions.

### **3.6. Significant differences between Nemark's shares and those of Controladora Nemark arising from the Corporate Restructuring**

Nemark's capital stock is represented by 3,080,747,324 (three billion, eighty million, seven hundred and forty-seven thousand, three hundred and twenty-four) common shares, registered, without par value, Class "I" of Series "A" representing the fixed capital stock, with the same corporate and economic rights.

The capital stock of Controladora Nemark is represented by 4,909,211,020 (four billion, nine hundred and nine million, two hundred and eleven thousand, twenty) common shares, registered, Class "I" of Series "A" without par value, with full voting rights.

Once the Merger becomes effective, Controladora Nemark will cease to exist and the securities representing its shares will be cancelled, while Nemark, as the surviving merging company, will not issue new securities for the Nemark Shares, since the same characteristics will be kept before and after the Merger.

The representative shares of the capital stock of Nemark resulting from the sum of the Payment of Fractions will be kept in Nemark's treasury for subsequent cancellation through a General Extraordinary Shareholders' Meeting of Nemark, which will also approve the subsequent capital reduction and the corresponding update of the registration of Nemark Shares in the RNV.

### **3.7. Accounting Treatment of Corporate Restructuring**

In acquiring control over Nemark, Controladora Nemark applied the accounting for business combinations using the method of the predecessor in an acquired entity under common control, pursuant to its accounting policy under IFRS. The method of the predecessor consists of incorporating historical book values of assets and liabilities of Nemark as an acquired entity, including goodwill recorded in Nemark's consolidated financial statements. However, since the shareholder stake in Nemark is 75.24%, the remaining shareholders' equity was recognized within the non-controlling interest.

Subsequently, upon completion of the Corporate Restructuring, there would also be a transaction between entities under a common control. Therefore, the consolidated financial information of Nemark as the merging entity would prevail, with no non-controlling interest to be submitted in the consolidated financial statements, since Nemark exercises control and maintains a 100% shareholding in all its subsidiaries.

### **3.8. Tax Impact of Corporate Restructuring**

In conformance with Mexican Law, a merger is considered neutral for federal tax purposes provided that the merging company (i) provides notice to the Mexican tax authorities, (ii) files the annual tax return of the merged entity for the tax year in which the merger took place; and (iii) continues to carry out the activities that were carried out by the merged company and the merging company for a minimum period of one year following the merger. Additionally, if the merger becomes effective within five years after the completion of a previous spin-off in which any of the companies taking part in the merger had participated, a notice (authorization) shall be filed in advance with the Mexican tax authorities. Based on the foregoing, and assuming that Nemark, being the Merging Company, complies with each of the aforementioned requirements, the Merger will have no federal tax impact and will have no relevant tax implications for the shareholders. Nemark has confirmed that it will comply with all the aforementioned requirements.

**ALL SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISOR ABOUT TAX IMPACTS, INCLUDING THE CONSEQUENCES OF CORPORATE RESTRUCTURING, UNDER APPLICABLE MEXICAN LAW.**

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## **IV. Information about the Parties Involved in the Corporate Restructuring**

### **4.1. Nemak Information**

#### *4.1.1. Issuer's name*

**Nemak, S.A.B. de C.V.**

#### *4.1.2 Business Description*

Nemak is a leading global provider of innovative lightweighting solutions for the automotive industry. Nemak believes that its product portfolio, which consists of cylinder heads, engine blocks, transmission housings, structure and electric vehicle components, among others, enables its OEM customers to reduce weight and 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<sub>2</sub> emissions and fuel efficiency regulations. Nemak provides its components primarily as a Tier 1 supplier to OEMs. Its global footprint consists of 38 plants in 15 countries throughout North America, Europe, South America and Asia, allowing it to efficiently provide its products to the majority of global automotive manufacturers.

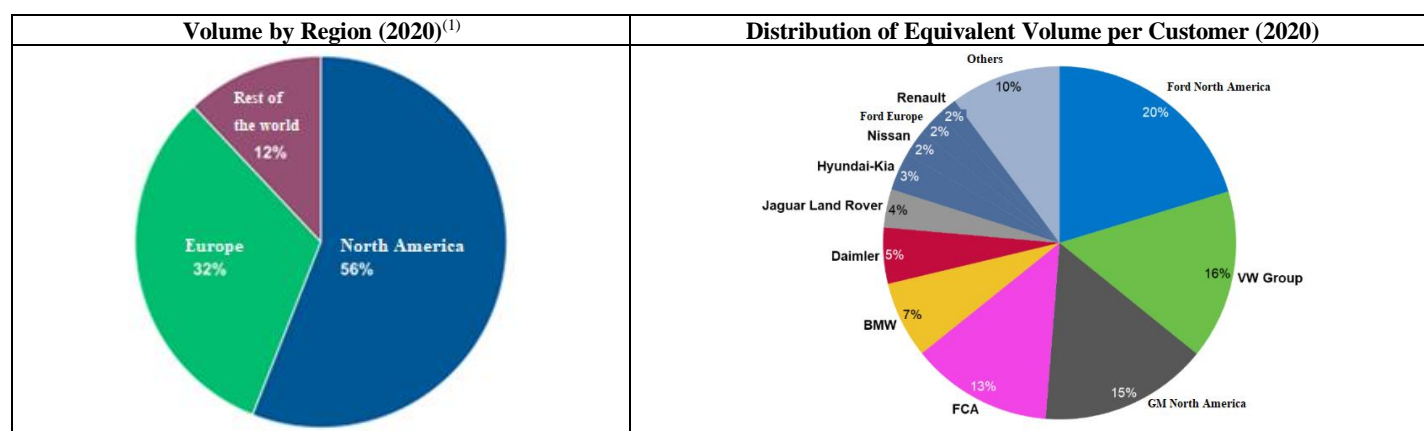
During the year ended December 31, 2020, Nemak had revenues and EBITDA of Ps. \$66,325 million (US\$3,151 million) and Ps. \$8,926 million (US\$432 million), respectively. For the three-month period ended March 31, 2021, Nemak had revenues and EBITDA of Ps. \$21,125 million (US\$1,040 million) and Ps. \$3,436 million (US\$169 million), respectively. Total assets as of December 31, 2020, were Ps. \$98,732 million (US\$4,949 million).

Nemak focuses on the production of complex aluminum components for the automotive industry, primarily for powertrain and structural applications, and electric vehicles. The powertrain segment consists of cylinder heads, engine blocks and others, as well as transmission components, such as transmission cases, torque converter housings, and others. The cylinder heads and engine blocks form the main body of the engine. Transmission cases serve as the primary housing for various parts of the transmission system. Structural and electric vehicle components are used to integrate the body and chassis of the vehicle, including pillars or posts, shock towers, door frames, cross members, engine supports, liftgates and crossbars, among other components, as well as parts that protect batteries and the motors and transmissions of electric vehicles. Nemak has been growing its business in e-mobility and structural components. During 2020, Nemak's revenues were approximately US\$171 million in this segment. As of the date of this Information Memorandum, Nemak has obtained production contracts for the same components for different clients, representing approximately US\$900 million in annual revenue.

Nemak uses a variety of casting technologies to produce its products, including the injection or application of molten aluminum to a mold. It offers a broad range of experience in machining and component-assembly processes. This creates a competitive advantage in the market, as it allows the Company to offer its customers the most suitable technology for the design and production of its components. Nemak's collaboration with its clients in the early design and engineering stages of product development creates an important relationship with them, which translates into a competitive advantage to secure new business.

Nemak has a portfolio of over 60 customers, including ten of the world's leading automotive groups and their subsidiaries, such as BMW, Daimler, Fiat-Chrysler, Ford, GMC, Hyundai-KIA, PSA, Renault-Nissan, Toyota and Volkswagen Group. The Company is a single-source supplier for most of the components it produces and as such, has been designated as a component supplier for the entire engine design life cycle, which historically spans six to eight years. This life cycle compares to four years for interior components and two years for exterior vehicle components.

The following charts show Nemak's volume by region and equivalent volume distribution by customer for 2020:



(1) Includes intercompany exclusions, such as aluminum supply, machining transactions, royalties, and trademark fees.

Nemak is a global player. In 2020, 56% of its sales volume came from North America, 32% from Europe and the rest from other parts of the world. Nemak has approximately 22,000 employees worldwide, with operations in high-growth regions, including facilities in North America, Europe and Asia. Nemak's facilities are strategically located near the engine plants of leading automotive OEMs.

Research and Development is essential for the Company, for which it has six modern product development centers strategically located around the world, each one specialized in a specific casting technology, allowing it to provide its customers with rapid development and implementation of product improvements. Consumer demand for new vehicles drives vehicle production by OEMs, which in turn creates demand for the parts produced by the Company.

The Company believes that its broad range of casting technologies and products, its global footprint and state-of-the-art facilities, its diverse customer base, which includes leading OEMs, its advanced R&D capabilities, as well as its experienced and industry-leading management team, position it favorably for continued growth and expansion opportunities with sustainable margins.

For more information about Nemak and its operations, please see the Nemak Annual Report and the Nemak 2020 Financial Statements, both available on the Nemak website <https://www.nemak.com>, on the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx), and on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

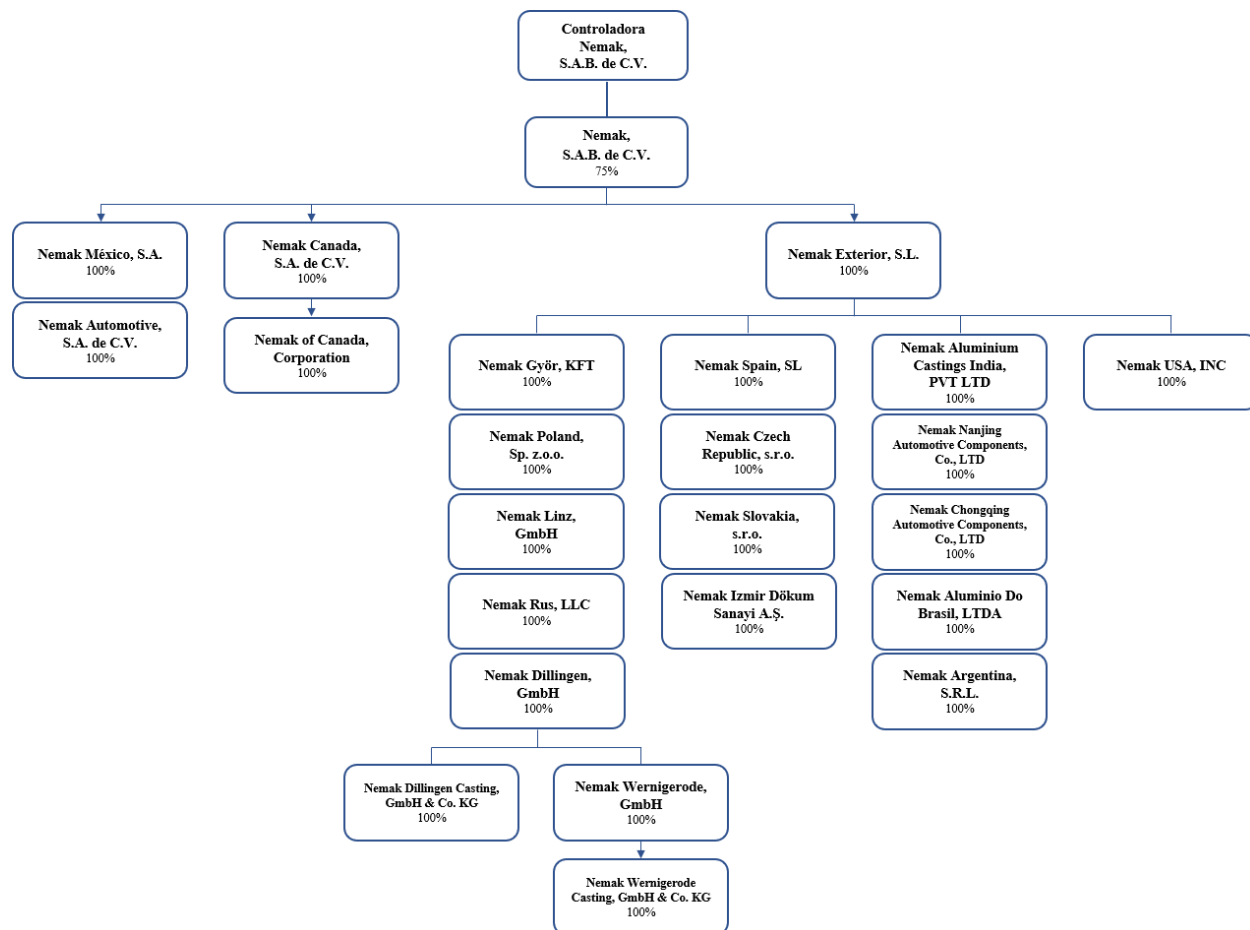
#### 4.1.3. Corporate Structure

As of the date of this Information Memorandum, and prior to the Corporate Restructuring, Controladora Nemak owns approximately 75.24% of Nemak's shares, while the remaining 24.76% is distributed among the investing public.

As of the date of this Information Memorandum, Nemak has stakes in the following associated companies:

- Starcam – 49%
- Nanjing Loncin Nemak Precision Machinery Co. Ltd. – 35%

The following diagram summarizes the Company's corporate structure as of the date of this Information Memorandum, including the main subsidiaries and the percentage of direct or indirect shareholding of the Company in such subsidiaries:



#### 4.1.4. Nemak's Evolution during Last Year

##### **Relevant events - 2021**

##### ***Annual Ordinary General Shareholders' Meeting***

On March 11, 2021, the Issuer announced that, at the Annual Ordinary General Shareholders' Meeting, held on that date, it approved the maximum amount of \$2.5 billion Mexican pesos for the purchase of treasury shares during 2021, and the appointment of the members of the Board of Directors of the Company, including the appointment of Armando Garza Sada and Álvaro Fernández Garza as co-chairmen of the Board of Directors.

##### ***Announcement of Greenhouse Gas Emission Reduction Targets***

On March 31, 2021, the Issuer announced targets to cut its greenhouse gas (GHG) emissions by 28% by 2030. After completing a rigorous validation process with the Science Based Targets initiative, Nemak has committed to a 28% reduction in absolute Scope 1 and 2 GHG emissions (direct emissions and certain indirect emissions, respectively) by 2030, using 2019 as the baseline. Nemak also committed to reduce absolute Scope 3 GHG emissions from procurement of goods and services by 14% during the same period.

##### **Relevant events - 2020**

##### ***Nemak to manufacture battery housing for new Ford Mustang Mach-E***

On January 21, 2020, the Issuer announced that it will produce battery housings for the new Ford Mustang Mach-E, which will be manufactured in North America, with production starting in the second half of the year. Nematik produces these parts in a plant that is fully dedicated to the assembly of parts for electric vehicles. The investment for the first phase of this plant was approximately US\$25 million, which can be expanded at the customer's request.

### ***Approval of Dividends***

On February 25, 2020, the Issuer announced that the Shareholders' Meeting held on that date approved the payment of a dividend of US\$0.0164 per share for the outstanding shares, equal to approximately US\$51 million, to be paid in four equal installments. The first payment was made on April 1 of this year; however, the Shareholders' Meeting subsequently approved cancellation of payment of the remaining installments of the dividend considering the changes in market conditions.

### ***COVID-19 Outbreak and Restart of Nematik Operations***

On March 11, 2020, the World Health Organization declared the SARS-COV2 virus ("COVID-19") a pandemic. After this event, the spread of COVID-19 accelerated in most of the markets where Nematik operates, impacting both the Company and the automotive industry in general.

Nematik's experience in China, where COVID-19 emerged, was essential in coordinating efforts to respond to its spread in other regions. In China, the Company was able to withstand a temporary shutdown caused by the COVID-19 outbreak and gradually resumed production in February.

Since the beginning of this outbreak, Nematik has focused its efforts on providing the highest health and safety standards for its employees and their families. Among the actions undertaken on this front are the implementation of checkpoints, disinfection of facilities, physical distancing protocols, and travel restrictions, among others. In addition, the Company has remained in close contact with stakeholders in all regions where it operates – including customers, suppliers, non-profit organizations, and government agencies – to identify and implement additional actions in support of global efforts to minimize virus transmission.

Nematik also considers it a priority to ensure the continuity and sustainability of its operations in the long term. It has therefore tapped into committed and uncommitted lines of credit to strengthen its liquidity position in light of greater uncertainty in its industry. It has also reinforced measures aimed at optimizing costs, expenses, and cash flow to meet its customers' production cutback plans. These actions include the postponement of non-essential investments, the implementation of flexible production schedules, and the temporary stoppage of certain production plants, among others.

In addition, Nematik has temporarily suspended production in some plants and production lines to comply with emergency health declarations issued in some of the areas where it operates.

Following widespread reduction in its customers' production levels in March due to COVID-19, in April the stoppages impacted almost all countries where Nematik operates, except China. In turn, the Company took reciprocal measures at its own operations, limiting its production activity in those regions to minimum levels. Given the prevailing uncertainty regarding the scope and duration of production stoppages by its customers, on April 16, 2020, the Company announced the withdrawal of the 2020 Earnings Guidance.

### ***Cancellation of Dividends***

On June 19, 2020, the Issuer held an Ordinary General Shareholders' Meeting at which the Board of Directors' recommendation to revoke payment of the remaining balance of the dividend declared at the

Annual Ordinary General Shareholders' Meeting held on February 25, 2020, was approved. This recommendation of the Board of Directors derived mainly from the implementation of a series of initiatives by the Issuer aiming to optimize costs, expenses, and cash flow in order to manage an environment impacted by the spread of COVID-19 worldwide.

### ***Spin-off – Controladora Nemark***

On August 17, 2020, through an Extraordinary General Shareholders' Meeting, ALFA approved the partial spin-off, with ALFA as the separating company, spinning off its stake in the Issuer to Controladora Nemark, as the spun-off company. Controladora Nemark was incorporated, subject to the CNBV authorizing its registration in the RNV and approval of its status as a publicly traded variable capital stock corporation, and its listing on the BMV, to allow the shares of Controladora Nemark to be listed on the Mexican Stock Exchange and to be traded in the stock market. The efforts concluded with the commencement of listing and trading on the Mexican Stock Exchange on December 14, 2020.

On December 4, 2020, Nemark announced that it had obtained authorization from the CNBV to register the shares of Controladora Nemark in the National Securities Registry. As a result, the shareholders of its controlling company at that time, ALFA, received one share of Controladora Nemark for each ALFA share at the close of the market on December 11, 2020. The number of Nemark's shares remained unchanged. Controladora Nemark began trading on the Mexican Stock Exchange on December 14, 2020; however, it was as of August 17, 2020, that ALFA ceased consolidating Nemark's operations in its consolidated financial statements.

#### ***4.1.5. Capital Stock Structure***

The capital stock is variable, the minimum being fixed without right of withdrawal, fully subscribed and paid in, in the amount of Ps. \$6,607,401,163.42 represented by 3,080,747,324 Class "I" shares, of Series "A," common, registered, no par value. As of December 31, 2020, a total of 4,152,599 shares were in Nemark's treasury, as a result of its share repurchase program.

For more information on the structure of the capital stock of Nemark, please see the Nemark Annual Report and the Nemark 2020 Financial Statements, both available on the Nemark website <https://www.nemark.com>, on the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx), and on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

#### ***4.1.6. Significant Changes in Nemark's Financial Statements***

Since the publication of Nemark's Annual Report, the March 2021 Quarterly Report, and considering the subsequent relevant events disclosed by Nemark, Nemark's financial statements have not undergone relevant changes.

## **4.2. Information on Controladora Nemark**

### ***4.2.1. Company Name***

**Controladora Nemark, S.A.B. de C.V.**

### ***4.2.2 Business Description***

Controladora Nemark, S.A.B. de C.V., is a publicly traded variable capital stock corporation, incorporated through public instrument number 1224 dated October 1, 2020, granted before Mr. José Martínez González, notary public number 29, authorized to practice in the First Registry District in the State of Nuevo León, based in Monterrey, Nuevo León, which first copy was recorded in the Public Registry of Commerce of

Nuevo León under electronic commercial folio No. N-2020070949, on November 19, 2020, which, as a result of the Spin-off, has Nemark as its only direct subsidiary.

After the Spin-off took full effect, the only assets of Controladora Nemark are the representative shares of the capital stock of Nemark, which were owned by ALFA prior to the Spin-off. Controladora Nemark's main business is to own and control, directly or indirectly through other companies or trusts, shares or stakes in other companies.

Given the foregoing, the business of Controladora Nemark is substantially similar to the business of Nemark, and therefore, is subject to the same risks as Nemark's business. In that regard, the description of Nemark's business included in this Information Memorandum is the same as that of Controladora Nemark.

For more information about Controladora Nemark and its operations, please refer to Controladora Nemark's Annual Report and Controladora Nemark's 2020 Consolidated Financial Statements, both available on the website <https://controladora.nemark.com/es>, on the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx), and on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

#### *4.2.3. Corporate Structure and Capital Stock Structure.*

Controladora Nemark's capital stock is variable, with a fixed minimum of \$35,634,824.00 (thirty-five million, six hundred and thirty-four thousand, eight hundred and twenty-four and 00/100 Mexican pesos) represented by 4,909,211,020 (four billion, nine hundred and nine million, two hundred and eleven thousand, twenty) common shares, registered, Class "I" of Series "A," no par value, with full voting rights, registered in the RNV, and identified with the ticker symbol "NMKA." These shares of Controladora Nemark grant their holders full economic and voting rights, such that the holders may exercise their voting rights in all shareholders' meetings they attend.

Currently, Controladora Nemark is a 75.24% shareholder of Nemark.

#### *4.2.4. Evolution of Controladora Nemark during Last Year.*

##### ***Annual Ordinary General Shareholders' Meeting***

On March 11, 2021, Controladora Nemark announced that, at the Annual Ordinary General Shareholders' Meeting held on that date, the results for the 2020 fiscal year were approved, as well as the appointment of the members of the Board of Directors of Controladora Nemark, including the appointment of Armando Garza Sada and Álvaro Fernández Garza as co-chairmen of the Board of Directors.

##### ***Announcement of Greenhouse Gas Emission Reduction Targets***

On March 31, 2021, Controladora Nemark announced its subsidiary Nemark's targets to reduce its greenhouse gas (GHG) emissions by 28% by 2030. After completing a rigorous validation process with the Science Based Targets initiative, Nemark has committed to a 28% reduction in absolute Scope 1 and 2 GHG emissions (direct emissions and certain indirect emissions, respectively) by 2030, using 2019 as the baseline. Nemark also committed to reduce absolute Scope 3 GHG emissions from procurement of goods and services by 14% during the same period.

#### *4.2.5. Significant Changes in the Financial Statements of Controladora Nemark*

Since the publication of Controladora Nemark's Annual Report, Controladora Nemark's March 2021 Quarterly Report, and considering the subsequent relevant events disclosed by Controladora Nemark, Controladora Nemark's financial statements have not undergone relevant changes.

## **V. Risk Factors**

The Company has identified the following risk factors related to the Corporate Restructuring that could materially impact Nemak's performance and profitability, and influence the price of Nemak Shares. For more information on the remaining risk factors inherent to Nemak, please refer to the Nemak Annual Report and the Nemak 2020 Financial Statements, both available on Nemak's website <https://www.nemak.com>, on the Mexican Stock Exchange website <https://www.bmv.com.mx/>, and on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

Finally, the risks and uncertainties described below are not the only risks and uncertainties that may impact Nemak's performance and profitability and influence the price of Nemak Shares. There are other risks and uncertainties that are unknown or are not currently considered to be material, and which, if they materialize or worsen, could have an adverse impact on Nemak or the price of its stock.

### **Risks related to the Corporate Restructuring**

#### ***The proposed Corporate Restructuring could impact the market price of the Nemak Shares.***

If the Merger becomes effective, Controladora Nemak will cease to exist and the securities representing its shares will be cancelled, while Nemak, as the merging company, will issue new securities backing the shares of its capital stock to reflect the capital increase resulting from the Merger, in order to provide them to the shareholders of Controladora Nemak in accordance with the Exchange Ratio referred to in this Information Memorandum, against the cancelled shares of Controladora Nemak. The Corporate Restructuring could be perceived negatively by investors and could have an impact on the market price of the Nemak Shares, and there can be no assurance that such fluctuations will be positive. These fluctuations could cause the investor to lose all or part of their investment in Nemak Shares.

#### ***The amount received by the shareholders of Controladora Nemak for the fractions that are not a whole number, which give them the right to receive Nemak Shares, may be less than the price they could receive for such shares in the market.***

The shareholders of Controladora Nemak who, after applying the Exchange Ratio, do not hold a whole number of Nemak Shares, will be entitled to receive the cash equivalent of the shares or fractions of shares they hold in Controladora Nemak at the market price of those shares at market close on the business day immediately preceding the Exchange Date. Such price may be lower than the price that said shareholders could receive for the sale of the corresponding shares in the market, or if they received Nemak Shares and their correlative value, therefore the Corporate Restructuring could be perceived negatively by investors and could have an impact on the market price of the Nemak Shares.

#### ***The balance sheet on the date the Merger takes effect may differ from the pro forma income statement.***

Nemak's pro forma financial information included in this Information Memorandum showing its balance sheet after the Merger becomes effective is subject to changes in the actual results of future operations, as well as the impact of other events beyond the control of Nemak's management. Accordingly, the pro forma financial information may not reflect the actual financial condition or operating results of Nemak as the company surviving the Merger.

#### ***Opposition by shareholders or creditors to the Merger.***

Pursuant to the LGSM, a quorum may not be met for holding and voting at the Extraordinary General Shareholders' Meeting of Controladora Nemak to approve the Merger. Any shareholder or group of

shareholders representing at least 20% of the capital stock of Nemark or Controladora Nemark, or any lender with a legal interest, may file a legal proceeding before the Mexican courts opposing the Merger. Regarding such opposition, the Merger may be temporarily suspended if the party filing the proceeding guarantees by a bond, the damages that could be caused to Nemark as a result of the opposition. The temporary suspension may continue until there is an unappealable court decision that the opposition has no grounds, or when an agreement is reached between the opposing party and Nemark. After the expiration of such period, no lender or shareholder may oppose the Merger.

The legal grounds on which it is possible to oppose a Merger, and the measures that a court may impose if such opposition is argued, are not specified in Mexican corporate law and there is not much precedent in this regard. Nemark cannot predict whether anyone will oppose the Merger or, if so, what criteria the Mexican courts will follow in conducting the opposition, what steps will be taken in the conduct of the proceeding, or what measures will be imposed.

***Corporate Restructuring costs could be higher than expected.***

Nemark and Controladora Nemark will incur costs in connection with the Corporate Restructuring, primarily those related to accounting, tax, legal and other professional services. These costs, whether incurred before or after the Corporate Restructuring, may be higher than expected and could have an adverse effect on Nemark's business, financial condition, operating results and cash flows.

**Risks related to the Nemark transaction**

Since the main asset of Controladora Nemark are the representative shares of the capital stock of Nemark, Controladora Nemark and Nemark are exposed to several similar risks, which are also detailed in the "Risk Factors" section of the Nemark Annual Report. In addition to these risks, the following risks are particularly relevant to operations.

***Nemark may face difficulties in financing its operations and investments after the Merger, which could have an adverse impact on its business and results.***

Nemark may seek to place debt or issue additional capital to fund working capital and capital expenditures, or to make acquisitions and other investments after the Corporate Restructuring. There can be no assurance that debt or capital financing will be available to Nemark on acceptable or absolute terms. If Nemark is unable to obtain sufficient financing at attractive terms, its financial condition and operating results may be adversely affected.

***If Nemark incurs a high level of indebtedness, its business and ability to seize business opportunities could have a material adverse effect.***

Nemark could incur a high level of indebtedness, which could increase the likelihood that it will be unable to generate sufficient cash flow to cover payments of principal, interest, and other amounts due. As a result of a high level of indebtedness, Nemark's operating capacity could be compromised, which could have a material adverse effect on Nemark's business, operating results, and financial condition.

***Nemark is primarily a holding company and is dependent on the operating results of its subsidiaries and joint ventures.***

Nemark depends primarily on the operating results of its subsidiaries. Each of Nemark's subsidiaries is a separate entity, and in some cases Nemark's ability to receive cash from them is subject to legal and contractual restrictions. Nemark's ability to pay dividends and meet its debt payments and other obligations depends primarily on the cash flow generated by its subsidiaries and their ability to make cash available to Nemark in the form of interest payments, debt payments or dividends, among other ways. Each of its



subsidiaries is a separate legal entity, and under certain circumstances has legal, tax and contractual restrictions that may limit its ability to make cash available to Nemak. Although neither Nemak nor any of its subsidiaries currently has relevant contractual limitations on the payment of principal, interest, and dividends, any financial or other type of agreement that in the future imposes such limitations could impact Nemak's ability to pay its own expenses and debts.

As primarily a holding company, Nemak's ability to pay the obligations to its creditors depends on the payments it receives from its subsidiaries and its ability to participate in the distribution of their income. In some cases, Nemak's right, and therefore the right of its creditors, to participate in the distribution of income of subsidiaries, may be effectively subordinated to the payment obligations of certain creditors of the subsidiaries under financial contracts and applicable laws.

Any adverse change in the financial condition or operating results of Nemak's subsidiaries could have a material adverse effect on Nemak's activities, financial condition, operating results, cash flows and prospects, as well as on the market price of Nemak Shares.

***Certain contracts entered into by Nemak contain change of control clauses.***

Nemak has entered into agreements with various creditors, customers, suppliers, among others, which contain change of control clauses. As a result, if a change of control is verified in accordance with the provisions of such contracts, without having notified or obtained the authorization of the counterparty, as appropriate, the counterparty will have the right to terminate or request termination of the respective contract early. This could cause Nemak to be obligated to prepay debt or obligations. Although there is no reason to believe that the counterparties to the aforementioned agreements will not grant a waiver or authorization for the completion of the Merger, Nemak cannot assure that such waivers will be obtained in a timely manner or at all, or that the terms and conditions of those agreements will not be modified as a condition to granting the waiver, and the modification, rescission, or early termination of such agreements could adversely impact Nemak's business and operating results.

***If the Merger is not concluded for any reason, Nemak and Controladora Nemak will continue to operate and exist as separate entities.***

The only assets of Controladora Nemak are the representative shares of the capital stock of Nemak that were owned by ALFA prior to the Spin-off. Therefore, the purpose of the Corporate Restructuring is to consolidate the capital of Controladora Nemak into a single entity, which is Nemak, and thus avoid the existence of two series of shares with different listings for each entity, with the only reference being that of Nemak. If the Merger is not concluded for any reason, including failure to comply with the conditions precedent to which it is subject, said purpose cannot be achieved and Controladora Nemak will remain as an Issuer whose shares will remain registered in the RNV and listed on the BMV, which could result in additional costs related to compliance with its obligations as an Issuer.

**Risks related to Nemak Shares**

***It is difficult to predict the trading price of the Company's shares after the Merger.***

The trading price of Nemak Shares could fluctuate significantly based on several factors, including, among others, the following:

- actual or expected fluctuations in the Company's operating results from period to period;
- changes in accounting standards, policies, interpretations or accounting principles;
- the decrease in the coverage provided by securities analysts to Nemak Shares;

- changes in estimated revenues or projections made by securities analysts with respect to the Company, or the Company's inability to meet such expectations or projections;
- operating performance and the prior performance of securities issued by similar companies; and
- general market fluctuations and changes in economic conditions in Mexico and worldwide.

***The combined post-Merger value of the Nemark Shares and the shares of Controladora Nemark may not be equal to the pre-Merger value of both shares.***

The Company cannot assure that the combined post-Merger trading prices of the Nemark Shares and the shares of Controladora Nemark will be greater than or equal to the trading price of both shares prior to the Corporate Restructuring.

***The COVID-19 outbreak could have an adverse effect on the Company's business, financial condition, operating results and prospects.***

On March 11, 2020, the World Health Organization declared the infectious diseases caused by the SARS-CoV-2 virus (“COVID-19”) a pandemic. Due to how easily it propagates through contact between infected people, COVID-19 threatens the health and well-being of the world’s population.

To prevent its spread and thus promote and safeguard the interests of their citizens, many countries have adopted special precautionary measures such as emergency declarations, border closures, suspension of work activities, suspension of operations, restrictions on human mobility, travel bans, mandatory quarantine orders, and in some cases, even the implementation of curfews. Regarding the automotive industry, as of the date of this Information Memorandum, the application of such measures has affected the production of light vehicles both at a general level and among the Company’s customers, which in turn has led to a temporary reduction in the demand for the parts manufactured by Nemark. Depending on the evolution of said disruptions in the automotive industry, these effects could continue to occur in the future. In addition, the Company may be limited in its ability to fulfill customer orders, depending on the duration and extent of restrictions imposed on automotive production in the areas in which it operates.

As this is a public health emergency of national and international scope, the effects and full extent of which are uncertain and unpredictable, COVID-19 could have additional impacts in the countries where Nemark has operations, which could have adverse effects on its business, financial condition, and operating results, and on its ability to meet its financial obligations within the established deadlines.

***The relatively low liquidity and high volatility of the Mexican securities market could cause prices and trading volumes of shares to fluctuate significantly.***

The BMV is one of the largest stock exchanges in Latin America in terms of cumulative market capitalization of its listed companies, but its liquidity and volatility make it small in comparison with other foreign stock markets. Although the public participates in trading securities on the BMV, large institutional investors realize a significant portion of the activity on the BMV. The volume of listings of securities issued by emerging market companies, such as Mexican companies, tends to be lower than the volume of listings of securities issued by companies in more developed countries. The above market characteristics may limit the ability of a holder of Nemark Shares to sell its shares and may also impact the market price of the shares.

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## **VI. Selected Financial information (pro forma)**

The selected financial information included in this section is taken from Nemark's 2020 Financial Statements and the Company's Pro Forma Financial Statements, which include the effects of the Corporate Restructuring. This information is wholly qualified and should be read in conjunction with section "VII. *Management's Discussion and Analysis of Nemark's Operating Results and Financial Position (pro forma)*" and the Pro Forma Financial Statements, which together with the other financial information included in the tables below, have been prepared in accordance with IFRS and are presented in millions of pesos.

The pro forma condensed consolidated statement of financial position as of December 31, 2020, and the pro forma condensed consolidated statements of income for the three months ended March 31, 2021, and for the year ended December 31, 2020, have been prepared in accordance with the accounting standards established by IFRS, and to determine the pro forma adjustments described in the Proforma Financial Statements.

The Pro Forma Financial Statements have been prepared solely for the purpose of presenting Nemark's financial condition and operating results under the new structure that will be in force after the Corporate Restructuring becomes effective, and they may not be an accurate reflection of Nemark's actual financial condition following the Merger. For more information on the Pro Forma Financial Statements, see section "XI. *Exhibits*" of this Information Memorandum.

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## Pro forma condensed consolidated statement of financial position

As of December 31, 2020

In millions of Mexican pesos

	Controladora Nemak, S.A.B. de C.V. and Subsidiaries	Pro Forma Merger Adjustments	Nemak, S.A.B. de C.V. and Subsidiaries pro forma
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 8,720	\$ -	\$ 8,720
Customers and other accounts receivable, net	9,229	-	9,229
Inventory	12,685	-	12,685
Other current assets	557	-	557
Total current assets	31,191	-	31,191
Non-current assets:			
Property, plant and equipment, net	51,491	-	51,491
Investments in associated companies and equity investments	636	-	636
Other non-current assets	15,414	-	15,414
Total non-current assets	67,541	-	67,541
<b>Total assets</b>	<b>\$98,732</b>	<b>\$ -</b>	<b>\$98,732</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Debt	\$ 4,490	\$ -	\$ 4,490
Lease liabilities	422	-	422
Suppliers and other current liabilities	26,083	-	26,083
Total current liabilities	30,995	-	30,995
Non-current liabilities:			
Debt	26,723	-	26,723
Lease liabilities	1,554	-	1,554
Employee benefits	1,568	-	1,568
Other non-current liabilities	2,224	-	2,224
Total non-current liabilities	32,069	-	32,069
Total liabilities	63,064	-	63,064
Shareholders' equity:			
Controlling interest	26,837	8,831	35,668
Non-controlling interest	8,831	(8,831)	-
Total shareholders' equity	35,668	-	35,668
<b>Total liabilities and shareholders' equity</b>	<b>\$98,732</b>	<b>\$ -</b>	<b>\$98,732</b>

The accompanying notes are an integral part of the condensed pro forma consolidated financial statements.

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## Condensed pro forma consolidated income statements

For the three months ended March 31, 2021, and for the year ended December 31, 2020  
In million Mexican pesos

	For the three months ended March 31, 2021			For the year ended December 31, 2020		
	Controladora Nemak S.A.B. de C.V. and Subsidiaries	Pro forma adjustments due to the Merger	Nemak S.A.B. de C.V. and Subsidiaries pro forma	Controladora Nemak S.A.B. de C.V. and Subsidiaries	Pro forma adjustments due to the Merger	Nemak S.A.B. de C.V. and Subsidiaries pro forma
Income	\$ 21,125	\$ -	\$ 21,125	\$ 66,325	\$ -	\$ 66,325
Cost of sales	(17,866)	-	(17,866)	(58,343)	-	(58,343)
Gross income	3,259	-	3,259	7,982	-	7,982
Administrative and sales expenses	(1,369)	-	(1,369)	(4,980)	-	(4,980)
Other expenses, net	(72)	-	(72)	(1,035)	-	(1,035)
Operating income	1,818	-	1,818	1,967	-	1,967
Financial income	15	-	15	76	-	76
Financial expenses	(420)	-	(420)	(1,746)	-	(1,746)
Foreign exchange loss, net	(276)	-	(276)	(1,020)	-	(1,020)
Financial result, net	(681)	-	(681)	(2,690)	-	(2,690)
Stake in the results of associated companies recognized by the equity method	57	-	57	(29)	-	(29)
Profit (loss) before income taxes	1,194	-	1,194	(752)	-	(752)
Income taxes	(367)	-	(367)	(181)	-	(181)
<b>Consolidated net profit (loss)</b>	<b>\$ 827</b>	<b>\$ -</b>	<b>\$ 827</b>	<b>\$ (933)</b>	<b>-</b>	<b>\$ (933)</b>
Profit (loss) attributable to:						
Controlling interest	\$ 622	\$ 205	\$ 827	\$ (702)	\$ (231)	\$ (933)
Non-controlling interest	205	(205)	-	(231)	231	-
<b>Consolidated net income (loss)</b>	<b>\$ 827</b>	<b>\$ -</b>	<b>\$ 827</b>	<b>\$ (933)</b>	<b>\$ -</b>	<b>\$ (933)</b>
Basic and diluted earnings per share, in pesos	\$ 0.13	\$ 0.14	\$ 0.27	\$ (0.14)	\$ (0.16)	\$ (0.30)
Weighted average number of shares outstanding (millions of shares)	4,909	(1,832)	3,077	4,909	(1,832)	3,077

The accompanying notes are an integral part of the condensed pro forma consolidated financial statements.

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## **VII. Management's Discussion and Analysis of Nematik's Operating Results and Pro Forma Financial Position as the Merging Entity**

The following analysis has been prepared in order to provide information to help with the analysis and understanding of Nematik's consolidated financial statements base and Pro Forma Financial Statements, as the merging entity, which show the impacts on the consolidated financial statements of Controladora Nematik resulting from the Corporate Restructuring. This analysis does not intend to be a comprehensive description of all the impacts or consequences resulting from the Corporate Restructuring. Numbers may vary due to rounding.

The following analysis should be read in conjunction with Nematik's 2020 Financial Statements and quarterly report for the three-month period ended March 31, 2021, both available on the Company's website <https://www.nematik.com>, on the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx), and on the CNBV website [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

The reader should also refer to the Exhibits of this Information Memorandum.

The consolidated financial statements of Controladora Nematik, which are the basis for preparing the condensed pro forma consolidated financial statements, include Nematik's operations. As the Corporate Restructuring will result in Nematik being the merging entity, certain financial information related to the results has been obtained based on the March 2021 Quarterly Report and the Nematik 2020 Financial Statements, both available on the Company's website at <https://www.nematik.com>, on the Mexican Stock Exchange website [www.bmv.com.mx](http://www.bmv.com.mx), and on the CNBV website at [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

The Corporate Restructuring will result in the consolidated financial information of Nematik as the merging entity prevailing, so that the non-controlling interest currently presented in the consolidated financial statements of Controladora Nematik would no longer be submitted, since Nematik controls and wholly owns all its subsidiaries. The pro forma adjustments therefore only eliminate the non-controlling stake from the financial position and operating results for the period.

For the convenience of the reader of this Information Memorandum, the following is an analysis of Nematik's operating results for the period ended March 31, 2021, compared to the same period ended March 31, 2020, and for the year ended December 31, 2020, compared to the year ended December 31, 2019.

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**i. Results of operations for the three-month period ended March 31, 2021, compared to the same three-month period ended March 31, 2020**

	Three months ended March 31				Percentage change from 2020 to 2021
	2021	Percentage of revenues	2020	Percentage of revenues	
(in millions of Pesos, except percentages)					
Income .....	21,125	100.0	17,841	100.0	18.4
Cost of sales .....	(17,866)	(84.6)	(15,109)	(84.7)	18.2
Gross income.....	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
Foreign exchange loss, net .....	(276)	(1.3)	(1,068)	(6.0)	(74.2)
Financial result, net.....	(681)	(3.2)	(1,462)	(8.2)	(53.4)
Stake in the results of associated companies	57	0.3	10	0.1	NA*
Profit (loss) before income taxes .....	1,194	5.7	(173)	(1.0)	NA*
Income taxes .....	(367)	(1.7)	(130)	(0.7)	NA*
Consolidated net profit (loss).....	827	3.9	(303)	(1.7)	NA*

“Not applicable”: For percentages that vary by more than 100%.

**Revenues**

Revenues for the three-month period ended March 31, 2021, were Ps. \$21,125 million, an increase of 18.4% compared to Ps. \$17,841 million during the same period of 2020. The main causes behind this increase were volume growth, a better product mix, appreciation of the euro against the Mexican peso, and higher aluminum prices.

**Cost of Sales**

Cost of sales, which includes depreciation, was Ps. \$17,866 million in 2021, an 18.2% increase over the Ps. \$15,109 million in 2020. This increase was mainly due to higher aluminum prices, as well as greater volume and depreciation of the Mexican peso against the US dollar from an average exchange rate of Ps. \$19.88 per US dollar for the three months ended March 31, 2020, to an average exchange rate of Ps. \$20.32 per US dollar for the same period in 2021. However, we were able to match the increase in variable cost to sales growth as our efforts to make our cost structure as flexible as possible continued.

**Gross Income**

Gross income for the three-month period ended March 31, 2021, was Ps. \$3,259 million in 2021, increasing 19.3% compared to Ps. \$2,732 million in the same period of 2020. This was mainly due to the increase in revenues explained above.

**Administrative and Sales Expenses**

Operating expenses totaled Ps. \$1,369 million for the three months ended March 31, 2021, a decrease of 8.2% versus Ps. \$1,492 million in the same period of 2020, mainly due to operating efficiencies achieved in labor and hired services among other measures.

#### Operating Income (Loss)

Operating income was Ps. \$1,818 million in the three-month period ended March 31, 2021, an increase of 42.1% over the Ps. \$1,279 million reported during the same period in 2020. The change was essentially due to a better product mix, including the e-mobility and structural applications segment. There were also reductions in costs and expenses due to the restructuring initiatives implemented since the beginning of the pandemic.

#### Financial Result, Net

The net financial result decreased to a negative Ps. \$681 million for the three-month period ended March 31, 2021, compared to a negative result of Ps. \$1,462 million in the same period of 2020. The decrease in cost was mainly due to a lower unrealized foreign exchange loss.

#### Income Taxes

Income taxes were Ps. \$367 million during the three months ended March 31, 2021, compared to Ps. \$130 million in the same period of 2020. The variation is mainly explained by a higher tax basis resulting from the Company's improved performance.

#### Consolidated Net Income (Loss)

Net income was Ps. \$827 million in 2021, compared to a net loss of Ps. \$303 million in 2020. This variation was mainly due to the abovementioned events, which impacted operating income and lowered the financial result.

### **ii. Operating results for the year ended December 31, 2020, compared to the year ended December 31, 2019**

	Years ended December 31				
	2020	Percentage of revenues	2019	Percentage of revenues	Percentage change from 2019 to 2020
	(in millions of Pesos, except percentages)				
Income .....	66,325	100.0	77,363	100.0	(14.3)
Cost of sales .....	(58,343)	(88.0)	(66,276)	(85.7)	(12.0)
Gross income.....	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
Foreign exchange loss, net.....	(1,020)	(1.5)	(34)	0.0	NA*
Financial result, net.....	(2,690)	(4.1)	(1,368)	(1.8)	96.6
Stake in the results of associated companies	(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)
Consolidated net (loss) profit.....	(933)	(1.4)	2,493	3.2	NA*

“Not applicable”: For percentages that vary by more than 100%.



### Revenues

Revenues were Ps. \$66,325 million in 2020, decreasing 14.3% compared to Ps. \$77,363 million during 2019. The main cause of this decrease was lower sales volume due to temporary customer plant closures in April and May due to the COVID-19 pandemic, which translated into a decrease in volume from 44.3 million equivalent units in 2019 to 35.1 million equivalent units in 2020.

### Cost of Sales

Cost of sales, which includes depreciation, was Ps. \$58,343 million in 2020, a reduction of 12.0% compared to Ps. \$66,276 million in 2019. This contraction largely reflects a combination of lower volume and cost and expense reductions resulting from operating initiatives in manufacturing costs, labor and contracted services, among other measures, to contain the effects of customer production stoppages in the first half of the year.

### Gross Income

Gross income was Ps. \$7,982 million in 2020, decreasing 28.0% compared to Ps. \$11,087 million in 2019. This was due to a decrease in revenues, which was partially offset by operating efficiencies, as stated previously.

### Administrative and Sales Expenses

Operating expenses totaled Ps. \$4,980 million in 2020, a decrease of 6.5% versus Ps. \$5,328 million in 2019, mainly due to operating efficiencies achieved, together with lower volume.

### Operating Income (Loss)

Operating income was Ps. \$1,967 million in 2020, a contraction of 60.4% from Ps. \$4,964 million in 2019. This change was essentially due to lower revenues, as well as non-recurring expenses related to the COVID-19 pandemic, which were partially offset by operating efficiencies in cost of sales and operating expenses.

### Financial Result, Net

Net financial result increased to a negative Ps. \$2,690 million for fiscal year 2020, compared to a negative Ps. \$1,368 million in 2019. This increase was mainly due to unrealized fluctuations in the exchange rate of the US dollar against the Mexican peso and the euro throughout the year.

### Income Taxes

Income taxes were Ps. \$181 million in 2020, compared to Ps. \$1,144 million in 2019. The variation is mainly explained by the application of tax loss carryforwards and the lower net taxable result for the period, from a taxable income of Ps. \$3,637 million in 2019 to a loss of Ps. \$752 million in 2020.

### Consolidated Net Income (Loss)

There was a net loss of Ps. \$933 million in 2020, compared to net income of Ps. \$2,493 million in 2019. This variation was mainly due to the aforementioned events, which impacted operating income and resulted in a lower financial result.

## **iii. Financial position, liquidity, and capital resources**

The consolidated financial statements of Controladora Nemark, which are the basis for preparing the pro forma condensed consolidated financial statements, include the operations of Nemark. Since the Corporate Restructuring will result in Nemark being the surviving merging entity, certain financial information related to the financial position and liquidity has been obtained based on Nemark's 2020 Financial Statements.

### Liquidity and Financial Resources

The Company's ability to service debt and other obligations depends primarily on the earnings and cash flows of subsidiaries and the ability of such subsidiaries to pay interest or principal on intercompany loans, dividends, or other amounts.

As a holding company, its subsidiaries' transactions are financed through normal internal cash management and treasury functions. To the extent that Nematik's subsidiaries are unable to meet their financing needs through internal cash generation (e.g., for acquisitions, other investments or working capital), Nematik provides centralized financing through inter-company loans or by purchasing debt instruments.

The Company's financing activities are primarily directed to supporting its operations and its growth. The Company aims to achieve its strategic objectives through a healthy combination of financial leverage and reinvestment of earnings.

The following table contains a summary of operating, investment and financing activities for the years ended December 31, 2020, and 2019:

	Years ended December 31	
	2020	2019
	(in millions of Pesos)	
Operating activities.....	8,603	11,833
Investment activities.....	(5,652)	(4,674)
Financing activities.....	344	(4,629)
Cash and cash equivalents at the end of the year .....	8,720	5,883

### Operating Activities

During 2020, net cash from operating activities was Ps. \$8,603 million compared to Ps. \$11,833 million in 2019. The variation is mainly attributable to the effects fewer volumes sold due to temporary plant closures globally as a result of the COVID-19 pandemic, which led to a higher investment in working capital.

### Investment Activities

For the year ended December 31, 2020, net cash earmarked for investing activities was Ps. \$5,652 million, compared to Ps. \$4,674 million for the year ended December 31, 2019. Although investment in plant and equipment was lower in 2020, the variation was mainly due to the recovery of (i) restricted cash related to taxes and (ii) collection of an account payable from an affiliated company. However, Nematik's investments remained focused on new lines for launching new products, mainly in the e-mobility and structural components segment.

### Financing Activities

In 2020, net resources obtained from financing activities resulted in a positive cash flow of Ps. \$344 million, which was the result of lower dividend payments during 2020 and paying down debt as a precautionary measure in light of the crisis caused by the COVID-19 pandemic. These resources remained almost entirely in cash.

In 2019, net resources used in financing activities were Ps. \$4,629 million, mainly to make long-term debt payments.

The Company's treasury policy seeks to plan and manage cash flows and available cash productively, in compliance with strict controls and security, and always seeking to guarantee cash availability in order to support operations and to make the necessary capital investments. Regarding compliance, the treasury policy establishes guidelines regarding the minimum balance that each subsidiary of the Company must maintain, the mix of currencies in which investments may be held, the profile and type of financial institutions in which investments must be made, as well as the types of instruments and terms.

The Company's treasury department invests funds in demand deposits and negotiable instruments with high credit quality, whose maturities or liquidity allow flexibility to cover the Company's cash needs.

As of December 31, 2020, the Company had no material off-balance sheet or income statement transactions. As of the date of this Information Memorandum, the Company is in compliance with the covenants contained in its loan agreements.

### Current Indebtedness

As of December 31, 2020, the Company had total debt of Ps. \$31,213 million (US\$1,565 million), of which Ps. \$15,766 million (US\$806 million) was denominated in Dollars, Ps. \$12,932 million (US\$648 million) in Euros and Ps. \$2,515 million (US\$111 million) in other currencies, such as the Brazilian real, the Chinese renminbi and the Indian rupee. Of the total debt, Ps. \$4,490 million (US\$225 million) was short-term debt. Approximately 18% of the total was subject to variable interest rates. The principal use of debt has been to finance acquisitions and capital expenditures and other general corporate goals.

As of December 31, 2020, the Company had unused committed medium-term lines of credit of approximately US\$412 million (Ps. \$8,215 million). In addition, as of the same date, it had available uncommitted short-term lines of credit of approximately US\$425 million (Ps. \$8,478 million).

The following table shows the Company's debt maturities as of December 31, 2020:

	2021	2022	2023	2024	2025	> 2026
	<i>(millions of Dollars)</i>					
Debt payments <sup>(1)</sup>	207	12	14	635	538	154

<sup>(1)</sup> Excludes interest payable of US\$17 million and debt issuance costs of US\$(13) million.

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## **VIII. Relevant Agreements**

After reviewing the terms of the main agreements that it has entered to date (services, supply, financing, leases, among others), the Company states that, except as disclosed in this Information Memorandum, the conclusion of the Corporate Restructuring does not cause a breach or result in a situation that would allow Nemak's counterparties to initiate actions for early termination of agreements entered into with those parties. This is due to the fact that on the date the Merger enters into force, the necessary consent and waivers will have been obtained in Nemak's relevant agreements.

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## **IX. Public Documents**

At the request of any investor that proves they are the owner of the securities issued by the Company, pursuant to applicable law, a copy of those documents will be provided in writing to the Investor Relations department, by e-mail to [investor@nemark.com](mailto:investor@nemark.com) or by telephone: +52 (81) 8748 5202, at the offices of the Company located at Libramiento Arco Vial Km. 3.8, García, Nuevo León. CP 66017, Mexico.

Investors may review the public documents that have been filed with the CNBV and the Mexican Stock Exchange, including periodic information about Nemark's financial condition and operating results, and certain relevant events that Nemark discloses through the Mexican Stock Exchange. This information is available to the public at the Information Center of the Mexican Stock Exchange (*Centro de Información de la Bolsa*) located in the Stock Exchange Building, Paseo de la Reforma No. 255, Colonia Cuauhtémoc, CP 06500, Mexico City.

The Company's website is <https://www.nemark.com>. Company information on this website is not part of, or the subject matter of, this Information Memorandum, or of any other document used by the Company regarding any public or private offering of securities.

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## **X. Responsible Management**

“We, the undersigned, state under oath that, within the scope of our respective functions, we have prepared the information regarding the Issuer included in this Information Memorandum, which, to the best of our knowledge and belief, reasonably represents its position. We further state that we are not aware of any material information that has been omitted from or misrepresented in this Information Memorandum, or that this Information Memorandum contains information that could mislead investors.”

**Nemak, S.A.B. de C.V.**

*[signature]*

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By: Armando Tamez Martínez  
Position: Chief Executive Officer

*[signature]*

---

By: Alberto Sada Medina  
Position: Chief Financial Officer

*[signature]*

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By: Carlos Jiménez Barrera  
Position: General Counsel

## **XI. Exhibits**

**Nemak's Pro Forma Financial Statements, and Nemak's Independent Public Accountant's Assessment Report**

**Controladora Nemark, S. A. B. de C. V  
(Merged Entity), Nemark, S. A. B. de  
C. V. (Merging Entity) and  
Subsidiaries**

Pro Forma Condensed Consolidated  
Statement of Financial Position as of  
December 31, 2020 and Pro Forma  
Condensed Consolidated Statements  
of Income for the Three Months  
Ended March 31, 2021 and for the  
Year Ended December 31, 2020,  
Notes to Such Pro Forma Condensed  
Consolidated Financial Statements  
and Independent Public Accountants'  
Assurance Report dated June 28, 2021





# **Controladora Nemark, S. A. B. de C. V. (Merged Entity), Nemark, S. A. B. de C. V. (Merging Entity) and Subsidiaries**

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## **Independent Public Accountants' Assurance Report on the Compilation of the Pro forma Condensed Consolidated Financial Statements of Controladora Nemark, S. A. B. de C. V. (Merged Entity), Nemark, S. A. B. de C. V. (Merging Entity) and Subsidiaries**

We have completed our assurance work to report on the compilation of the pro forma condensed consolidated financial statements of Controladora Nemark, S. A. B. de C. V. (Merged Entity), Nemark, S. A. B. de C. V. (Merging Entity) and Subsidiaries (the "Company"). The pro forma condensed consolidated financial statements comprise the pro forma condensed consolidated statement of financial position as of December 31, 2020 and the pro forma condensed consolidated statements of income for the three months ended March 31, 2021 and for the year ended December 31, 2020, as well as the notes to such financial statements, collectively, ("the pro forma condensed consolidated financial statements"). The applicable criteria on which the Company's management has compiled the pro forma condensed consolidated financial statements are described in Note 3 ("Basis of presentation of the pro forma condensed consolidated financial statements") thereto.

The pro forma financial information has been compiled by the Company's management to illustrate the impact of the transaction described in Note 2 on the condensed consolidated financial position and condensed consolidated financial performance of the Company, as if the transaction had occurred on December 31, 2020 with respect to the pro forma condensed consolidated statement of financial position as of that date, and on January 1, 2021 and 2020 with respect to the pro forma condensed consolidated statements of income for the three months ended March 31, 2021 and for the year ended December 31, 2020, respectively. As part of this process, the financial information of the condensed consolidated financial position as of December 31, 2020 and the condensed consolidated financial performance for the year ended December 31, 2020 were extracted by management from the audited consolidated financial statements of Nemark S.A.B. de C.V. and Subsidiaries as of and for the years ended December 31, 2020 and 2019, for which an unqualified audit report dated January 31, 2021 was issued.

### ***Responsibilities of the Company's Management for the Pro Forma Condensed Consolidated Financial Information***

Management is responsible for the compilation of the condensed consolidated financial information and for its condensed consolidated financial performance for the preparation of the pro forma condensed consolidated financial statements, applying the basis of presentation described in Note 3 to the accompanying pro forma condensed consolidated financial statements.

### ***Our Independence as Public Accountants and Quality Control Compliance***

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code of Ethics") and with the ethical requirements that are relevant to our assurance work on the compilation of the pro forma condensed consolidated financial statements in accordance with the Code of Ethics issued by the Mexican Institute of Public Accountants ("IMCP Code of Ethics"), which have been founded on the principles of integrity, objectivity, confidentiality, competence, care and professional diligence.



We have applied the requirements of International Standard on Quality Control ("ISQC") 1, establishing and maintaining a quality control system that provides reasonable assurance of compliance with professional standards and regulatory and legal requirements.

### ***Independent Public Accountants' Responsibilities***

Our responsibility is to express an opinion on whether the accompanying pro forma condensed consolidated financial statements have been compiled, in all material respects, by the Company's management based on the criteria described in Notes 3 and 4 to such pro forma condensed consolidated financial statements.

We conducted our work in accordance with International Standard on Assurance Engagement ("ISAE") 3420, *Assurance engagements on the compilation of pro forma financial information included in a prospectus*, issued by the International Auditing and Assurance Standards Board ("IAASB"). This standard requires the accountant to comply with ethical requirements and to plan and develop procedures to obtain reasonable assurance about whether the Company's management has compiled, in all material respects, the accompanying pro forma condensed consolidated financial statements based on the presentation described in Note 3.

For the purposes of this work, we are not responsible for updating or providing any report or opinion on the historical consolidated financial information used in the compilation of the accompanying pro forma condensed consolidated financial statements, nor have we, in the course of this work, performed an audit or review of the condensed consolidated financial information used in the compilation of such financial statements.

The purpose of the pro forma condensed consolidated financial statements is solely to illustrate the impact of a significant event or transaction on the Company's unadjusted condensed consolidated financial information as if the transaction had occurred at a prior date selected for illustrative purposes. Accordingly, we can give no assurance that the current outcome of the transaction as of the dates and for the periods shown would have been as presented in the pro forma condensed consolidated financial statements.

An assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Company's management in compiling the pro forma condensed consolidated financial information provide a reasonable basis for the presentation of the material effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence as to whether:

- The related pro forma adjustments provide an appropriate effect to those criteria; and
- The pro forma condensed consolidated financial information reflects the correct application of the adjustments to the unadjusted condensed consolidated financial information.

The procedures selected depend on the judgment of the independent public accountants, taking into account their understanding of the Company, the event or transaction with respect to the pro forma financial information that has been compiled, and other relevant circumstances of the engagement.

Our work also includes the evaluation of the overall presentation of the pro forma condensed consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Opinion**

In our opinion, the accompanying pro forma condensed consolidated financial statements have been compiled, in all material respects, in accordance with the basis of presentation described in Note 3 to such pro forma condensed consolidated financial statements.

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



C. P. C. Carlos A. López Vázquez  
Monterrey, Nuevo León, Mexico  
June 28, 2021



**Controladora Nemak, S. A. B. de C. V. (Merged Entity), Nemak, S. A. B. de C. V. (Merging Entity) and Subsidiaries**

# **Pro Forma Condensed Consolidated Statement of Financial Position**

**As of December 31, 2020**

**In millions of Mexican pesos**

	As of December 31, 2020		
	Controladora Nemak S.A.B. de C.V. and Subsidiaries	Pro forma adjustments for the merger	Pro Forma Nemak S.A.B. de C.V. and Subsidiaries
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 8,720	\$ -	\$ 8,720
Trade and other accounts receivable, net	9,229	-	9,229
Inventories	12,685	-	12,685
Other current assets	557	-	557
Total current assets	31,191	-	31,191
Non-current assets:			
Property, plant and equipment, net	51,491	-	51,491
Investments in associates and capital investments	636	-	636
Other non-current assets	15,414	-	15,414
Total non-current assets	67,541	-	67,541
<b>Total assets</b>	<b>\$98,732</b>	<b>\$ -</b>	<b>\$98,732</b>
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Debt	\$ 4,490	\$ -	\$ 4,490
Lease liabilities	422	-	422
Trade accounts payable and other current liabilities	26,083	-	26,083
Total current liabilities	30,995	-	30,995
Non-current liabilities:			
Debt	26,723	-	26,723
Lease liabilities	1,554	-	1,554
Employee benefits	1,568	-	1,568
Other non-current liabilities	2,224	-	2,224
Total non-current liabilities	32,069	-	32,069
Total liabilities	63,064	-	63,064
Stockholders' Equity:			
Controlling interest	26,837	8,831	35,668
Non-controlling interest	8,831	(8,831)	-
Total stockholders' equity	35,668	-	35,668
<b>Total liabilities and stockholders' equity</b>	<b>\$98,732</b>	<b>\$ -</b>	<b>\$98,732</b>

See accompanying notes to pro forma condensed consolidated financial statements.



**Controladora Nemak, S. A. B. de C. V. (Merged Entity), Nemak, S. A. B. de C. V. (Merging Entity) and Subsidiaries**

# Pro Forma Condensed Consolidated Statements of Income

For the three months ended March 31, 2021 and the year ended December 31, 2020

In millions of Mexican pesos

	For the three months ended March 31, 2021			For the year ended December 31, 2020		
	Controladora Nemak S.A.B. de C.V. and Subsidiaries	Pro forma adjustments for the merger	Pro forma Nemak S.A.B. de C.V. and Subsidiaries	Controladora Nemak S.A.B. de C.V. and Subsidiaries	Pro forma adjustments for the merger	Pro forma Nemak S.A.B. de C.V. and Subsidiaries
Revenues	\$ 21,125	\$ -	\$ 21,125	\$ 66,325	\$ -	\$ 66,325
Cost of sales	(17,866)	-	(17,866)	(58,343)	-	(58,343)
Gross profit	3,259	-	3,259	7,982	-	7,982
Administrative and selling expenses	(1,369)	-	(1,369)	(4,980)	-	(4,980)
Other expenses, net	(72)	-	(72)	(1,035)	-	(1,035)
Operating income	1,818	-	1,818	1,967	-	1,967
Interest income	15	-	15	76	-	76
Interest expenses	(420)	-	(420)	(1,746)	-	(1,746)
Foreign exchange loss, net	(276)	-	(276)	(1,020)	-	(1,020)
Financial result, net	(681)	-	(681)	(2,690)	-	(2,690)
Equity in income of associates recognized through the equity method	57	-	57	(29)	-	(29)
Income (loss) before income taxes	1,194	-	1,194	(752)	-	(752)
Income taxes	(367)	-	(367)	(181)	-	(181)
<b>Consolidated net income (loss) for the year</b>	<b>\$ 827</b>	<b>\$ -</b>	<b>\$ 827</b>	<b>\$ (933)</b>	<b>-</b>	<b>\$ (933)</b>
Income (loss) attributable to:						
Controlling interest	\$ 622	\$ 205	\$ 827	\$ (702)	\$ (231)	\$ (933)
Non-controlling interest	205	(205)	-	(231)	231	-
<b>Consolidated net income (loss) for the year</b>	<b>\$ 827</b>	<b>\$ -</b>	<b>\$ 827</b>	<b>\$ (933)</b>	<b>\$ -</b>	<b>\$ (933)</b>
Basic and diluted earnings (loss) per share, in pesos	\$ 0.13	\$ 0.14	\$ 0.27	\$ (0.14)	\$ (0.16)	\$ (0.30)
Weighted average outstanding shares (millions of shares)	4,909	(1,832)	3,077	4,909	(1,832)	3,077

See accompanying notes to pro forma condensed consolidated financial statements.



**Controladora Nemak, S. A. B. de C. V. (Merged Entity), Nemak, S. A. B. de C. V. (Merging Entity) and Subsidiaries**

# **Notes to Pro Forma Condensed Consolidated Financial Statements**

**For the three months ended March 31, 2021 and the year ended December 31, 2020**

**In millions of Mexican pesos, unless otherwise stated**

## **1. Activities**

Controladora Nemak, S. A. B. de C. V. ("Controladora Nemak SAB" and together with its subsidiary entities "Controladora Nemak" or the "Company") is an entity that arose from the partial spin-off of Alfa S. A. B. de C. V. ("Alfa SAB"), which, without being extinguished, contributed certain net assets en bloc, including the total shareholding (75.24%) held over the capital stock of Nemak S. A. B. de C. V.

Nemak, S. A. B. de C. V. and Subsidiaries ("Nemak") is a subsidiary of Controladora Nemak SAB beginning October 5, 2020 due to the fulfillment on such date of the conditions precedent defined in the Stockholders' Meeting of Alfa SAB on August 17, 2020, with retroactive effect to such date. Nemak is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacture of aluminum powertrain components, as well as structural and electric vehicle applications.

When reference is made to the entity Nemak, S. A. B. de 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 ("BMV" for its acronym in Spanish). Nemak SAB is 75.24% owned by Controladora Nemak and the remaining 24.76% is owned, through the BMV, by various Mexican and foreign investors (including Ford).

In the following notes to the pro forma condensed consolidated financial statements, when reference is made to pesos or "\$", it means millions of Mexican pesos.

## **2. Transaction description**

The transaction consists of the merger of Controladora Nemak SAB, as the absorbed and extinguished company, and Nemak SAB, as the absorbing and surviving company, whereby the stockholders of Controladora Nemak will receive 0.472157717310754 shares of Nemak SAB per each share of Controladora Nemak SAB held by them (the "Merger").

On April 14, 2021, Controladora Nemak and Nemak SAB requested the National Banking and Securities Commission ("CNBV" for its acronym in Spanish) to grant an exemption to make a takeover bid in connection with the Merger and consequent cancellation of the registration of the shares of Controladora Nemak in the National Securities Registry ("RNV" for its acronym in Spanish), which was authorized by the Board of Directors of the CNBV on June 14, 2021.

The Corporate Restructuring is subject to the authorization of the stockholders of Nemak and Controladora Nemak, through their respective Extraordinary General Stockholders' Meetings, which in order to be convened require the attendance of the stockholders representing at least 75% (seventy-five percent) of the capital stock, and in order to be approved require the favorable vote of stockholders representing at least 50% (fifty percent) of the capital stock, respectively. At such meetings, the stockholders of Controladora Nemak and Nemak will be presented with all available and necessary information regarding the Merger, in accordance with the applicable law, as well as the pro forma condensed consolidated financial statements regarding the Merger.

Once the Merger is completed, Nemak SAB, as the absorbing company, will continue as a publicly traded corporation and its shares will continue to be listed on the BMV, while Controladora Nemak SAB will be extinguished, as an absorbed company, and its registration in the RNV will be cancelled, as well as its listing on the BMV.



### **3. Basis of presentation of the pro forma condensed consolidated financial statements**

#### **3.1 Basis of presentation and accounting treatment for the transaction**

The accompanying pro forma condensed consolidated statement of financial position and the pro forma condensed consolidated statements of income have been prepared by management using the Company's accounting policies, which are in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The pro forma financial information has been compiled by the Company's management to illustrate the impact on the condensed consolidated financial position and condensed consolidated financial performance arising from the transaction as if such transaction had occurred on December 31, 2020, with respect to the pro forma condensed consolidated statement of financial position as of that date; and on January 1, 2021 and 2020, with respect to the pro forma condensed consolidated statements of income for the three months ended March 31, 2021 and for the year ended December 31, 2020, respectively.

The pro forma adjustments as of December 31, 2020, included in the pro forma condensed consolidated statement of financial position as of such date, and the pro forma adjustments included in the pro forma condensed consolidated statements of income for the three months ended March 31, 2021 and for the year ended December 31, 2020, and described below, represent adjustments to the Company's consolidated financial position and historical consolidated results.

In the acquisition of control over Nemark SAB and Subsidiaries, Controladora Nemark SAB applied the accounting for business combinations using the predecessor method in an entity acquired under common control. The predecessor method consists of incorporating the historical carrying amounts of assets and liabilities of Nemark as an acquired entity, including goodwill recorded in Nemark's consolidated financial statements. However, since the equity interest held in Nemark is 75.24%, the remaining stockholders' equity was recognized within non-controlling interest.

Subsequently, as described in Note 2, as an absorbing entity, the financial information of Nemark would prevail. Therefore, the pro forma adjustments correspond to the elimination of the non-controlling interest that is included in the consolidated financial statements of Controladora Nemark, both in the financial position and in the income of the period.

The pro forma financial information does not intend to represent the results of operations or financial condition of the Company as if the transaction had occurred on the specific dates, nor does the information intend to project the results of operations and financial position of the Company for future periods or any future dates. All pro forma adjustments are based on preliminary estimates and assumptions and are subject to review upon completion of the transaction.

#### **3.2 Tax treatment for the transaction**

Pursuant to Mexican law, a merger is considered as neutral for federal tax purposes provided that the absorbing company (i) files a notice with the Mexican tax authorities, (ii) files the annual tax return of the absorbed entity for the fiscal year in which the merger took place; and (iii) continues to carry out the activities that were carried out by the absorbed company and the absorbing company for a minimum period of one year following the merger. Based on the foregoing, and assuming that Nemark, being the absorbing company, complies with each of the aforementioned requirements, the merger will have no tax effects at the federal level and will have no relevant tax implications for the stockholders.

### **4. Pro forma adjustments**

In order to present the effects of the transaction described in Note 2, in the pro forma condensed consolidated financial statements, adjustments were applied to the consolidated amounts of Controladora Nemark to eliminate the non-controlling interest from the financial position and income for the period.

The Merger would result in the asset and liability balances of Nemark, as the merging entity, prevailing in the pro forma condensed consolidated statement of financial position as if the transaction had been completed on December 31, 2020.





The Company's pro forma condensed consolidated statements of income for the three months ended March 31, 2021 and for the year ended December 31, 2020 have been adjusted to reflect the revenues and expenses, as well as various performance measures that the Company would have presented, as if the transaction had taken effect on January 1, 2021 and 2020, respectively, fully allocated to the controlling interest.

**5. Authorization to issue the pro forma condensed consolidated financial statements**

On June 28, 2021, the issuance of the accompanying pro forma condensed consolidated financial statements was authorized by Armando Tamez Martínez, Chief Executive Officer, and Alberto Sada Medina, Chief Financial Officer.

\* \* \* \* \*



**Fairness opinion issued by HSBC Securities USA Inc.**

June 22, 2021

Board of Directors  
Audit and Corporate Practices Committee  
(*Comité de Auditoría y Prácticas  
Societarias*)  
Controladora Nemark, S.A.B. de C.V.  
Libramiento Arco Vial Km 3.8  
66000 García, Nuevo León  
México

Members of the Board and Audit and Corporate Practices Committee:

You have requested our opinion as to the fairness, from a financial point of view, to Controladora Nemark, S.A.B. de C.V. (“Controladora Nemark”) of the Consideration (as defined below) to be received by the shareholders of Controladora Nemark pursuant to a Merger Agreement (the “Merger Agreement”), to be entered by and among, Controladora Nemark and Nemark, S.A.B. de C.V. (“Nemark”) once a duly adopted resolution of Controladora Nemark’s shareholders is issued at a duly called and installed meeting (the “Shareholders Resolution”; the Shareholders Resolution, together with the Merger Agreement, the “Corporate Approvals”). As more fully described in the draft of the *Folleto Informativo sobre Reestructuración Societaria* dated June 16, 2021 (which is the last draft provided to us), to be delivered to Controladora Nemark’s shareholders (the “Folleto”), and the Corporate Approvals, Controladora Nemark will merge with and into Nemark, as a result of which the shares of Controladora Nemark will be deregistered from the National Securities Registry (*Registro Nacional de Valores*) and delisted from the Bolsa Mexicana de Valores, S.A.B. de C.V., Controladora Nemark will cease to exist and Nemark will survive the merger, as a public company (collectively, the “Transaction”). Pursuant to the Corporate Approvals, at the effective time of the merger (which is subject to several conditions, including obtaining an approval from the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) and the non-existence of formal creditor opposition), each share of the Series “A”, Class “I” common nominative shares, without par value, of Controladora Nemark will be exchanged for 0.472157717310754 shares of the Series “A”, Class “I” common nominative shares, without par value of Nemark (the “Consideration”). The terms and conditions of the Transaction are more fully set forth in the Folleto and the Merger Agreement.

In connection with this opinion, we have:

- (i) reviewed certain publicly available financial statements and other business and financial information of Controladora Nemark and Nemark, respectively;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning Nemark prepared by the management of Nemark;

- (iii) reviewed certain financial projections prepared by the management of Nemark (the “Projections”);
- (iv) discussed the past and current operations and financial condition and the prospects of Nemark with senior executives of Controladora Nemark and Nemark;
- (v) discussed certain limited financial projections for Nemark with the management of Controladora Nemark and Nemark;
- (vi) discussed limited pro forma financial projections, including information relating to strategic, financial and operational benefits and issues anticipated from the Transaction, with senior executives of Controladora Nemark and Nemark;
- (vii) discussed the strategic rationale of the transaction with the management of Controladora Nemark and Nemark;
- (viii) reviewed the pro forma impact of the Transaction on Nemark’s publicly available operating statistics, consolidated capitalization and financial ratios;
- (ix) reviewed the financial terms, to the extent publicly available, of certain transactions that we considered relevant;
- (x) reviewed certain financial, stock market and other publicly available information relating to companies with publicly traded equity securities we considered relevant;
- (xi) participated in discussions and negotiations among representatives of Controladora Nemark, Nemark and their financial and legal advisors; and
- (xii) reviewed drafts dated June 18, 2021 of the Merger Agreement and the Folleto (together, the “Transaction Documents”).

In addition to the foregoing, we conducted such other analyses and examinations and considered such other information and financial, economic and market criteria, as we deemed appropriate in arriving at our opinion.

In rendering our opinion, we have assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and upon the assurances of the management of Controladora Nemark that it was not aware of any relevant information that has been omitted or that remains undisclosed to us or that it was not aware of any facts or circumstances that would make information available or provided to or otherwise reviewed by or discussed with us inaccurate, incomplete or misleading. With respect to financial forecasts and other information and data relating to Controladora Nemark or Nemark provided to or otherwise reviewed by or discussed with us, including information relating to strategic, financial and operational benefits and issues anticipated from the Transaction, we have been advised by the management of Controladora Nemark that, as may be applicable, such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Controladora Nemark or Nemark as to the future financial performance of Controladora Nemark, Nemark and the other matters covered thereby, and

at your direction we have used and relied upon such forecasts and other information and data for purposes of our analyses and this opinion, and we expressly disclaim any and all liability that may be based on any information contained therein, errors therein or omissions therefrom. We have undertaken no independent investigation of, and express no view with respect to, the reasonableness of such financial forecasts and other information and data, including the Projections or other estimates and forecasts of future financial performance (including estimates of potential cost savings and synergies), or whether or when the financial results reflected therein will be achieved. For purposes of our analysis with respect to Nemak, and after discussions with the management of Nemak, we used and relied on the Projections and on publicly available projections of equity research analysts who report on Nemak. We have also relied without independent verification on the assessments of management of Controladora Nemak and Nemak of the strategic rationale of the Transaction. We also have assumed that there have been no material changes in the business, operations, financial condition and prospects of Controladora Nemak or Nemak since the respective dates of the most recent financial statements and other information provided to us.

In rendering our opinion, we have also assumed, with your consent, that the Transaction will be consummated in accordance with the terms of the Merger Agreement as described in the Folleto, without waiver, modification or amendment of any material term, condition or agreement, including, among other things, that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Transaction, no delay, limitation, opposition, restriction or condition will be imposed that would have an adverse effect on Controladora Nemak, Nemak or the contemplated benefits of the Transaction or the timing to complete the Transaction. For purposes of this opinion we have assumed that the Shareholders Resolution will be consistent with the terms of the Merger Agreement, and that the Folleto and the Merger Agreement will not vary, in any material respect, from the drafts we have reviewed. We have further assumed that the final terms of the Transaction Documents will not vary in any respect meaningful to our analysis from the terms set forth in the drafts of such documents reviewed by us.

We have not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Controladora Nemak nor have we made any physical inspection of the properties or assets of Controladora Nemak. We are not legal, regulatory, accounting, environmental, executive compensation or tax experts and we have assumed the accuracy and veracity of all assessments made by such advisors to Controladora Nemak and Nemak with respect to such issues. We have also relied upon, without independent verification, the assessment by the management of Nemak and Controladora Nemak of the timing and risks associated with the integration of Nemak and Controladora Nemak.

Our opinion, as set forth herein, is limited to the fairness, from a financial point of view, to Controladora Nemak of the Consideration to be received by Controladora Nemak shareholders in the Transaction pursuant to the Corporate Approvals and does not address any other aspect or implication of the Transaction. We express no opinion as to, and our opinion does not address, (i) the underlying decision by Controladora Nemak to engage in the Transaction, (ii) the relative merits of the Transaction as compared to any alternative business strategies that might exist for Controladora Nemak or the effect of any other transaction in which Controladora Nemak might engage, (iii) the solvency, creditworthiness or fair value of Controladora Nemak, Nemak or any other party, or any of their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (iv) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the Transaction relative to the Consideration or otherwise. Our opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing, as of the date hereof. In particular, we do not express any opinion as to the prices at which shares of Nemak Common Stock may trade, or otherwise be purchased or sold, at any time. Our opinion is effective as of the date

hereof, and we assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. Our opinion has been approved by the Fairness Opinion Committee of HSBC Securities (USA) Inc. ("HSBC") in accordance with the Committee's policies and procedures.

In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any third party with respect to the Transaction or any business combination or acquisition involving Controladora Nemark or any of its assets.

We have acted as financial advisor to the Board of Directors and the Audit and Corporate Practices Committee of Controladora Nemark in connection with the Transaction and will receive a fee in connection with the delivery of this opinion. Controladora Nemark has also agreed to reimburse our reasonable and documented expenses and to indemnify us against certain liabilities arising out of our engagement. HSBC is a part of the global HSBC Holdings plc group, a full-service banking and securities firm engaged in securities trading, investment management and brokerage activities, as well as providing investment banking, financing and financial advisory services. In the ordinary course of our business, we and our affiliates, as well as investment funds in which they may have financial interests, may acquire, hold or sell, long or short positions, or trade or otherwise effect transactions, in debt, equity and other financial instruments (including related derivative securities, as well as loans and other obligations) of, or investments in Controladora Nemark and Nemark or any other party that may be involved in the Transaction and their respective affiliates or any currency or commodity that may be involved in the Transaction. In addition, we and our affiliates in the past have provided, and currently provide, banking and securities products and services to Controladora Nemark, Nemark and any other party that may be involved in the Transaction and their respective affiliates unrelated to the proposed Transaction, for which products and services we and such affiliates have received and expect to receive compensation, and we may continue to have relationships with such parties going forward. Specifically, in the past two years, we have provided cash management, credit and lending, supply chain finance, receivables finance, foreign exchange and payroll services to Nemark, none of which services are related to the Transaction, for which we have received aggregate fees of US\$4.9 million for the rendering of these services. Additionally, in the last two years, we have provided cash management, credit and lending, supply chain finance, receivables finance, foreign exchange, derivatives and payroll services to Alfa, none of which services are related to the Transaction, for which we have received aggregate fees of US\$13.7 million for the rendering of these services.

The opinion expressed herein is provided solely for the information of the Board of Directors and the Audit and Corporate Practices Committee of Controladora Nemark (solely in their capacity as such) in its evaluation of the proposed Transaction, and our opinion is not intended to be and may not be used for any other purpose and may not be disclosed to any third party without the prior written consent of HSBC, except that, to the extent required under applicable law or at the request of the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), a copy of this opinion may be provided to the shareholders of Controladora Nemark, together with the Folleto, in the understanding that the disclosure of this opinion to the shareholders is for information purposes only and the shareholders of Controladora Nemark may not rely on this opinion.

This opinion is provided in the English language, which version should govern, and any translation (for which we assume no responsibility) of this opinion into Spanish is solely for informational purposes. If this opinion is required to be translated from English into another language (including Spanish) in connection with any required disclosure, and if there are any discrepancies between the English version and the translated version, the English version will prevail in any and all circumstances.

Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the Consideration to be received by Controladora Nemark shareholders in the Transaction pursuant to the Merger Agreement is fair, from a financial point of view, to Controladora Nemark shareholders.

Very truly yours,

HSBC Securities (USA) Inc.

By  \_\_\_\_\_

Name: John M. Hartke

Title: Managing Director

**Fairness opinion issued by BofA Securities, Inc.**



**BofA SECURITIES** 

**GLOBAL CORPORATE  
&  
INVESTMENT BANKING**

BofA Securities, Inc.

June 22, 2021

The Board of Directors  
Nemak, S.A.B. de C.V.  
Libramiento Arco Vial Km. 3.8, García.  
Nuevo León, C.P. 66017, México

Members of the Board of Directors:

We understand that Nemak, S.A.B. de C.V. ("Nemak") proposes to enter into a merger agreement (*convenio de fusión*, the "Agreement") between Nemak and Controladora Nemak, S.A.B. de C.V. ("Controladora Nemak"), pursuant to which Controladora Nemak, as the merging corporation, will merge with and into Nemak, as the surviving corporation, (the "Transaction") and each outstanding share of the Series "A", Class "I" common nominative shares, without par value, of Controladora Nemak ("Controladora Nemak Common Stock") will be converted into the right to receive 0.472157717310754 (the "Exchange Ratio") of a share of the Series "A", Class "I" common nominative shares, without par value, of Nemak's fixed capital stock ("Nemak Common Stock"). The terms and conditions of the Transaction are more fully set forth in the Agreement and the corporate restructuring prospectus (*folleto informativo sobre reestructuración societaria*, the "Prospectus").

You have requested our opinion as to the fairness, from a financial point of view, to Nemak of the Exchange Ratio provided for in the Transaction.

In connection with this opinion, we have, among other things:

- (1) reviewed certain publicly available business and financial information relating to Controladora Nemak and Nemak;
- (2) reviewed certain internal financial and operating information with respect to the business, operations and prospects of Nemak furnished to or discussed with us by the management of Nemak, including certain financial forecasts relating to Nemak prepared by the management of Nemak (such forecasts, the "Nemak Forecasts");
- (3) reviewed certain internal financial information with respect to Controladora Nemak furnished to or discussed with us by the management of Controladora Nemak;
- (4) reviewed information with respect to certain tax attributes of Nemak and Controladora Nemak furnished to or discussed with us by the managements of Nemak and Controladora Nemak;

- (5) discussed the past and current business, operations, financial condition and prospects of Nemak with members of senior management of Nemak;
- (6) reviewed the trading histories for Controladora Nemak Common Stock and Nemak Common Stock and a comparison of such trading histories with each other and with the trading histories of other companies we deemed relevant;
- (7) compared certain financial and stock market information of Controladora Nemak and Nemak with similar information of other companies we deemed relevant;
- (8) reviewed a draft, dated June 16, 2021, of the Prospectus (the "Draft Prospectus");
- (9) reviewed a draft, dated June 18, 2021, of the Agreement (the "Draft Agreement"); and
- (10) performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the managements of Nemak and Controladora Nemak that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Nemak Forecasts, we have assumed, at the direction of Nemak, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Nemak as to the future financial performance of Nemak. We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Controladora Nemak or Nemak, nor have we made any physical inspection of the properties or assets of Controladora Nemak or Nemak. We have not evaluated the solvency or fair value of Controladora Nemak or Nemak under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. We have assumed, at the direction of Nemak, that the Transaction will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on Controladora Nemak, Nemak or the contemplated benefits of the Transaction. We have further assumed, at the direction of Nemak, that the Transaction will be consummated such that Nemak will acquire all of the assets and liabilities of Controladora Nemak, which (i) includes only the shares of Nemak's capital stock that Controladora Nemak obtained in the spin-off from Alfa, S.A.B. de C.V. and (ii) does not include any material liabilities of Controladora Nemak, whether current or contingent upon the Transaction, as we understand that Controladora Nemak has no such liabilities. We also have assumed, at the direction of Nemak, that the final executed Agreement and final Prospectus will not differ in any material respect from the Draft Agreement and Draft Prospectus reviewed by us.

We express no view or opinion as to any terms or other aspects of the Transaction (other than the Exchange Ratio to the extent expressly specified herein), including, without limitation, the form or structure of the Transaction. Our opinion is limited to the fairness, from a financial point of view, to Nemak of the Exchange Ratio provided for in the Transaction and no opinion or view is expressed with respect to any consideration received in connection with the Transaction by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with

respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transaction, or class of such persons, relative to the Exchange Ratio. Furthermore, no opinion or view is expressed as to the relative merits of the Transaction in comparison to other strategies or transactions that might be available to Nemak or in which Nemak might engage or as to the underlying business decision of Nemak to proceed with or effect the Transaction. In addition, we express no opinion or recommendation as to how any stockholder should vote or act in connection with the Transaction or any related matter.

We have acted as financial advisor to the Board of Directors of Nemak in connection with the Transaction and will receive a fee for our services, in connection with the rendering of this opinion. In addition, Nemak has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Nemak, Controladora Nemak and certain of their respective affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Nemak and have received or in the future may receive compensation for the rendering of these services, including having acted or acting as lender under certain term loans, supply chain financings, working capital facilities, letters of credit, leaseings and other credit facilities for Nemak and certain of its affiliates.

It is understood that this letter is for the benefit and use of the Board of Directors of Nemak (in its capacity as such) in connection with and for purposes of its evaluation of the Transaction.

Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. As you are aware, the credit, financial and stock markets have been experiencing unusual volatility and we express no opinion or view as to any potential effects of such volatility on Nemak, Controladora Nemak or the Transaction. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion. The issuance of this opinion was approved by a fairness opinion review committee of BofA Securities, Inc.

The original version of this letter is in the English language. Any Spanish translation thereof is provided solely for convenience and, in the event of conflict between the English language version and the Spanish translation, the English version shall govern.

The Board of Directors  
Nemak, S.A.B. de C.V.  
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Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the Exchange Ratio provided for in the Transaction is fair, from a financial point of view, to Nemak.

Very truly yours,

*BofA Securities, Inc.*

BOFA SECURITIES, INC.