OFFERING MEMORANDUM

US$1,000,000,000

Alfa, S.A.B. de C.V.

(Incorporated under the laws of Mexico)

US$500,000,000 5.250% Senior Notes due 2024
US$500,000,000 6.875% Senior Notes due 2044

We are offering US$500,000,000 aggregate principal amount of our 5.250% Senior Notes due 2024 (the "2024 Notes") and US$500,000,000 aggregate principal amount of our 6.875% Senior Notes due 2044 (the "2044 Notes" and, together with the 2024 Notes, the "notes"). We will pay interest on the notes semi-annually on March 25 and September 25 of each year beginning on September 25, 2014. The 2024 Notes will mature on March 25, 2024 and the 2044 Notes will mature on March 25, 2044. We may redeem the notes, in whole or in part, at any time at a redemption price based on a "make-whole" premium plus accrued and unpaid interest, if any, to the date of redemption. If we redeem the 2024 Notes three months or fewer prior to the maturity date, the redemption price will equal 100% of the principal amount of the 2024 Notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date. If we redeem the 2044 Notes six months or fewer prior to the maturity date, the redemption price will equal 100% of the principal amount of the 2044 Notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date. In addition, in the event of certain changes in applicable tax laws relating to payments of interest, and amounts deemed interest, on the notes, we may redeem the notes in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption. There is no sinking fund for the notes.

The notes will be our senior unsecured general obligations (subject to certain statutory preferences under Mexican law, including preferences arising from tax and labor obligations) and will rank pari passu in right of payment with all of our existing and future senior unsecured indebtedness other than obligations preferred by statute or operation of law. The notes will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of our assets securing such indebtedness. The notes are not guaranteed by any person or entity. See "Description of the Notes."

No public market currently exists for the notes. Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 20 for certain information that you should consider before investing in the notes.

Offering Price: 99.777% plus accrued interest, if any, from March 25, 2014 for the 2024 Notes.
99.497% plus accrued interest, if any, from March 25, 2014 for the 2044 Notes.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*, *OR "RNV"*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (C*OMISION NACIONAL BANCARIA Y DE VALORES, OR "CNBV"*), AND, THEREFORE, MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO, EXCEPT THAT THE NOTES MAY BE SOLD TO MEXICAN INSTITUTIONAL AND ACCREDITED INVESTORS PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THIS OFFERING TO COMPLY WITH ARTICLE 7 OF THE MEXICAN SECURITIES MARKET LAW AND FOR INFORMATIONAL PURPOSES ONLY. THE DELIVERY TO, OR RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY, OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE ACQUISITION OF THE NOTES BY AN INVESTOR WHO IS A RESIDENT OF MEXICO WILL BE MADE UNDER ITS OWN RESPONSIBILITY.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any state securities laws, or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold in the United States only to qualified institutional buyers in compliance with Rule 144A under the Securities Act ("Rule 144A") and to persons other than U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of eligible offerees and certain restrictions on transfer of the notes, see "Transfer Restrictions."

The notes are being offered pursuant to an exemption from the requirement to publish a prospectus under Directive 2003/71/EC (as amended and supplemented from time to time, the "Prospectus Directive"), of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Directive.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme, Luxembourg ("Clearstream") on or about March 25, 2014.

Joint Book-Runners

Credit Suisse **Goldman, Sachs & Co.** **J.P. Morgan** **Morgan Stanley**

The date of this offering memorandum is May 9, 2014.

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

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to the "Company," "Alfa," "we," "ours," "us" and similar terms refer to Alfa, S.A.B. de C.V., together with its consolidated subsidiaries.

NOTICE TO INVESTORS

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. By purchasing the notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the CNBV nor the U.S. Securities and Exchange Commission (the "SEC"), nor any state securities commission has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States so they can consider a purchase of the notes. We have not authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See "Transfer Restrictions."

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that information we have obtained from other sources is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to such documents and other information for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of this offering and the notes, including the merits and risks involved.

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

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding any investment in the notes.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (and we have taken all reasonable care to ensure that), the information contained in this offering memorandum is in accordance with the facts and does not omit any material information. You should assume that the information contained in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum.

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

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

This Offering Memorandum constitutes a Prospectus for the purpose of Luxembourg law dated July 10th, 2005 on Prospectus for Securities, as amended.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under each indenture under which the notes are issued (each, an "Indenture" and, collectively, the "Indentures"), upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under "Transfer Restrictions"), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main office located at Ave. Gómez Morín 1111 Sur, Col. Carrizalejo, San Pedro Garza García, C.P. 66254, Nuevo León, México.

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

We will make available to the holders of the notes, at the corporate trust office of the trustee at our cost, copies of each Indenture as well as this offering memorandum, including a review of our operations, and copies in English of our annual audited consolidated financial statements and our interim unaudited consolidated financial statements. Information will also be available at the office of the paying agent in Luxembourg.

Application is expected to be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, in accordance with its rules. This offering memorandum forms, in all material respects, the listing memorandum for admission to the Luxembourg Stock Exchange. We will be required to comply with any undertakings given by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and to furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

FORWARD-LOOKING STATEMENTS

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

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

- availability and price volatility in the cost of raw materials and energy;
- our ability to maintain high capacity utilization rates;
- our ability to implement our strategies;
- general economic conditions in Mexico, the United States and the member states of the European Union and any significant economic, political or social developments in those countries;
- our ability to maintain margins for products sold under fixed price arrangements;
- cyclicality in the demand for our products;
- the loss of one or more significant customers;
- changing consumer preferences and perceptions regarding our products;
- the loss of our licensing and/or franchise agreements;
- trade barriers, including tariffs, and other risks inherent in international operations;
- the imposition of price controls over our products;
- competition and/or loss of market share in our industries;
- our ability to pass through price increases;
- the impact of any natural disasters on our ability to operate or to deliver products to our customers;
- unanticipated downtime of our plants;
- our inability to supply to our main customers the amounts established in our commercial agreements;
- claims arising from defective products;
- losses from derivative transactions, particularly with respect to our energy and raw material requirements;
- changes to environmental and/or other laws and regulations or their interpretation;

- performance of financial markets and our ability to refinance our financial obligations when they come on favorable terms, including our short-term debt;
- our ability to service our debt;
- loss of key personnel;
- costs, difficulties, uncertainties and regulations and governmental interpretations related to mergers, acquisitions or joint ventures;
- currency exchange rates, including the Mexican Peso/U.S. Dollar and U.S. Dollar/ Euro exchange rates;
- the implementation of exchange controls in any of the jurisdictions where we operate;
- changes in the policies of central banks and/or foreign governments;
- terrorist and organized criminal activities as well as geopolitical events;
- the ability of our subsidiaries to make transfers to us; and
- other factors described under "Risk Factors" and elsewhere in this offering memorandum.

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

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

CERTAIN DEFINITIONS

In this offering memorandum, except where otherwise indicated or where the context otherwise requires, references to:

- accounting terms have the definitions set forth under IFRS;
- revenue figures are net of intercompany sales;
- "AGNS México" means AT&T Global Network Services Mexico S. de R.L. de C.V.;
- "Alestra" means Alestra S. de R.L. de C.V., a *sociedad de responsabilidad limitada de capital variable* duly formed and existing under the laws of Mexico, and its consolidated subsidiaries, as a whole;
- "Alfa," "our company," "we," "us" or "our" means Alfa, S.A.B. de C.V., a *sociedad anónima bursátil de capital variable* duly formed and existing under the laws of Mexico, and its consolidated subsidiaries, as a whole;
- "Alfasid" means Alfasid del Norte, S.A. de C.V., a *sociedad anónima de capital variable* duly formed and existing under the laws of Mexico and a wholly-owned subsidiary of Alfa, and its consolidated subsidiaries, as a whole;
- "Alpek" means Alpek, S.A.B. de C.V., a *sociedad anónima bursátil de capital variable* duly formed and existing under the laws of Mexico, and its consolidated subsidiaries, as a whole;
- "API" means API gravity, the American Petroleum Institute gravity which measures how heavy or light petroleum is;
- "AT&T" means AT&T Corp Inc.;
- "AT&T Telecom Mexico" means AT&T Telecom Mexico Inc.;
- "AT&T Transactions" means the acquisition by Alfa of AT&T Telecom Mexico's 49% equity interest in Alestra on July 12, 2011;
- "Axtel" means Axtel, S.A.B. de C.V.;
- "Bafar" means Grupo Bafar Alimentos, S.A. de C.V.;
- "*Banco de México*" means the Central Bank of Mexico;
- "Bar-S" means Bar-S Foods Co., a Delaware corporation based in Phoenix, Arizona acquired by Sigma on September 2, 2010, and its consolidated subsidiaries, as a whole;
- "BASF" means BASF SE, a German chemical company;
- "Bestel" means Operbes, S.A. de C.V.;
- "BLM" means the Bureau of Land Management, an agency within the United States Department of the Interior that administers the United States' public lands;
- "blocks," "engine blocks" or "monoblocks" mean aluminum engine blocks for automobiles and light trucks; the engine block is a main element of an engine that transforms the energy generated in the combustion chamber into mechanical energy, which in turn allows for the movement of the vehicle. Unless otherwise expressly referred to herein, any reference to blocks shall be understood as aluminum engine blocks;

- “BMV” means Bolsa Mexicana de Valores, S.A.B. de C.V. or the Mexican Stock Exchange;
- “BMW” means Bayerische Motoren Werke AG and certain of its subsidiaries in different countries;
- “BP” means BP Amoco Chemical Company;
- “CAA” means the Clean Air Act of 1963, as amended;
- “CAGR” means compound annual growth rate;
- “Campofrío” means Campofrío Food Group, S.A., Europe’s leading processed meats company;
- “capacity utilization rate” means the percentage utilization of production capacity (as defined below);
- “casting” means a cylinder head, engine block or transmission case;
- “CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended;
- “*Certificados Bursátiles*” means Peso-denominated bonds registered with the RNV;
- “CFE” means the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad*);
- “Chrysler” means Chrysler Group L.L.C. and certain of its subsidiaries in different countries;
- “CIEPs” means Contratos de Servicios para la Exploración, Desarrollo y Producción de Hidrocarburos granted by Pemex;
- “Cofetel” means the Mexican Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*), which was replaced by Ifetel in September 2013;
- “Columbia Assets” means the three integrated petrochemicals plants located in Columbia, South Carolina, U.S.A. acquired in 2011 from Eastman, one producing PTA and the other two producing PET;
- “ComNor” means Comercial Norteamericana, S. de R.L. de C.V.;
- “complex automatic transmission” means those transmissions that have more than six forward shifts;
- “core” means sand core, a semi-permanent mold in the production of heads and blocks that is made of sand, resins and other chemical components;
- “CPI” means the Consumer Price Index of the indicated country;
- “CPL” means caprolactam, the main raw material used in the production of nylon 6 (used in textile and industrial yarns, carpets and engineering resins);
- “CWA” means the Clean Water Act of 1972, as amended;
- “Daimler” means Daimler A.G. (formerly “DaimlerChrysler”) a German multinational automotive corporation, and certain subsidiaries of the automaker in different countries;
- “DAK Americas” means DAK Americas LLC;
- “DAK Pearl River” means DAK Americas Pearl River Inc. (formerly known as Wellman Holdings, Inc.);
- “Danone” means Groupe Danone, S.A.;

- "DuPont" means E. I. du Pont de Nemours and Company;
- "E&P" means exploration and production;
- "Eagle Ford Shale" means the Eagle Ford oil and gas reserves located in Southern Texas;
- "Eastman" means Eastman Chemical Company;
- "Eckrich" means Armour-Eckrich Meats LLC;
- "equivalent volume" means the total amount of heads, blocks, and other aluminum component tons divided by the equivalence factor of 30 pounds;
- "ESA" means the Endangered Species Act of 1973, as amended;
- "EPA" means the United States Environmental Protection Agency;
- "EPS" means expandable polystyrene;
- "Esmeralda" means Distribuidora de Lácteos Algil S.A. de C.V., producer of Esmeralda branded dairy products;
- "Euro" or "€" means the lawful currency of the European Union;
- "European Union" refers to the group of countries comprised of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom;
- "FERC" means the United States Federal Energy Regulatory Commission;
- "Fiat" means Fiat Spa and certain of its subsidiaries in different countries;
- "Ford" means Ford Motor Company and certain of its subsidiaries in different countries;
- "Foster Farms" means Foster Poultry Farms, Inc;
- "Gbps" means gigabits per second;
- "GDP" means gross domestic product;
- "GM" means General Motors Company and certain of its subsidiaries in different countries;
- "GTel" means G TEL Comunicación S.A.P.I. de C.V.;
- "Gwaltney" means Gwaltney Inc;
- "heads" means cylinder heads for automobiles and light trucks. The cylinder head is an important component of the engine that sits above the engine block forming the combustion chamber. The head provides the passages that feed air and fuel into the combustion chamber and allows the exhaust gases to escape. Unless otherwise expressly referred to herein, any reference to the heads shall be understood as aluminum cylinder heads;
- "Hyundai" means Hyundai Motors Company and certain subsidiaries of the automaker in different countries;

- “IEA” means the International Energy Agency (*Agence international de l’énergie*), an autonomous intergovernmental organization;
- “Ifetel” means the Mexican Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*), formerly Cofetel;
- “IFRS” means International Financial Reporting Standards as adopted by the International Accounting Standards Board, and any financial reporting standards authorized by the CNBV and applied by us;
- “Inbursa” means Banco Inbursa, S.A., Institución de Banca Multiple, Grupo Financiero Inbursa;
- “INEGI” means the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía)*;
- “Indelpro” means Indelpro S.A. de C.V., a *sociedad anónima de capital variable* and a strategic alliance between Alpek and LyondellBasell, in which Alpek owns 51% of the shares and LyondellBasell owns the remaining 49%;
- “IT” means information technology;
- “Jaguar” is a subsidiary of Tata Motors Group;
- “J.L. French” means J.L. French Automotive Castings Inc.;
- “Kraft Foods” means Kraft Foods, Inc.;
- “Kraft Foods de Mexico” means Kraft Foods de Mexico, S. de R.L. de C.V.;
- “kgs” means kilograms;
- “KIA” means KIA Group and certain of its subsidiaries in different countries;
- “Lala” means Grupo Industrial Lala, S.A. de C.V.;
- “Land O’Frost” means Land O’Frost, Inc.;
- “LIBOR” means the London Interbank Offered Rate;
- “LyondellBasell” means LyondellBasell Industries Holdings B.V.;
- “Mbps” means megabits per second;
- “MEG” means monoethylene glycol;
- “Mexico” means the United Mexican States;
- “MFRS” means Mexican Financial Reporting Standards, as issued from time to time by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera*);
- “MMBOE” means millions of barrels of oil equivalent;
- “MMBOED” means millions of barrels of oil equivalent per day;
- “MMMBOE” means billions of barrels of oil equivalent;
- “MPG” means Monclova Pirineos Gas, S.A. de C.V.;

- “Monteverde” means Corporación de Empresas Monteverde, Sociedad Anónima;
- “M&G” means Gruppo Mossi & Ghisolfi;
- “M&G Facility” means M&G’s integrated PTA-PET plant to be constructed in Corpus Christi, Texas;
- “NAFTA” means the North American Free Trade Agreement effective as of January 1, 1994;
- “NCPI” means the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), determined by INEGI and published periodically by *Banco de México* in the Official Gazette of Mexico (*Diario Oficial de la Federación*) or any index that replaces it from time to time;
- “Nemak” means Tenedora Nemak, S.A. de C.V. a *sociedad anónima de capital variable* duly formed and existing under the laws of Mexico, and its consolidated subsidiaries, as a whole;
- “Newpek” means Newpek, S.A. de C.V. a *sociedad anónima de capital variable* duly formed and existing under the laws of Mexico, and its consolidated subsidiaries, as a whole;
- “NGL” means Natural Gas Liquids;
- “Nielsen” means Nielsen Scantrack;
- “Nissan” means Nissan North America Inc. and certain of its subsidiaries in different countries;
- “NORM” means naturally occurring radioactive materials;
- “OEM” means original equipment manufacturer, which consists of automotive manufacturers of new vehicles which represent our main customers;
- “OPEP” means the Organization for the Petroleum Exporting Countries, an intergovernmental organization dedicated to the stabilization of oil markets;
- “other aluminum components” means bedplates, oil pans, front covers, structural and various components;
- “PCI” means PCI Consulting Group;
- “Pemex” means Petróleos Mexicanos;
- “PEP” means Pemex Exploración y Producción, the E&P subsidiary of Pemex;
- “Peso” or “Ps.” means the lawful currency of Mexico;
- “PET” means polyethylene terephthalate, in the form of resin;
- “Petroalfa” means Petroalfa Servicios Integrados de Energía, S.A.P.I. de C.V., a *sociedad anónima promotora de inversion de capital variable* and a joint venture of Alfa and Petrofac;
- “Petrofac” means Petrofac Limited, a leading provider of oilfield services to the international oil and gas industry;
- “Petrotemex” means Grupo Petrotemex, S.A. de C.V., *sociedad anónima de capital variable* and a wholly-owned subsidiary of Alpek;
- “Pioneer Natural Resources” means Pioneer Natural Resources USA, Inc., a subsdiary of Pioneer Natural Resources Company;

- "powertrain" means the group of components that generate power and deliver it to the road surface, water, or air. This includes the cylinder head, engine block, transmission and other components;
- "PP" means polypropylene, a thermoplastic polymer used in a wide variety of applications including packaging and labeling;
- "production capacity" means annual production capacity, which in our case is calculated based on the nominal capacity of equipment, overall equipment efficiency, the weekly operating pattern of our respective manufacturing facilities and the number of weeks per year required for maintenance purposes;
- "PSA" means Peugeot S.A. and certain of its subsidiaries in different countries;
- "PSD" means prevention of significant deterioration;
- "PUR" means polyurethane;
- "PTA" means purified terephthalic acid, a chemical precursor to polyester PET used to make, among other things, clothing and plastic bottles;
- "pX" means paraxylene, a hydrocarbon used on a large scale for the manufacture of PTA for polyester;
- "Qualtia" means Qualtia Alimentos, S.A. de C.V.;
- "Reliance" means Reliance Eagleford Upstream Holding LP, a subsidiary of Reliance Industries Limited, a private company in India;
- "Renault" means Renault S.A. and certain of its subsidiaries in different countries;
- "SCT" means the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*);
- "SDWA" means the Safe Drinking Water Act of 1974, as amended;
- "Shaw Industries" means Shaw Industries Group, Inc.;
- "Sigma" means Sigma Alimentos, S.A. de C.V. a *sociedad anónima de capital variable* duly formed and existing under the laws of Mexico, and its consolidated subsidiaries, as a whole;
- "Sodima" means Sodima, S.A.S., a French company, which has granted us franchise rights to manufacture, market and distribute Yoplait® brand products;
- "TCF" means trillion cubic feet;
- "Telmex" means Teléfonos de México S.A.B. de C.V.;
- "Telefónica" means Pegaso PCS, S.A. de C.V. and its subsidiaries;
- "Televisa" means Grupo Televisa S.A.B de C.V.;
- "tons" means metric tons (one metric ton is equal to 1,000 kilograms or 2,204.6 pounds);
- "Toyota" means Toyota Jidosha KK and certain of its subsidiaries in different countries;
- "transmission components" means aluminum transmission cases that are the primary housing for various parts of the automotive transmission system;
- "U.S. Dollar," "Dollars," "US$" or "$" means the lawful currency of the United States;

- "U.S. GAAP" means generally accepted accounting principles in the United States;
- "VoIP" means voice over internet protocol;
- "VPN" means virtual private network;
- "Volkswagen Group" means Volkswagen AG and all of its subsidiaries in different countries;
- "Wal-Mart de México" means Wal-Mart de México S.A.B. de C.V. and its affiliated stores;
- "Wellman" means Wellman Holdings, Inc. (currently known as DAK Pearl River Inc.), the PET resin producer with assets in Bay St. Louis, Mississippi, U.S.A. that was acquired by DAK Americas LLC on August 31, 2011;
- "WH Group" means WH Group Holdings, Ltd.; and
- "WTI" means West Texas Intermediate, a grade of crude oil used as a benchmark in oil pricing.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

Our annual audited consolidated financial statements as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013, together with the notes thereto (the "Annual Audited Financial Statements"), included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued from time to time by the International Accounting Standards Board ("IASB").

Prior to 2011, we issued our consolidated financial statements in conformity with Mexican Financial Reporting Standards (*Normas de Información Financiera*, or "MFRS"), as issued from time to time by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*). In accordance with IFRS 1 "First-time adoption of IFRS" we considered January 1, 2011 as our IFRS transition date and January 1, 2012 as our IFRS adoption date. The amounts included in the Annual Audited Financial Statements for 2011 have been reconciled in order to be presented under the same standard and criteria applied in 2012 and 2013.

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

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

Exchange Rate Information

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

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

i) with respect to balance sheet data included in this offering memorandum, the exchange rate of foreign currency denominated obligations payable in Mexico, as published by the *Banco de México* in the Official Gazette of Mexico (*Diario Oficial de la Federación*) (the "Official Exchange Rate"), at the end of the period presented; and

ii) with respect to financial information other than balance sheet data included in this offering memorandum, the average exchange rate for the period presented, which consists of the daily average of the exchange rates on each day during the period presented. See "Exchange Rate Information" for further information regarding the rates of exchange between the Mexican Peso and the U.S. Dollar.

Rounding Adjustments

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

Non-GAAP Financial Measures

A body of generally accepted accounting principles is commonly referred to as "GAAP." A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure.

Adjusted EBITDA

We calculate Adjusted EBITDA as operating profit plus depreciation and amortization and asset impairment, less non-recurring items and income from dividends. We present Adjusted EBITDA because we believe that Adjusted EBITDA is a useful measure for evaluating our ability to generate cash and evaluating our operating performance. Adjusted EBITDA is not a measure of financial performance under IFRS, MFRS or U.S. GAAP. We also believe Adjusted EBITDA is a useful basis of comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure and taxes. However, investors should not consider Adjusted EBITDA in isolation, as an alternative to operating profit, as an indicator of operating performance, as an alternative to profit before income taxes or cash flows from operating activities or as a measure of our profitability or liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial costs, net, income taxes, depreciation and amortization and asset impairment. Adjusted EBITDA, as presented in this offering memorandum, may not be comparable to other similarly titled measures of performance of other companies. For a reconciliation of Adjusted EBITDA to gross profit for the years ended December 31, 2011, 2012 and 2013, see "Summary Financial Data and Other Information."

Industry and Market Data

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

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

Intellectual Property

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

SUMMARY

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

Overview

We are a holding company and one of Mexico's largest public companies based on revenues. We conduct our operations through five business units: (i) Alpek (the largest petrochemical company in Mexico and the second largest in Latin America); (ii) Sigma (a leading producer, marketer and distributor of highly recognized branded foods primarily in Mexico, the United States and, upon the completion of the acquisition of Campofrío, the European Union); (ii) Nemak (the world's largest independent manufacturer of high-tech aluminum components for the automotive industry in terms of revenue and production capacity); (iv) Alestra (a provider of telecommunication and information technology services in Mexico) and (v) Newpek (a natural gas and hydrocarbons business in Mexico and the United States). Currently, we have manufacturing facilities in 18 countries and employ more than 61,000 personnel.

For the year ended December 31, 2013, we had consolidated revenue and Adjusted EBITDA of Ps. 203.5 billion (US$15.9 billion) and Ps. 24.5 billion (US$1.9 billion), respectively, with approximately 62% of our total sales made outside of Mexico. As of December 31, 2013, our total assets were Ps. 165.4 billion (US$12.6 billion) and our market capitalization was Ps. 188.3 billion (US$14.4 billion). The following table shows the breakdown by segment of our consolidated total revenue and Adjusted EBITDA for the year ended on December 31, 2013.

	Year Ended December 31, 2013			
	Revenue[(2)]	**Percent of Revenue**	**Adjusted EBITDA**	**Percent of Adjusted EBITDA**
	(in millions of Pesos, except percentages)			
Alpek	89,818	44.1	7,344	29.9
Sigma	48,989	24.1	6,710	27.3
Nemak	56,299	27.7	7,823	31.9
Alestra	4,954	2.4	2,166	8.8
Newpek	1,706	0.8	1,166	4.8
Other segments and eliminations[(1)]	1,690	0.8	(674)	(2.7)
Total	**203,456**	**100.0**	**24,535**	**100.0**

(1) Includes other operating and services subsidiaries and eliminations of intercompany operations.
(2) Revenue only from external customers.

Our Business Units

Alpek

Alpek is involved in the production, marketing and sale of a diversified portfolio of petrochemical products. Alpek is the largest petrochemical company in Mexico and the second-largest in Latin America (based on 2013 net sales). Alpek has leadership positions across its product portfolio. For example, Alpek was the largest integrated producer of polyester and its precursor chemicals in the Americas based on installed capacity as of November 19, 2013, according to PCI. After the acquisition of Wellman in August 2011, Alpek became and continues to be the largest PET producer in the Americas and among the top five largest worldwide according to PCI, our internal estimates and market data. For the year ended December 31, 2013, Alpek derived approximately 76% of its net sales from its polyester group of products, including the production of PTA, PET resin and polyester fibers. Alpek also operates the only PP plant in Mexico which is one of the largest PP production facilities in North America as well as the largest expandable EPS plant in the Americas in terms of installed capacity, based on our internal estimates and our review of publicly available market data. Alpek is also the sole Mexican producer of CPL, which it mostly exports to China.

Alpek focuses on products and end markets that we believe offer the highest growth potential and ability to expand margins, and that are more likely to provide stable financial performance through economic cycles. For the year ended December 31, 2013, 90% of Alpek's products (on the basis of sales volume) were used in what we believe are recession-resistant end markets, such as the food and beverage packaging and consumer goods end markets.

Alpek operates through two major business segments: polyester chain products ("Polyester Chain Business") and plastics and chemicals products ("Plastics & Chemicals Business"). The Polyester Chain Business segment, comprising the production of PTA, PET and polyester fibers, serves the food and beverage packaging, textile and industrial filament end markets. The Plastics & Chemicals Business segment, comprising the production of PP, EPS, polyurethanes, CPL, fertilizers and other chemicals, serves a wide range of markets, including the food and beverage packaging, consumer goods, automotive, construction, agriculture, oil industry and pharmaceutical end markets. For the year ended December 31, 2013, Alpek generated approximately 50% of its total net sales in high-growth emerging markets including Mexico.

Alpek is a publicly traded company in Mexico and is 82.09% owned by Alfa. Alpek employs approximately 4,500 personnel and operates nine plants in Mexico, six plants in the United States and one plant in Argentina. Alpek generated consolidated revenue of Ps. 89.8 billion (US$ 7.0 billion) and Adjusted EBITDA of Ps. 7,344 million (US$ 575 million) for the year ended December 31, 2013. Alpek's total assets as of December 31, 2013 were Ps. 58.1 billion (US$ 4.4 billion).

Sigma

Sigma is a leading producer, marketer and distributor of refrigerated and frozen foods, including processed meats, cheese, yogurt and pre-cooked meals, throughout Mexico, its main market, as well as in the United States and throughout Central America, the Dominican Republic and Peru. Based on the most recent industry report published by Consejo Mexicano de la Carne and INEGI, we believe that Sigma is the leading producer in the processed meats market and the formal cheese market (which excludes homemade cheese commercialized by individuals) as well as one of the leading producers in the yogurt market.

Sigma has developed a broad portfolio of brands that are among the most recognized brands across a diverse Mexican consumer base and that have achieved leading market positions in the food segments in which Sigma operates. Some of its brands have been in the Mexican market for more than 50 years and many are considered "top-of-mind" household names. Sigma's broad portfolio of brands, from premium to value, covers the full range of socioeconomic market segments, which allows Sigma to diversify sales across a variety of markets. Some of the trademarks Sigma owns for its brands include San Rafael®, FUD®, Tangamanga®, Chimex®, Iberomex®, Viva®, San Antonio® and Bar-S®.

Sigma's customers include small family-owned stores, superstores, wholesalers and convenience stores. Sigma has had relationships of over 30 years with six of its top 10 customers, including its largest customer, Wal-Mart de México.

During the fourth quarter of 2013, Sigma acquired 45% of the shares of Campofrío and signed an agreement according to which WH Group (formerly Shuanghui International Holdings), which owns 37% of the shares of Campofrío, will join Sigma in the proposed cash tender offer for shares of Campofrío, allowing Sigma to increase its stake in Campofrío up to 63%. Campofrío is the leader in the European luncheon meats market, with well-recognized brands and plants in eight European countries and one in the United States. Sigma and WH Group are awaing the approval from Spanish authorities to launch the joint tender offer. Currently Sigma does not control Campofrío and Campofrío's results are not consolidated with the results of Alfa. The cash tender offer is expected to close during the first half of 2014.

The Campofrío acquisition gives Sigma an opportunity to capitalize on the strength of that company's brands and its modern operating assets, as well as its excellent management and renowned capacity for innovation. Sigma also expects to generate synergies through the exchange of best practices and products between geographic areas.

According to Campofrío's press release dated February 27, 2014, it had net sales of €1,907 million for the year ended December 31, 2013 and total assets of €2,253 million as of December 31, 2013.

Sigma is 100% owned by Alfa. Sigma employs over 29,500 personnel and operates 41 plants, 136 distribution centers and has over 3,800 active delivery routes reaching over 440,000 customer locations in the markets Sigma serves. Sigma generated consolidated net sales of Ps. 49.0 billion (US$3.8 billion) and Adjusted EBITDA of Ps. 6.7 billion (US$526 million) for the year ended December 31, 2013. Sigma's total assets as of December 31, 2013 were Ps. 38.4 billion (US$2.9 billion).

Nemak

Nemak is the world's largest independent manufacturer of high-tech aluminum components for the automotive industry in terms of revenue and production capacity. Its main products include cylinder heads, engine blocks, transmission and other components, which Nemak provides primarily as a direct, or "Tier One," supplier to OEMs.

Nemak's collaboration with customers in the early design and engineering phase of product development fosters strong customer loyalty and provides Nemak with a competitive advantage in securing new business. Nemak supplies more than 50 customers worldwide, including 10 major global manufacturing groups and their subsidiaries, such as BMW, Daimler, Fiat-Chrysler, Ford, GM, Hyundai-KIA, PSA, Renault-Nissan, Toyota and Volkswagen Group. We estimate that Nemak currently supplies over 130 engine and transmission components used in approximately 650 vehicle platforms that are currently in production or under development.

Nemak is 93.24% owned by Alfa and 6.76% owned by Ford, one of the largest automotive companies in the world. Nemak employs over 20,000 personnel and operates 35 manufacturing facilities in 15 different countries across the world. Nemak generated consolidated net revenues of Ps. 56.3 billion (US$4.4 billion) and Adjusted EBITDA of Ps. 7.8 billion (US$613 million) for the year ended December 31, 2013. Nemak's total assets as of December 31, 2013 were Ps. 52.9 billion (US$4.0 billion).

Alestra

Alestra is a leading provider of information and communication technology ("ICT") services in Mexico. Alestra focuses on multinational corporations, large and mid-sized businesses and institutional customers in Mexico. Throughout its extensive fiber optic and wireless network, Alestra offers IT, data, internet-related and local telephony services (the "Value Added Services"), as well as domestic and international long-distance telephony services. In recent years, Alestra has refocused its business strategy, giving more emphasis to the Value Added Services segment of its business, such as unified communications and collaboration, network security, managed networks, cloud services, data center and managed IT services.

Alestra has an extensive fiber optic network with approximately 18,000 kilometers that interconnects Mexico's largest cities, approximately 5,000 kilometers of which it owns directly and approximately 13,000 kilometers of which it utilizes through an irrevocable right of use agreement. In addition, Alestra directly owns over 3,200 kilometers of additional network in metropolitan areas, as well as wireless point-to-point and point-to-multipoint connections used mainly to service corporate customers.

Alestra is 100% owned by Alfa. Alestra generated consolidated net sales of Ps. 5.0 billion (US$388 million) and Adjusted EBITDA of Ps. 2.2 billion (US$170 million) for the year ended December 31, 2013. Alestra's total assets as of December 31, 2013 were Ps. 8.3 billion (US$638 million).

Newpek

Newpek is our energy company dedicated to generating value from energy initiatives, primarily in the oil and gas value chain. Newpek's operations in the upstream sector involve: (i) exploration and development of natural gas and hydrocarbons, primarily in the United States and, to a lesser extent, in Mexico and (ii) oil and gas services in Mexico.

Since 2006, through Newpek, we have developed E&P capabilities primarily in the United States. Alongside Pioneer Natural Resources and Reliance, Newpek has invested in developing the Eagle Ford Shale oil and gas reservoir in South Texas. As of December 31, 2013, Newpek held a working interest in 371 producing wells in the Eagle Ford Shale prospect, exploiting mainly wet gas (natural gas plus condensates) and shale oil, as well as in 40 wells that produce dry gas in the Edwards formation. Additionally, in 2013 Newpek further expanded its operating capabilities through two acquisitions. The first acquisition consists of approximately 90,000 acres in Kansas where Newpek plans to explore and exploit shallow conventional and non-conventional oil formations together with a highly recognized local drilling company. The second acquisition is a portfolio of approximately 150,000 acres where Newpek plans to explore and exploit conventional and non-conventional oil formations in Texas, Oklahoma and Colorado. As of January 1, 2014, Newpek's 1P (proved) reserves totaled over 21.5 MMBOE and its 2P (proved plus probable) reserves totaled over 61.3 MMBOE.

During 2013, Newpek increased its focus in the upstream sector by establishing key operations in Mexico through Alfasid. Furthermore, during the second quarter of 2013, Newpek formed the Petroalfa joint venture with Petrofac, a leading provider of oil field services to the international oil and gas industry, entering into the oil and gas field services market in Mexico.

Newpek is 100% owned by Alfa. As of December 31, 2013, Newpek had interests in over 400 wells in production, primarily in the Eagle Ford Shale reservoir. Newpek generated consolidated net sales of Ps. 1.7 billion (US$134 million) and Adjusted EBITDA of Ps. 1.2 billion (US$91 million) for the year ended December 31, 2013. Newpek's total assets as of December 31, 2013 were Ps. 4.0 billion (US$302 million).

Our Strengths

We believe that our key competitive strengths are:

Leading Mexican business group with a well-diversified portfolio

With revenues of US$15.9 billion in 2013 and a global presence in 18 countries, we are one of Mexico's leading business groups with a well-diversified portfolio both in terms of the industries in which we participate as well as the geographic areas where we are present, which we believe limits our vulnerability to market shocks in any particular sector or region.

Since 1998, we have expanded our geographic footprint in order to benefit from high-growth emerging markets and the European and U.S. economic recovery. In 2013, 62% of our total sales were made outside of Mexico, compared to 54% in 2008. In addition, none of our business units account for more than 50% of our revenues or Adjusted EBITDA. We believe that our portfolio brings together companies with distinct economic behaviors, such as Nemak's procyclical growth and Sigma's less variable results, further strengthening our resilience to macroeconomic downturns while still benefitting from cyclical upturns.

The diversity of our businesses has contributed to the consistent Adjusted EBITDA growth, in U.S. Dollar terms on a year-to-year basis, which we have experienced since 2006, including throughout the global economic recession that began in 2008.

Subsidiaries with superior market positions

Our subsidiaries participate in key areas of the economy where a number of them hold leading market positions. We believe that we are (i) the largest integrated producer of polyester and its precursor chemicals in the Americas based on installed capacity as of November 19, 2013, according to PCI, and the largest PET producer in the Americas and among the five largest worldwide, according to PCI, our internal estimates and market data, through Alpek, (ii) a leading producer, marketer and distributor of refrigerated and frozen foods, including processed meats, cheese, yogurt and pre-cooked meals in Mexico, the United States, Central America, the Dominican Republic and Peru, through Sigma, (iii) the world's largest independent manufacturer of high-tech aluminum components for the automotive industry, through Nemak, (iv) a leader in the value-added Mexican IT and telecommunications services for the enterprise segment, through Alestra, and (v) a relevant portion of Mexico's emerging private energy sector, through Newpek.

The table below sets forth the key products and services provided by each of our five business units and certain information about their market position within their respective industries.

Business Unit	Key products	Market position
Alpek	Polyester (PTA, PET and fibers), plastics and specialty chemical products (PP, EPS, polyurethanes and CPL)	• Mexico's largest public petrochemical company and the second-largest in Latin America • Leading producer of polyester in the Americas • Lowest cost producer in North America across its products portfolio • Sole producer of PP and CPL in Mexico and largest producer of EPS in the Americas
Sigma	Processed meats, cheese, yogurt and prepared meals	• Leading producer of processed meats in North America and of cheese in Mexico • Leading top-of-mind and share-of-mind brands in Mexico • One of the leading producers of yogurt in Mexico
Nemak	Aluminum heads and blocks for gasoline and diesel engines; transmission parts	• Largest independent producer of aluminum cylinder heads and engine blocks in the world; one out of every four new vehicles sold worldwide has a Nemak component • Uniquely positioned to benefit from the growing penetration of aluminum in autoparts
Alestra	Data centers, cloud applications, information security, managed networks, consultancy services and vertical applications for specific industries	• Leader in the value-added Mexican IT and telecommunications services for enterprises • Infrastructure access to 90% of the Mexican market with approximately 18,000 kilometers of long-haul fiber optic • Positioned to benefit from Mexico's telecommunications reform
Newpek	Natural gas and hydrocarbons	• Pioneer of shale gas exploration in the Eagle Ford Shale in the State of Texas • We believe Newpek is the only Mexican company with expertise in shale gas E&P • Uniquely positioned to participate and benefit from recently approved energy reforms in Mexico

Resilient financial history and strong financial position

We are focused on long-term value creation and strong sustainable growth. From 2004 to 2013, we have increased our revenue at a CAGR of 14.8%, from Ps. 58.8 billion (US$5.2 billion) to Ps. 203.5 billion (US$15.9 billion), and increased our Adjusted EBITDA at a CAGR of 14.2%, from Ps. 7.4 billion (US$659 million) to Ps. 24.5 billion (US$1.9 billion). Even under adverse economic circumstances, such as the global economic recession that began in 2008, we have been able to achieve positive financial growth and profitability. Despite the contraction of some of our principal markets in 2009, our diversified business portfolio with strong strategic positioning, market leadership, state-of-the-art technology, and excellent human capital, allowed us to increase our Adjusted EBITDA by 9% from 2008 to 2009.

We believe we have a solid capital structure, with a net leverage ratio of 1.8x as of December 31, 2013, and a strong liquidity position, with cash and equivalents, on a consolidated basis, of US$938 million and available credit facilities of up to US$766 million as of December 31, 2013. We have diversified sources of funding and our subsidiaries have experienced recurring improvements in credit ratings. As of December 31, 2013, all of our significant subsidiaries maintained net leverage ratios below or close to our financial policy target of 2.5x.

Our balanced and consistent growth profile, efficient cost management, and solid balance sheet approach are mirrored by each of our subsidiaries. Our corporate structure, in which we hold a controlling stake in each of our subsidiaries, has allowed us to establish and enforce strict and responsible financial policies, such as no cross-lending or cross-guarantees, which we believe enables growth while maintaining a healthy financial condition.

Although our principal subsidiaries generally do not have established dividend policies, our subsidiaries' consistent growth of cash flow generation has historically allowed for strong dividend distributions upstream. For the years ended December 31, 2011, 2012 and 2013, we received dividend payments from the subsidiaries comprising our five business units of Ps. 2,317 million (US$186 million), Ps. 2,649 million (US$201 million) and Ps. 3,674 million (US$288 million), respectively (excluding funds received in connection with Alpek's initial public offering) and we received corporate fees from certain of our subsidiaries of Ps. 153 million (US$12 million), Ps. 169 million (US$13 million) and Ps. 44 million (US$3 million), respectively. The amount and payment of future dividends and corporate fees by our subsidiaries, if any, will be subject to applicable law and will depend upon a variety of factors that may be considered by the respective board of directors and shareholders of each of our subsidiaries, including future operating results, financial condition, capital requirements, investments in potential acquisitions or other growth opportunities, legal restrictions and contractual restrictions in current and future debt instruments.

Proven growth track record and positive outlook for key markets

We have successfully executed our expansion strategy through a balanced combination of organic growth and value-creating acquisitions. We believe that we have a proven track record of acquiring and successfully integrating business assets, achieving important synergies and market diversification. Our principal acquisitions in the last three years include (i) Nemak's acquisition in 2012 of J.L. French, an American producer of high-pressure die casting aluminum transmission parts, which allowed Nemak to expand its product portfolio and pursue new avenues of growth; (ii) Alpek's acquisition in 2011 of Eastman's PTA and PET facilities, which significantly increased Alpek's presence in the U.S. market and transformed Alpek into the company with the most cost-competitive technology for the production of PTA and PET; and (iii) Sigma's acquisition in 2010 of Bar-S, giving Sigma a relevant position in the value segment of the processed meats markets in the United States. In addition, Sigma, together with WH Group, is in the process of acquiring Campofrío through a cash tender offer, which we believe will allow Sigma to enter recovering and attractive European markets.

We expect to continue to use our financial strength and operating competencies to grow our businesses both organically and through value-creating acquisitions. Supported by a positive outlook for our key markets, we believe each of our subsidiaries is well positioned to take advantage of expected industry growth.

Alpek increased revenues from 2004 to 2013 at a CAGR of 12.2%, from Ps. 31.8 billion (US$2.8 billion) in 2004 to Ps. 89.8 billion (US$7.0 billion) in 2013. Alpek has grown its production capacity through high-return, capital-efficient debottleneckings and expansions. For example, in 1998 Alpek debottlenecked its first PP line, increasing its capacity from 100 kilotons to 240 kilotons and further increased the site's capacity to 640 kilotons in 2008 by adding a second production line. Furthermore, Alpek has converted its PP facility into what we believe is one of the most competitive in North America.

Alpek has a proven track record of acquiring assets and successfully integrating and improving these assets. For example, in 2001 Alpek acquired certain idle PTA, PET and polyester staple fiber assets in the United States. Alpek transformed these assets into one of the leading producers of PET and polyester chain products in the Americas. Alpek improved the profitability of these assets by reducing fixed costs, increasing asset utilization, consolidating its product offerings, focusing its product mix on products and markets with higher margins and focusing on the elimination of waste and non-value-added activities. We believe these measures, when coupled with sustainability initiatives aimed at reducing energy needs and increasing environmental awareness, have and will continue to help transform these assets and businesses into industry leaders.

Sigma increased revenues from 2004 to 2013 at a CAGR of 14.8%, from Ps. 14.1 billion (US$1.3 billion) in 2004 to Ps. 49.0 billion (US$3.8 billion) in 2013. We believe there are significant organic growth opportunities in

Sigma's key markets given the significant under-penetration in per capita consumption of Sigma's products compared to other countries, particularly processed meats and cheese.

Nemak increased revenues from 2004 to 2013 at a CAGR of 20.0%, from Ps. 11.0 billion (US$1.0 billion) in 2004 to Ps. 56.3 billion (US$4.4 billion) in 2013. We believe that Nemak is poised to benefit from the continuing penetration of aluminum parts in the automotive industry and the recovery of the automotive sector in general and the production capacity expansions planned by many OEMs, particularly in high growth markets.

In recent years, Alestra has refocused its strategy to Value Added Services. We believe progress in the Mexican IT and telecommunications regulatory framework is expected benefit Alestra, as smaller companies should be able to benefit from a more level playing field against large incumbents such as Telmex.

Newpek increased revenues to US$134 million in 2013 from US$46 million in 2011. Newpek is expected to significantly expand its operations in Mexico as a result of the recently approved Mexican energy reform.

Solid customer base and key strategic alliances

We believe we have a solid customer base covering key business segments. We have maintained long-term relationships with customers across the industries in which we operate through high-quality customer service. Through our strong technical support, responsiveness across the supply chain, continuous innovation in products and services, close collaborations with customers to gain a deep understanding of the market and sustainable products and services, we strive to offer our customers solutions that effectively meet their needs.

Our reputation has allowed us to establish important alliances and joint ventures, such as (i) Alpek's majority-owned strategic alliance with BASF (since 1981, to produce EPS, PURs and specialty chemicals) and with LyondellBasell (since 1992, to produce PP) and other alliances with global chemical groups that provide Alpek with access to what we believe are best-in-class manufacturing and applications technologies and technical expertise, as well as advantageous sourcing of specialty products; (ii) Sigma's distribution agreement with Oscar Mayer Foods and Sodima to manufacture and distribute selected products and its new partnership with WH Group in connection with the Campofrío acquisition; (iii) Nemak's partnership with Ford; and (iv) Newpek's Eagle Ford Shale joint venture with Pioneer Natural Resources and Reliance and its joint venture with Petrofac for oil and gas field services in Mexico.

Experienced management team

We are a leading Latin American business group with an established culture of operational excellence, prudent corporate governance and reliability as a partner. These values form the core of our businesses, on which our management team intends to build. We have a senior management team with an average of over 30 years of industry experience. Our management team has been responsible for our expansion through organic growth and acquisitions and has a proven track record of integrating and optimizing acquired assets and implementing new projects and start-up operations.

The management of our subsidiaries replicates the high quality of our senior management team and possesses extensive operational expertise and a deep understanding of their respective markets and industries. Sigma's management team has proven mergers and acquisitions and post-merger integration capabilities, which have enabled them to successfully execute and integrate more than 20 mergers and acquisitions transactions. Sigma's due diligence and post-merger integration system enables it to create significant value by generating synergies through process improvements, consolidating delivery routes, improving cost efficiencies, leveraging buying power and introducing its technology to acquired businesses. Sigma has particular expertise in acquiring and integrating family-owned businesses, where it leverages its values and culture. These acquisitions have created significant value for Sigma by capturing synergies and allowing it to broaden its customer base in a profitable manner.

Alpek has a management team with an average of over 20 years of industry experience and a seasoned and knowledgeable group of operating and technical managers responsible for running what we believe to be the lowest-cost production facilities in North America across its product portfolio. Alpek's management team has been responsible for the expansion of Alpek through organic growth and acquisitions, and has a proven track record of integrating and optimizing acquired assets and implementing new projects and start-up operations. Nemak's management team has an average of over 19 years of experience in the automobile parts manufacturing industry. Newpek's management team possesses what we believe to be the most extensive shale gas E&P expertise in Mexico.

In addition, we have a sound corporate structure and adhere to Mexico's Code of Best Corporate Practices. We believe our strong internal control procedures allow us to protect the financial health of our businesses and mitigate risk exposure. For example, our Risk Management Committee, consisting of our Chairman, Chief Executive Officer, Chief Financial Officer and a technical secretary, oversees derivatives transactions proposed by our subsidiaries. Entering into new derivative transactions and renewing existing positions requires approval by both the subsidiary and our Risk Management Committee.

State-of-the-art technology platforms and continuous innovation

We believe our ability to continuously innovate has allowed us to develop and improve upon cutting edge manufacturing technologies and production processes, as well as to deliver best-in-class products to maintain our leading market share. We invested a total of US$1.6 billion in fixed assets and acquisitions in 2013, to expand and modernize production facilities in all of our business units. Our commitment to maintain cutting-edge technology and innovation includes (i) Alpek's acquisition of Integrex, which we believe is the world's most advanced PTA and PET production technology; (ii) Sigma's product innovation system based on extensive consumer research resulting in new products representing an average of approximately 17% of Sigma's net sales from 2008 to 2012; (iii) Nemak's broad and advanced portfolio of casting technologies and its top-rated research and development team comprised of approximately 300 dedicated professionals; and (iv) Alestra's strategic evolution from long distance services to Value Added Services such unified communications and collaboration, network security, managed networks, cloud services, data center and managed IT services.

Our Strategy

Our strategy seeks to reinforce the competitive position of our businesses through innovation, research, and development, and to capture growth opportunities from current and related business, either organically or through acquisitions.

The key elements of our strategies include:

Capitalize on organic and inorganic growth opportunities

We intend to continue to expand and increase our subsidiaries' capacity, products and services portfolio, as well as our geographical presence, through a combination of organic growth and acquisitions. We have identified several growth opportunities that we expect to pursue in the short term including, among others:

- Alpek's multi-year 400,000 metric ton sourcing agreement of PET per year from M&G's new Corpus Christi plant which is expected to begin operations in 2016, and the construction of a propylene sphere that we believe will allow Alpek to increase its supply of propylene by the second half of 2015;
- Sigma's plans to expand market coverage and distribution, reinforcing its foodservice business, and supporting small retail stores through new initiatives. Additionally, the acquisition of Campofrío is expected to close in 2014, pending regulatory approvals, which we expect will result in gains from economies of scale, the implementation of best practices across Sigma and Campofrío, the introduction of Sigma's products in the European Union and the introduction of Campofrío's products across the markets Sigma currently serves;
- Nemak's launching of a new engine block program for Ford in its new facility in Chongqing, China, its ramping up of new cylinder head programs in its Nanjing plant in China and its plans to build a new facility in Ulyanovsk, Russia, to produce cylinder heads and engine blocks for the Volkswagen Group;
- Alestra's opening of a new data center located in Queretaro and two showrooms (*Centro Sperto*) in Queretaro and Mexico City to showcase for its customers its portfolio of innovative IT solutions. In addition, proposed regulatory changes to the telecommunication industry in Mexico are expected to

promote competition, benefitting smaller companies such as Alestra, and the implementation of IT services in the market; and

- Newpek's agreement with the oil services division of Petrofac to create a joint venture and provide integrated solutions to the oil and gas industry. In 2014, Newpek and its partners expect to drill more than 100 new wells in the Eagle Ford Shale. We expect that through projects in shale gas and oil field services, Newpek will significantly increase its contribution to our financial results.

Expand operations in the energy sector in Mexico

We intend to capitalize on opportunities created by Mexico's energy reform and on our extensive expertise in shale gas E&P in North America, in order to enter into new segments of the energy industry in Mexico and expand our operations, including through acquisitions. We intend to use the proceeds from this offering to fund new energy related projects, to repay existing debt and for general corporate purposes.

Maintain leading market positions through superior product offerings

We intend to maintain our strong market positions based on the high quality of our products and services, supported by a deep understanding of the markets in which we operate and our long-standing relationships with key customers.

Alpek intends to maintain its position as a supplier of choice and trade leader in the polyester, plastics and specialty chemical business by providing unparalleled responsiveness to customer needs, superior technical support and continuous innovation in its products and services.

Sigma intends to leverage its experience and knowledge of the principal attributes valued by consumers to increase its customer base and further enhance its leading market position. Sigma has developed a broad portfolio of strong brands that are among the most recognized across a diverse consumer base and that have achieved leading market positions in the food segments in which it operates.

Nemak seeks to maintain its position as one of the top suppliers of automotive aluminum parts worldwide. As a result of its innovative technologies, product development capabilities, cost competitiveness and commitment to customer service, in 2013 Nemak was awarded new contracts with estimated yearly revenues of US$950 million, of which approximately US$500 million were incremental businesses.

Alestra expects to capitalize on the rising demand for telecommunications and IT solution services in the Mexican business segment. Alestra's service portfolio is aligned with global trends and the unique needs of the market. This, along with the reliability of its network, has allowed Alestra to solidify its relationship with existing customers and expand its portfolio in order to become the leader in the value-added Mexican IT and telecommunications services for enterprises in Mexico.

We believe that Newpek has an advantageous market position because of its "know-how" and resources. Since its creation in 2006, Newpek has built a unique position as one of the few non-governmental companies in Mexico with experience in unconventional hydrocarbon formations, mature fields and E&P services, and it intends to leverage on this and the recently approved energy reforms in Mexico to expand its operations in Mexico.

Invest in technological leadership

We intend to continue to make significant investments in each of our subsidiaries' research and development departments, in order to develop and improve our production processes and technological platforms. These efforts include, among other initiatives, the following:

- Alpek intends to continue investing in and developing proprietary technologies to maintain its technological leadership and cost-competitiveness across its product portfolio.

- Sigma continues to develop its innovation system based on consumer insights, supported by extensive research and cutting edge technology. Sigma's research and development center has over 100 employees who monitor and respond to changes in consumer trends and technology, assisting in the development of new products and in process innovation. Sigma has developed products focusing on functionality, health and wellness, consumer demand, maximizing the sensorial experience and cost optimization. Recent examples of enhancements to existing products and new products include the addition of re-sealable and multi-pack packaging to its existing cheese product offerings, as well as newly developed pre-cooked meals and a wide variety of yogurt and beverages.

- Nemak bases its strong competitive position on its diverse technological capabilities of the highest quality and on its cost competitiveness, and it intends to further invest in these areas. Nemak has the capacity to develop over 100 new products a year and owns more than 70 licenses, brands and patents registered in the U.S. and Europe. Additionally, Nemak has over 200 scientific publications that evidences its culture of innovation.

- Alestra continues to invest in its infrastructure that provides access to more than 90% of the Mexican market and currently utilizes approximately 18,000 kilometers of long-haul fiber optic (of which it directly owns 5,000 kilometers) and directly owns over 3,200 kilometers of fiber-optic facilities in the metropolitan areas of 49 different cities.

- Newpek is focused on strengthening its organization and technical skills by investing in highly experienced personnel and cutting edge technology mainly in the geological, geophysical, engineering and production areas.

Maintain focus on operational excellence

Operational efficiency has been a key factor in achieving our strong financial performance and leading market position. Through a deep understanding of the markets we serve, we have developed financial and operational models that help our subsidiaries conduct their operations.

- Our pursuit of operational excellence is reflected in Alpek's maintenance of a low-cost structure through high-capacity utilization rates at the production facilities, its implementation of efficiency improvements by replacing older and less efficient operations with new large-scale plants and its reduction of energy costs through the use of diversified fuel sources and energy integration;

- Sigma's operational excellence can be seen in its optimization of delivery route management and distribution, measurement of sales force execution and linkage to employee compensation and anticipation of price changes in the supply chain in order to make pricing and production adjustments, among others;

- Nemak's operational excellence is present in three areas: (i) the commercial area, becoming the supplier of choice; (ii) the product development area, utilizing the latest software and technologies including simulations to determine optimal product configurations; and (iii) the manufacturing area, by optimizing resource utilization; and

- Alestra's robust network allows it to reduce operational costs, improve operational efficiencies and provide information protection through an infrastructure based on innovation.

Taking advantage of our capacity, convenient geographic location of operations and strong infrastructure, we expect to continue to successfully engage in operational excellence while maintaining high quality products and services.

Continue to pursue a disciplined approach to cost management

In order to continue our successful growth strategy, we plan to continue to focus on improving margins and generating strong cash flows while maintaining a prudent approach to financial management. We intend to maintain a disciplined cost structure that allows us to keep growing while maintaining high profitability. Examples of the results of our strict financial policies include:

- Alpek's expected savings from the Cosoleacaque cogeneration plant and the Cape Fear site shutdown. We expect Alpek's 2014 capital expenditures to reach US$300 million (an increase of approximately 70% from 2013), which we expect to be financed primarily through free cash flow from operations;

- Sigma's history of consistent cash flow generation and effective management and maintenance of its Adjusted EBITDA margins through operational improvements over the past five years despite raw-material price and exchange rate fluctuations. These efforts were supported by Sigma's mathematical model for optimizing raw materials costs that allows the rebalancing of the raw materials used to manufacture its products while maintaining product characteristics, its efficient inventory management and its pricing strategies across all socioeconomic and geographic market segments; and

- Nemak's reduction of its leverage in the past three years, mainly through higher Adjusted EBITDA generation. We expect Nemak to continue to strengthen its financial position and maintain stable debt levels in the next years. Nemak's strong performance is attributable to strong sales volume in North America and Europe, combined with operational efficiencies and optimal utilization of installed capacity.

Invest in and develop our human capital

We intend to continue to invest in human capital development. With more than 61,000 employees in 18 countries, we strive to be a great place to work, attracting and developing the best talent, and motivating employees to achieve their full potential.

Investment in energy

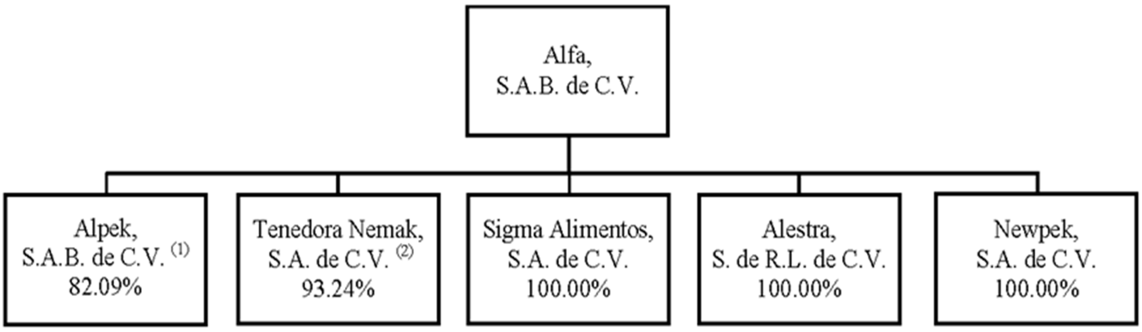
Through Newpek, we expect to capture growth opportunities in the energy sector, particularly in the oil and gas value chains, either organically or through acquisitions. In December 2013, Mexico's Congreso de la Unión ("Mexico's Congress") passed an energy reform (the "Energy Reform") allowing for more private investment and creating a more competitive energy maket, particularly in the oil and gas industry. Newpek is equipped to leverage its expertise and know-how to further develop the Mexican energy market and intends to capitalize on the opportunities created by the new legislation.

We conduct our E&P operations in Mexico through our subsidiary Alfasid. During the first quarter of 2013, through a partnership between Alfasid and MPG, we took control of the San Andrés and Tierra Blanca matured oil fields under the CIEPs awarded by Pemex in 2012.

Corporate Information

We are a holding company incorporated in 1967 and organized as a *sociedad anónima bursátil de capital variable* (a publicly traded variable capital corporation) under the laws of Mexico. Our common shares are listed on the BMV and on Latibex, the market for Latin American securities of the Madrid Stock Exchange. Our corporate offices are located at Ave. Gómez Morín No. 1111 Sur, Col. Carrizalejo, San Pedro Garza García, Nuevo León, 66254 México.

We conduct our business through our principal subsidiaries as shown in the chart below.



(1) Alpek’s common shares are listed on the BMV with a free float of 17.91%.
(2) Ford owns 6.76% of Nemak.

Recent Developments

Acquisition of Campofrío

After December 31, 2013, we acquired an additional 0.37% of Campofrío’s shares for the amount of Ps. 48 million.

Alestra

On February 24, 2014, Alestra redeemed all of its outstanding US$200 million Senior Notes due 2014.

THE OFFERING

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

Securities Offered	US$500,000,000 aggregate principal amount of 5.250% Senior Notes due 2024 and US$500,000,000 aggregate principal amount of 6.875% Senior Notes due 2044.
Offering Price	99.777% with respect to the 2024 Notes and 99.497% with respect to the 2044 Notes, in each case, plus accrued interest, if any, from March 25, 2014.
Maturity	The 2024 Notes will mature on March 25, 2024 and the 2044 Notes will mature on March 25, 2044.
Interest	Interest on the 2024 Notes will accrue at an annual rate of 5.250% and interest on the 2044 Notes will accrue at an annual rate of 6.875%, and in each case will be payable in cash on March 25 and September 25 of each year, beginning on September 25, 2014.
Optional Redemption	We may redeem, at our option, at any time, some or all the notes of each series by paying the greater of the principal amount of the notes to be redeemed and the applicable make-whole amount plus in each case, accrued and unpaid interest to the redemption date as described under "Description of the Notes —Redemption — Optional Make-Whole Redemption." In addition, we may redeem the 2024 Notes in whole or in part, any time and from time to time, beginning on the date that is three months prior to the scheduled maturity of the 2024 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the 2024 Notes being redeemed to the date of redemption. We may also redeem the 2044 Notes in whole or in part, any time and from time to time, beginning on the date that is six months prior to the scheduled maturity of the 2044 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2044 Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the 2044 Notes being redeemed to the date of redemption. See "Description of the Notes —Redemption — Optional Redemption Without a Make-Whole Premium."
Tax Redemption	In the event of certain changes to applicable tax laws and regulations that would require us to pay Additional Amounts on any series of the notes, we may, subject to certain conditions, redeem in whole, but not in part, the notes of such series prior to maturity at a redemption price equal to 100% of the principal amount of the notes of such series to be redeemed plus accrued and unpaid interest to the date of redemption. See "Description of the Notes— Redemption —Optional Redemption Upon Tax Event."
Additional Amounts	Payments of interest on each series of the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) to investors that are non-residents of Mexico for tax purposes will generally, if the applicable requirements are met, be

	subject to Mexican withholding taxes at a rate of 4.9%. See "Taxation—Mexican Federal Tax Considerations—Payments of Interest." If we are required by a Relevant Jurisdiction (as defined in each of the indentures governing the notes) to deduct or withhold taxes in respect of any payment (including interest and amounts deemed interest, such as any discount on the principal amount of a series of the notes) on a series of notes we will, subject to certain exceptions described in this offering memorandum, pay Additional Amounts to holders of the notes of such series so that the net amount received by the holders of the notes of such series in respect of principal, interest or other payments on the notes of such series, after any such withholding or deduction, will not be less than the amount each holder of notes of such series would have received if such withholding or deduction had not applied. See "Description of the Notes — Additional Amounts."
Change of Control	If we experience a Change of Control Triggering Event (as defined in each of the indentures governing the notes), we must offer to repurchase the affected series of notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any. See "Description of the Notes — Covenants —Repurchase at the Option of Holders Upon a Change of Control Triggering Event."
Ranking	The notes will constitute our general unsecured obligations and will rank *pari passu* in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness (subject to certain obligations that are preferred by statute, such as tax and labor obligations). The notes will not be guaranteed by any of our subsidiaries and as a result will be structurally subordinated to all existing and future indebtedness and other obligations of our subsidiaries, which amounted to Ps. 55,238 million (US$4,224 million) as of December 31, 2013. See "Description of the Notes — General."
Further Issues	We may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional 2024 Notes or additional 2044 Notes of the same series as such respective notes offered pursuant to this offering memorandum.
Certain Covenants	Each of the indentures governing the notes contains certain covenants, including limitations on liens, limitations on sale and leaseback transactions, and limitations on consolidations, mergers, sales or conveyances. However, all of these limitations and restrictions are subject to a number of significant exceptions. See "Description of the Notes — Covenants."
Use of Proceeds	We intend to use the net proceeds from the notes to fund new energy related projects, to repay existing debt and for general corporate purposes. See "Use of Proceeds."
Taxation	You should consult your tax advisor with respect to the Mexican federal tax considerations and the U.S. federal income tax considerations relating to owning the notes in light of your own

	particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See "Taxation" for a summary of the Mexican federal income tax considerations and U.S. federal income tax considerations of an investment in the notes.
Governing Law	The notes and each of the indentures will be governed by the laws of the State of New York.
Listing	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange. We cannot assure you that this application will be accepted.
Trustee, Registrar, Paying Agent and Transfer Agent	The Bank of New York Mellon
Luxembourg Paying Agent, Transfer Agent and Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Form and Denomination	We will issue the notes in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and the notes will, once issued, be represented by one or more global notes. The global notes representing the notes will be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee for DTC.
Settlement	The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, *société anonyme*, Luxembourg, or Clearstream.
Risk Factors	See "Risk Factors" in this offering memorandum for a discussion of certain relevant factors you should carefully consider before deciding to invest in the notes.
Transfer Restrictions	We have not registered the notes under the Securities Act or the securities laws of any other jurisdiction. The notes will be subject to certain restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." As required under the second paragraph of Article 7 of the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside of Mexico for informational purposes only. The notes will not be registered with the RNV and may not be offered or sold publicly or otherwise be subject to brokerage activities in Mexico, except that the notes may be offered to Mexican institutional and accredited investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.

SUMMARY OF FINANCIAL DATA AND OTHER INFORMATION

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

The financial information as of and for the years ended December 31, 2011, 2012 and 2013 has been derived from our Annual Audited Financial Statements.

The following table sets forth our consolidated income statement for each of the years presented.

	For the Year Ended December 31,			
	2011	**2012**	**2013**	**2013**(1)
	(Ps.)	**(Ps.)**	**(Ps.)**	**(US$)**
	(*in millions*)			
Statement of Income Data:				
Revenue	182,967	200,167	203,456	15,935
Cost of sales	(151,491)	(164,599)	(166,829)	(13,067)
Gross profit	31,476	35,568	36,627	2,869
Selling expenses	(9,885)	(10,845)	(11,142)	(873)
Administrative expenses	(7,844)	(8,369)	(9,189)	(720)
Other revenues (expenses), net	(1,075)	(49)	210	16
Operating profit before non-recurring items	12,672	16,305	16,506	1,293
Non-recurring items	-	367	(2,421)	(190)
Operating profit	12,672	16,672	14,085	1,103
Financial income(2)	606	1,681	286	22
Financial costs(3)	(5,364)	(4,412)	(4,343)	(340)
Financial costs, net	(4,758)	(2,731)	(4,057)	(318)
Share of losses of investments accounted for using the equity method	(31)	-	(41)	(3)
Profit before income tax	7,883	13,941	9,987	782
Income tax expense	(2,551)	(3,390)	(3,192)	(250)
Net consolidated profit	5,332	10,551	6,795	532
Profit attributable to:				
Controlling interest	4,748	9,361	5,926	464
Non-controlling interest	584	1,190	869	68

The following table sets forth our consolidated balance sheet data for each of the years presented.

	As of December 31,			
	2011	**2012**	**2013**	**2013**(1)
	(Ps.)	**(Ps.)**	**(Ps.)**	**(US$)**
	(*in millions*)			
Balance Sheet Data:				
Current Assets				
Cash and cash equivalents	8,254	13,661	11,902	910
Restricted cash and cash equivalents	370	577	364	28
Customer and other accounts receivables, net	24,250	21,903	23,564	1,802
Inventories	20,584	21,728	22,692	1,735
Derivative financial instruments	119	129	86	7
Other assets	512	976	1,043	80
Non-Current Assets				
Non-current derivative financial instruments	46	-	-	-
Property, plant and equipment, net	76,381	74,244	73,974	5,657
Goodwill and intangible assets, net…	18,856	18,732	23,906	1,828
Deferred income tax	796	1,062	1,211	93
Investments accounted for using the equity method and others	1,026	1,213	6,648	508
Total assets	151,194	154,225	165,390	12,648

	As of December 31,			
	2011	2012	2013	2013[(1)]
	(Ps.)	(Ps.)	(Ps.)	(US$)
		(in millions)		
Current Liabilities				
Current debt	5,828	4,598	10,522	805
Suppliers and other accounts payable	28,376	27,562	30,252	2,313
Income tax payable	-	535	481	37
Derivative financial instruments	699	378	78	6
Provisions	-	-	833	64
Other liabilities	326	559	534	41
Non-Current Liabilities				
Non-current debt	53,512	47,175	46,932	3,589
Derivative financial instruments	1,628	587	337	26
Provisions	578	716	543	42
Deferred income tax	3,894	3,373	3,534	270
Deferred income tax from tax consolidation	5,299	4,473	3,785	289
Employees' benefits	2,432	2,690	1,891	145
Other liabilities	357	435	499	38
Total liabilities	102,929	93,081	100,221	7,664
Stockholders' Equity				
Capital stock	217	211	210	16
Retained earnings	40,662	52,106	55,643	4,255
Other reserves	2,815	92	588	45
Total controlling interest	43,694	52,409	56,441	4,315
Non-controlling interest	4,571	8,735	8,728	667
Total stockholders' equity	48,265	61,144	65,169	4,982
Total liabilities and stockholders' equity	151,194	154,225	165,390	12,648

The following tables set forth our consolidated cash flow data and other financial data for each of the years presented.

	Year Ended December 31,			
	2011	2012	2013	2013[(1)]
	(Ps.)	(Ps.)	(Ps.)	(US$)
		(in millions)		
Cash Flow Data:				
Net cash generated from operating activities	14,809	20,987	19,758	1,548
Net cash used in investing activities	(15,411)	(12,101)	(18,903)	(1,481)
Cash generated from (used in) financing activities	931	(2,885)	(2,664)	(209)
Other Financial Data:				
Adjusted EBITDA[(5)]	20,074	24,476	24,535	1,922

The following table sets forth selected segment information for each of the years presented.

	Year Ended December 31,			
	2011	2012	2013	2013[(1)]
Segment Information	(Ps.)	(Ps.)	(Ps.)	(US$)
		(in millions)		
Revenue[(4)]:				
Alpek	90,381	95,803	89,818	7,035
Sigma	41,078	45,476	48,989	3,837
Nemak	44,669	51,381	56,299	4,410
Alestra	3,744	4,523	4,954	388
Newpek	573	1,227	1,706	134
Other segments and eliminations	2,522	1,757	1,690	132
Total	182,967	200,167	203,456	15,935

Segment Information	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013(1) (US$)
	(in millions)			
Operating profit (loss):				
Alpek	7,589	7,476	2,925	229
Sigma	3,396	4,782	5,277	413
Nemak	1,986	3,555	4,517	354
Alestra	533	959	1,329	104
Newpek	209	677	825	65
Other segments and eliminations	(1,041)	(777)	(788)	(62)
Total	12,672	16,672	14,085	1,103
Adjusted EBITDA(5):				
Alpek	9,545	9,609	7,344	575
Sigma	4,846	6,214	6,710	526
Nemak	4,614	6,671	7,823	613
Alestra	1,572	1,804	2,166	170
Newpek	380	875	1,166	91
Other segments and eliminations	(883)	(697)	(674)	(53)
Total	20,074	24,476	24,535	1,922

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(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps 13.08 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2013, with respect to balance sheet data and (ii) Ps. 12.77 per U.S. Dollar, the daily average of the Official Exchange Rates on each day during the year ended December 31, 2013, with respect to financial information other than balance sheet data. These convenience translations should not be construed as representations that the Mexican Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. See "Exchange Rate Information."

(2) Includes a foreign exchange gain in the amount of Ps. 16 million in 2013 and Ps. 962 million in 2012.

(3) Includes a foreign exchange loss in the amount of Ps. 365 million in 2013, and Ps. 1,244 million in 2011.

(4) Segment information for revenue excludes intersegment revenue.

(5) We define Adjusted EBITDA as operating profit plus depreciation and amortization and asset impairment, less non-recurring items and income from dividends. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial Information and Certain Other Information". The following tables set forth a reconciliation of Adjusted EBITDA to operating profit for Alfa and each of its business units for each of the years presented:

Alfa	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013(1) (US$)
	(in millions)			
Operating profit	12,672	16,672	14,085	1,103
Depreciation and amortization	6,915	7,962	7,932	621
Asset impairment	503	270	2,518	197
Non-recurring items	-	(367)	-	-
Income from dividends	(16)	(61)	-	-
Adjusted EBITDA	20,074	24,476	24,535	1,922

Alpek	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013(1) (US$)
	(in millions)			
Operating profit	7,589	7,476	2,925	229
Depreciation and amortization	1,819	2,129	2,025	159
Asset impairment	137	4	2,394	188
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	9,545	9,609	7,344	575

Sigma	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
		(in millions)		
Operating profit	3,396	4,782	5,277	413
Depreciation and amortization	1,397	1,409	1,353	106
Asset impairment	53	23	80	6
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	4,846	6,214	6,710	526

Nemak	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
		(in millions)		
Operating profit	1,986	3,555	4,517	354
Depreciation and amortization	2,435	3,287	3,282	257
Asset impairment	209	214	24	2
Non-recurring items	-	(367)	-	-
Income from dividends	(16)	(18)	-	-
Adjusted EBITDA	4,614	6,671	7,823	613

Alestra	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
		(in millions)		
Operating profit	533	959	1,329	104
Depreciation and amortization	1,008	833	828	65
Asset impairment	31	12	9	1
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	1,572	1,804	2,166	170

Newpek	Year Ended December 31, 2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
		(in millions)		
Operating profit	209	677	825	65
Depreciation and amortization	146	197	330	26
Asset impairment	25	1	11	1
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	380	875	1,166	91

RISK FACTORS

You should carefully consider the following discussion of risks, as well as all the other information presented in this offering memorandum before investing in the notes. These risks are not the only risks that affect our business. Additional risks that are presently unknown to us or that we currently deem immaterial or not requiring specific disclosure may also impair our business. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, financial condition and prospects.

Risks Relating to Our Operations

We depend upon our subsidiaries for cash to meet our obligations, including our obligations under the notes.

We are structured as a holding company with no independent operations or substantial assets other than the capital stock of our operating subsidiaries. We conduct our operations through five business units as of December 31, 2013. Accordingly, we rely upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, interest payments or otherwise to pay our debt, operating, financing and investing requirements. The ability of our subsidiaries to make funds available to us is subject to current, and may be subject to future, contractual restrictions contained in financing or joint venture agreements, including bond indentures, as well as legal restrictions. The ability of our Mexican subsidiaries to pay dividends is subject to Mexican legal requirements, which, among other things, provide that a corporation may declare and pay dividends only (i) out of the profits reflected in the year-end financial statements approved by its stockholders' meeting and the payment of the relevant dividend is approved by the stockholders' meeting, (ii) after all losses from prior fiscal years have been satisfied and (iii) if the corporation has allocated 5% of its net income for such fiscal year to its legal reserve, the allocation of which must be made on an annual basis until its legal reserve represents at least 20% of such corporation's capital stock. Our subsidiaries in the United States and other jurisdictions are subject to similar legal restrictions on the payment of dividends. In addition, dividends and other payments by some of our direct and indirect subsidiaries are shared with substantial minority stockholders of some of those subsidiaries. Any adverse change in the financial condition or results of operations of our subsidiaries would affect our financial condition. Our subsidiaries will not be obligated to make funds available to us to make payments on the notes.

Global economic conditions may adversely affect our business, financial condition and results of operations.

Economic conditions in Mexico and the United States, as well as globally, may negatively affect our business, results of operations or financial condition. When economic conditions deteriorate, the end markets for our products may experience declines and we may suffer reductions in our prices, sales and profitability. In addition, the financial stability of our customers and suppliers may be affected, which could result in decreased, delayed or canceled purchases of our products, increases in uncollectable accounts receivable or non-performance by suppliers. We may also find it more costly or difficult to obtain financing to fund operations or investment or acquisition opportunities, or to refinance our debt in the future. If we are not able to (i) access debt markets at competitive rates or at all or (ii) obtain other forms of financing, our ability to implement our business plan and strategy or to refinance debt may be negatively affected.

The global economy has recently experienced a period of slowdown and unprecedented volatility and has been adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence and spending. The global economic slowdown in general and the U.S. economic slowdown in particular have had, and may continue to have, a negative impact on the Mexican economy as well as on our business, financial condition, results of operations and prospects. For example, the recent economic crisis and continuing effects of the crisis have negatively affected local credit markets and consumer spending and have resulted in an increased cost of capital, which may negatively impact the ability of companies, including our customers, to meet their financial requirements. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the markets in which we operate.

The conduct of our business may be adversely affected by risks inherent in international operations.

We currently maintain production facilities and operations in Mexico, the United States, Canada, certain countries in Central and South America, Asia and Europe. Our ability to conduct and expand our business and our financial performance are subject to the risks inherent in international operations. Our operations may be adversely affected by trade barriers, currency fluctuations and exchange controls, high levels of inflation and increases in duties, taxes and governmental royalties, as well as changes in local laws or regulations and policies (or the interpretation thereof) of the countries in which we conduct business. The governments of countries in which we operate, or may operate in the future, could take actions that materially adversely affect us. For risks relating to our operations in Mexico, see "Risks Relating to Mexico."

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

As of December 31, 2013, after giving pro forma effect to the issuance of the notes and the use of the proceeds thereof, we would have had Ps. 68,642 million (US$5,249 million) of total outstanding consolidated debt, Ps. 1,210 million (US$92.5 million) of which would have been secured. Our level of indebtedness may have important consequences for investors, including:

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

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

We have experienced losses in the past in connection with derivative financial instruments and may do so in the future.

We use derivative financial instruments to manage the risk profile associated with interest rates and currency exposure and to hedge some of our commodity and financial market risks. Our internal policy is not to enter into derivative financial instruments for speculative purposes; however, we may continue to enter into derivative financial instruments as an economic hedge against certain business risks, even if these instruments do not qualify for hedge accounting under IFRS. In addition, we may be required to record fair value losses in the future that could be material. The mark-to-market accounting for derivative financial instruments is reflected in our statement of income and has resulted in volatility in our earnings. In addition, we may incur losses in the future in connection with our derivative financial instruments transactions, which could have a material adverse effect on our financial condition and results of operations. Derivative products are volatile and our exposure may increase significantly in the event of a sudden change in the foreign exchange or interest rate environment.

Most of our derivative financial instruments are subject to margin calls in the event that the threshold set by the parties is exceeded. In certain stressed scenarios, the cash required to cover margin calls may reduce the funds available to us for our operations or other capital needs. As of December 31, 2013, we did not have any collateral posted in response to margin calls. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Derivative Financial Instruments."

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

We intend to continue using derivative financial instruments in the future for non-speculative hedging purposes, in accordance with our risk policies. Nevertheless, we cannot assure you that we will not incur additional net losses from, or may be required to make cash payments or post cash as collateral in connection with, our derivative financial instruments in the future.

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

While global financial markets and economic conditions have improved, they continue to be volatile. A deterioration of capital and credit markets could hinder our ability to access these markets. In addition, adverse changes in our credit ratings, which are based on various factors, including the level and volatility of our earnings, the quality of our management, the liquidity of our balance sheet and our ability to access a broad array of funding sources, may increase our cost of funding. If this were to occur, we cannot be certain that additional funding for our capital needs from credit and capital markets would be available if needed and, to the extent required, on acceptable terms. In addition, we might be unable to refinance our existing indebtedness when it comes due on terms that are acceptable to us or at all. If we were unable to meet our capital needs or refinance our existing indebtedness, it could have a material adverse effect on our financial position and results of operations.

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

We are exposed to fluctuations in interest rates. As of December 31, 2013, Ps. 22.5 billion (US$1.7 billion), or 39%, of our borrowings accrued interest at a variable rate. Changes in interest rates would affect the cost of these borrowings. If interest rates increase, our debt service obligations on variable rate indebtedness would increase even though the amount borrowed would remain the same, and our net income and cash available for servicing our indebtedness would decrease. As a result, our financial condition, results of operations and liquidity could be materially adversely affected. Furthermore, our attempts to mitigate interest rate risk by financing long-term liabilities with fixed interest rates and using derivative financial instruments, such as floating-to-fixed interest rate swaps, in respect of our indebtedness could result in our failure to realize savings if interest rates fall and could adversely affect our results of operations and our ability to service our debt and other obligations.

Cross-defaults under, and/or acceleration by lenders of, our debt obligations could result in significant liquidity problems and have a material adverse effect on our business, financial condition, results of operations and prospects.

We and our subsidiaries have entered into loan agreements and indentures and will, from time to time, enter into further agreements relating to debt obligations. Some of these agreements contain various financial and other covenants, including relating to the maintenance of certain ratios, including interest coverage ratios and leverage ratios. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness.” A breach of such covenants could give rise to a default, which could entitle our lenders to accelerate the loans provided under these agreements and/or refuse to provide us with any additional funds under the facilities. We cannot assure you that we will be in compliance with our financial or other covenants in the future or that lenders will grant waivers to us. We also cannot assure you that one or more of our lenders under these loan agreements would not seek to enforce any remedies following any breach of financial or other covenants or an event of default thereunder. In addition, most of our loan agreements and our indentures contain cross-default provisions, which would entitle the lenders or holders of notes to accelerate repayments under their respective loan facility or indenture upon the occurrence of a default in our other borrowings. Any acceleration of our indebtedness may have a significant effect on our liquidity and may materially and adversely affect our business, financial condition, results of operations and prospects.

Our growth through mergers, acquisitions or strategic alliances may be impacted by antitrust laws, access to capital resources, and the costs and difficulties of integrating future acquired businesses and technologies, which could impede our future growth and adversely affect our competitiveness.

We have made acquisitions in the past in order to grow our business, and we may continue to make them in the future. As part of our strategy, we may seek further growth through acquisitions of other companies in order to maintain a competitive position within the industries in which we operate and to enhance our position in our core areas of operation. This strategy entails risks that could have a material adverse effect on our business, financial condition, results of operations and prospects, including:

- unidentified or unanticipated regulatory and other liabilities or risks in the operations of the companies which we may acquire;
- the need to incur debt, which may reduce our cash available for operations and other uses due to increased debt service obligations;
- potential failure to achieve the expected results, economies of scale, synergies or other benefits sought;
- greater than expected costs and management time and effort involved in completing and integrating the acquisitions;
- greater capital expenditures required;
- potential disruption to our ongoing businesses and difficulty in maintaining our internal control environment, information systems technologies and procedures;
- inability to successfully integrate the services, products and personnel of the acquisitions into our operations or to realize any expected cost savings or other synergy benefits from the acquisitions;
- inability to retain employees, customers and supplier relationships;
- inability to maintain integral businesses that we acquire as a result of antitrust concerns;
- restrictions or conditions imposed by antitrust and other regulatory authorities (including restrictions on reducing workforces);
- customer overlap or loss of customers supplied prior to the acquisitions by us or by any acquired entity; and
- lack of return on our investment.

If we are unable to successfully integrate or manage our acquired businesses, among other consequences, we may not realize anticipated cost savings and revenue growth, which may result in reduced profitability or losses. If new expansion opportunities arise, we may not have sufficient resources to take advantage of these opportunities and additional financing may not be available to us on favorable terms, or at all, causing us to forfeit such opportunities. The impact on us of any of our future acquisitions or investments cannot be fully predicted and any of the risks outlined above, should they materialize, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Approvals from the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*) and the antitrust authorities in other jurisdictions are required in order for us to acquire and sell significant businesses or enter into significant joint ventures. We cannot assure you that the Mexican Antitrust Commission or other antitrust authorities will authorize our proposed joint ventures and acquisitions in the future, or that they will not order us to divest a portion of our assets in order to complete any proposed joint venture or acquisition, which may adversely affect our business strategy, financial condition and results of operations.

The anticipated synergies from certain acquisitions may not materialize and the integration process may disrupt our operations.

The achievement of synergies with acquired companies depends in part on whether the operations of the acquired companies can be integrated in an efficient and effective manner with our operations. The integration of the operations of an acquired company is a lengthy and complex process. The success of the integration and the achievement of synergies require, among other things, satisfactory coordination of the marketing and customer-development efforts, sufficient retention of key management personnel and an efficient hiring and training policy alignment of information technology systems and software. Any difficulties encountered in integrating the operations could result in higher integration costs and lower savings or additional revenues that may be lower than anticipated. Consequently, there is no guarantee concerning the degree to which the anticipated synergies will be achieved or the time necessary to achieve them. In addition, such integration processes may affect one or more of the relevant businesses and divert management's attention from our other businesses, which could have an adverse effect on our business, financial condition and results of operations.

Natural disasters, terrorist activities, violence and geopolitical events and their consequences could adversely affect our business, financial condition, results of operations and prospects.

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

Violence or the continued threat of violence or organized crime within Mexico, or terrorist activities in the United States, and elsewhere, and the potential for military action and heightened security measures in response to such threats, may cause significant disruption to commerce throughout the world, including restrictions on cross-border transport and trade. In addition, related political and social events may cause a lengthy period of uncertainty that may adversely affect our business. Political, social and economic instability in other regions of the world, including the United States, Argentina and Canada, could negatively impact our operations. The consequences of violence or terrorism and the responses are unpredictable and could have an adverse effect on our business, financial condition, results of operations and prospects.

Any loss of key personnel may adversely affect our business.

Our success depends, in large measure, on the skills, experience and efforts of our senior management team and other key personnel. The loss of the services of one or more members of our senior management or other employees with critical skills could have a negative effect on our business, financial condition, results of operations and prospects. If we are not able to attract or retain highly skilled, talented and committed senior managers or other key personnel, our ability to achieve our business objectives may be adversely affected.

Any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business, financial condition, results of operations and prospects.

Our operations are labor intensive. As of December 31, 2013 we employed more than 61,000 employees. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, inability to reach an agreement when negotiating salaries and other working conditions, employee turnover or otherwise, or as a result of social unrest affecting our workforce, could have a material adverse effect on our business, financial condition, results of operations and prospects. Strikes, work slowdowns or any other labor unrest could, in some cases, impair our ability to supply our products to customers, which could result in reduced net sales. Approximately 42.8% of our workforce was unionized as of December 31, 2013. We generally negotiate collective bargaining agreements with these trade unions every two years, though salary increases are negotiated annually.

Our operations in Mexico are subject to the Federal Labor Law (*Ley Federal del Trabajo*) ("LFT") and other labor laws and regulations. On November 30, 2012, amendments to the LFT were published in the Official Gazette of Mexico. The amendments to the LFT included changes in the regulation of hourly wages, labor agreements, grounds for termination, outsourcing services and the designation of employees as such or as third party service providers (with the consequence being that full benefits have to be provided if designated as employees), among other changes. Our business, financial condition and results of operations may be materially and adversely affected as a result of any increases in labor costs or modified labor conditions as a result of the interpretation by Mexican courts or labor authorities of these recent amendments. In particular, as a result of these amendments, we could be considered an employer of the employees of our services companies, and as such could be required to pay additional labor benefits, including a portion of our profits (such profit sharing is referred to as "PTU"), which could have a material adverse effect on our financial position.

We may be subject to interruptions or failures in our information technology systems.

We rely on sophisticated information technology systems, software and infrastructure in each of the countries in which we operate to support our business, including process control technology. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures and similar events. The failure of any of our information technology systems may cause disruptions in our operations and could have a material adverse effect on or business, financial condition and results of operations. We cannot assure you that our business continuity plans will be completely effective during an information technology failure or interruption.

Our intellectual property rights may be used without our authorization by third parties.

Our intellectual property rights and proprietary technology are valuable assets in our business. Our ability to compete effectively in part depends on our ability to obtain, maintain, and protect our intellectual property rights and proprietary technology. However, we do not believe that any single patent, trademark, trade secret, or other intellectual property right of ours, or combination of our intellectual property rights, is likely to prevent others from competing with us using a similar business model. Despite our efforts, intellectual property laws of some of the jurisdictions in which we operate and the enforcement of such laws by the authorities in such jurisdictions may impair our ability to protect our intellectual property rights from competition or unauthorized use, lapse or expiration, or from being challenged, narrowed, invalidated, misappropriated or circumvented by third parties, or being deemed unenforceable or abandoned, which, as a result, could harm our business. In addition, we rely on in-licensed intellectual property rights, and such rights may be available to competitors, and thus affect the company's ability to assert rights against competitors, or hinder settlement disputes with third parties having similar licenses.

From time to time, we seek to protect and enforce our intellectual property and proprietary rights against third parties and may commence litigation with respect to the violation or the inappropriate use of our intellectual property rights. The violation of our intellectual property rights or unsuccessful litigation may adversely affect our operations. Moreover, we cannot guarantee that our intellectual property rights will not be used without our authorization. Policing unauthorized use of intellectual property can be difficult and expensive and may not result in an action being taken by the appropriate authorities.

We may be exposed to risks related to litigation and administrative proceedings that could materially and adversely affect our business and financial performance in the event of an unfavorable ruling.

Our businesses may expose us to litigation relating to regulatory, tax, labor, environmental and administrative proceedings, governmental investigations, tort claims and contract disputes, criminal prosecution and other matters. In the context of these proceedings, we may not only be required to pay fines or money damages but we may also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. See "Business—Legal Proceedings." While we may contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process.

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

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

The interests of our principal shareholders may differ from, and could conflict with, those of the holders of the notes.

The interests of our principal shareholders may differ from, and could conflict with, those of the holders of the notes. Actions taken by the principal shareholders may limit our flexibility to respond to market developments, to engage in certain transactions or to otherwise make changes to our business and operations, all of which may have a material adverse effect on our business, financial condition, results of operations and our ability to repay the notes.

Risk Factors Relating to Alpek

The petrochemical business is cyclical and may be adversely affected by events and conditions beyond Alpek's control.

The petrochemical business is cyclical. The earnings generated by Alpek's products vary from period to period based, in part, on the balance of supply relative to demand within the industry. The balance of supply relative to demand may be significantly affected by the addition of new capacity. In Alpek's industry, capacity is generally added in substantial increments as large-scale facilities are built. New capacity may disrupt industry balances and result in downward pressure on prices or margins due to the increase in supply, which could negatively impact our results of operations. Since 2002, new PET capacity has been steadily growing across North America. A number of PET producers have implemented expansions, which caused overall margin reductions in the period from 2002 to 2009. New PET capacity of approximately 555 tons was installed between 2009 and 2013. In addition, PTA capacity is expanding in Asia. The expansion of PTA capacity may affect the supply of, and consequently the prices for, PTA in Alpek's markets.

Alpek's business may also be affected by other events or conditions that are beyond its control, including changes or developments in domestic or foreign economic markets, changes in industry pricing practices, imposition of trade barriers, increases in natural gas or other energy prices or the cost or availability of raw materials, competition from other petrochemical manufacturers, changes in the availability or supply of petrochemical products generally and unanticipated downtime of production plants. These external factors may cause fluctuations in the supply and demand levels for Alpek's products and fluctuations in Alpek's prices and margins, which may adversely affect its financial performance.

Alpek's operations are dependent on the availability and cost of its raw materials and energy sources.

Alpek's operations are substantially dependent on the availability and cost of its primary raw materials and energy sources, including, but not limited to, pX, MEG, propylene, styrene, acetic acid, isophthalic acid, natural gas, fuel oil, electricity and coal. Any prolonged interruption, discontinuation or other disruption in the supply of raw materials or energy, or substantial increases in their costs, could have a material adverse effect on our financial condition and results of operations. For example, there is currently a significant natural gas shortage in Mexico due to an increase demand for this commodity, lack of development of the distribution infrastructure and a decrease in the production of natural gas in Mexico. This shortage may last a couple of years and, in certain regions of Mexico, the shortage could interrupt Alpek's operations for short periods of time.

The availability and prices of raw materials and energy may be negatively affected by a variety of factors, including interruptions in production by suppliers; accidents or other similar events at suppliers' premises or along the supply chain; allocations of raw materials by suppliers to other purchasers; wars, natural disasters (such as hurricanes in the Gulf of Mexico) or other similar events; the bargaining power of suppliers and Alpek's competitors; worldwide price fluctuations; the ability to negotiate terms and conditions that are satisfactory to Alpek; and the availability and cost of transportation. There were three key suppliers that each accounted for more than 10% of Alpek's total raw materials for the year ended December 31, 2013. Pemex, one of Alpek's key suppliers in the Plastics & Chemicals Business, accounted for approximately 8% of Alpek's total raw materials supply for the year ended December 31, 2013. There can be no assurance that Pemex or any other significant supplier of raw materials will continue to meet its obligations or will continue to provide raw materials on terms and conditions satisfactory to us. The loss of any supplier, a disruption in its business or a failure to meet Alpek's product needs on a timely basis could lead to interruptions in Alpek's production and require us to find a suitable alternative source. In such an event, we may not be able to secure an alternative source of supply at a competitive cost or at all.

The prices of Alpek's primary raw materials and energy resources, which are typically purchased pursuant to long-term contracts, have fluctuated in the past and are expected to fluctuate in the future. For example, the price of pX, a key petroleum-derived raw material for Alpek's business, and the price of energy are sensitive to fluctuations in the global crude oil supply and changes in oil prices. Alpek's prices and margins have been impacted by raw material and energy price increases in the past and could be similarly impacted in the future if Alpek is unable to hedge effectively against any such price increases or pass them through to its customers. For example, Alpek's fourth quarter results in 2008 were materially affected by shortages of pX in North America precipitated by hurricanes on the U.S. Gulf Coast, which forced Alpek to make purchases on the spot market and increased its raw material costs.

Prices and volumes of imports of polyester chain products and plastics and chemicals products could adversely impact Alpek's margins.

Producers of polyester chain products and plastics and chemicals products in North America could be adversely affected by low-cost imports of polyester chain products and plastics and chemicals products, principally from Asian countries. In addition, the potential for such imports to compete on a cost-effective basis if prices rise above certain levels has the effect of limiting the ability of producers in North America to increase prices or margins in periods of increased demand. The price and volume of imports of polyester chain products and plastics and chemicals products as well as the potential for such imports may negatively impact Alpek's margins.

Producers of polyester staple fiber in Mexico also benefit from anti-dumping duties on certain polyester staple fiber products imported into Mexico from South Korea and, in the case of U.S. producers, from China and Taiwan, as well. Changes in the existing tariffs or anti-dumping duties could lead to reduced demand for Alpek's products or cause Alpek to lower its prices, which would result in lower net sales and could negatively affect our overall financial performance.

Alpek's business is exposed to the risk of product substitution, and any substitution of its products by other materials in the future could have a material adverse effect on our business, financial condition, results of operations and prospects.

The substantial majority of Alpek's PET production and, indirectly, its production of PTA, is used for plastic bottles and other containers in the beverage, food and personal care industries, and the increased demand for PET has largely occurred as a result of the substitution of PET for other materials, such as glass and aluminum. If in the future another type of plastic or other material, based on its physical properties or for other economic, environmental or other reasons, becomes a substitute for PET in containers, then demand for PET may decrease, which would have a material adverse effect on Alpek's business, financial condition, results of operations and prospects. For example, a plant-based biodegradable plastic material, polylactic acid, is increasingly attracting attention as a substitute for petroleum-based plastic materials. Such substitution could become more prevalent if the technology and feedstock limitations, as well as the higher production costs, for such products improve in the future.

Alpek's polyester fiber products compete with other fibers, principally cotton. Any significant substitution by Alpek's customers of polyester-based products with other fibers may adversely affect its profitability. In addition, Alpek's customers may use recycled polyester staple fiber in their end use products which would decrease the demand for virgin polyester staple fiber which Alpek produces. Fashion and price trends may lead to a substitution of polyester short fiber products for such competing fibers. If substitution levels increase, the demand for Alpek's polyester fiber products may fall and sales may thereby decrease, possibly leading to downward pressure on the profitability of its polyester fiber business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Alpek's PP products compete with other plastics in some applications. Any significant substitution by Alpek's customers of PP-based products with other plastics in such applications, may adversely affect Alpek's profitability. If significant substitution were to occur, the demand for its PP products in some applications may be reduced and sales may thereby decrease, possibly leading to downward pressure on the profitability of Alpek's PP business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In the case of Alpek's EPS products, there is significant competition for use in insulation products against alternative materials. If significant substitution occurs, the demand for Alpek's EPS products for insulation may be reduced and sales may thereby decrease, possibly leading to downward pressure on the profitability of Alpek's EPS business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Alpek's industry is highly competitive, and increased competition could adversely affect Alpek's profit margins and market share.

The petrochemical industry is highly competitive. Alpek's existing and potential competitors include some of the world's largest petrochemical companies and the chemical divisions of major international oil companies that have their own raw material resources, including companies sponsored by governments in regions such as Asia. Some of these companies may be able to produce products more economically than Alpek can. In addition, some of Alpek's competitors are larger than Alpek and may have greater financial and technical resources, which may enable them to invest significant capital into their businesses, including expenditures for research and development. If any of Alpek's current or future competitors develops proprietary technology that enables them to produce products at a significantly lower cost, Alpek's technology could be rendered uneconomical or obsolete, and we may not have access to any such technology at a reasonable price or at all. In addition, Alpek's customers that are significant producers of PET or polyester staple fiber may develop their own sources of PTA supply in lieu of seeking supplies from us. Further, petroleum-rich countries have become more significant participants in the petrochemical industry and may considerably expand this role in the future. Increased competition could compel Alpek to reduce the prices of its products, which could result in reduced profit margins and loss of market share and have a material adverse effect on our business, financial condition, results of operations and prospects.

Alpek's customer base is concentrated, and the loss of all or a portion of the business of a significant customer would have an adverse effect on us.

The ten largest customers in Alpek's Polyester Chain Business and its Plastics & Chemicals Business combined accounted for 40% of its total net sales for the year ended December 31, 2013. Alpek's single largest customer accounted for 11% of its total net sales for the year ended December 31, 2013. Given that Alpek's profitability depends on its maintenance of a high capacity utilization rate, the loss of all or a substantial portion of the sales volume to a significant customer or end user would have an adverse effect. If any significant customer has financial difficulties, this could affect our results of operations by decreasing Alpek's sales and/or resulting in uncollectable accounts receivable. In addition, the consolidation of Alpek's customers could reduce its net sales and profitability, particularly if one of Alpek's significant customers is acquired by a company that has a relationship with one of its competitors.

Alpek faces risks related to the "cost plus" pricing formula for the sale of PTA.

The historical industry practice in North America has been to price PTA on a "cost plus" basis, using as a reference a pricing formula published by BP, a major producer of PTA in North America. This formula takes into account cost variances in the main factors involved in the PTA production process (pX, energy and labor costs and the U.S. Producer Price Index for other fixed costs), which allows us to transfer to the customer certain variations in the costs of key raw materials and energy and to achieve a more predictable margin. We cannot assure you that this industry pricing practice will continue in the future, which could subject Alpek to increased risk that increases in its raw material and energy costs would not be offset by increases in its prices if we cannot transfer such cost variations to the customer and that, as a result, Alpek would experience decreased or negative margins. In addition, the margins implied by the existing formula may be adjusted downward from time to time. For example, on January 1, 2007, BP made a downward adjustment to the margin implied by its PTA pricing formula, which was adopted by other PTA producers in North America, including us, in order to counteract a widening difference between North American and Asian polyester prices. This pricing disparity was driven largely by cost variances in raw materials due, in part, to the effects of hurricanes Katrina and Rita in the United States. The PTA price differential exposed North American PET producers and the U.S. polyester industry generally (on which North American PTA producers depend) to increased competitive pressure from Asian polyester producers. For example, the PET net trade deficit as a percentage of North American demand increased from approximately 2.1% to 3.6% of sales from 2005 to 2006. However, in 2007, North America had a trade surplus of 0.2% of demand as a result of the reduction in the PTA margin. The most recent adjustment made to the PTA pricing formula for North America was applied on January 1, 2012, in order to reduce polyester price differences among regions. Additional adjustments may be made in the future.

Alpek faces risks related to fixed price arrangements for the sale of PET.

To date, a portion of the volume of Alpek's expected 2014 PET production has been committed to customers pursuant to annual sales contracts with fixed prices arrangements. When Alpek enters into fixed price arrangements it is subject to the risk that its own raw material costs and other expenses will be greater than what it was expecting and that variations in these costs could reduce Alpek's margins or cause Alpek to incur losses. Alpek seeks to manage this risk mainly by entering into financial derivatives. However, these measures carry risk (including non-performance by counterparties) and do not in any event entirely eliminate the risk of decreased margins or incurring losses as a result of the fixed price arrangements.

Alpek's production facilities process some volatile and hazardous materials that subject us to operating risks that could adversely affect our business, financial condition and results of operations.

Alpek is dependent on the continued safe operation of its production facilities. Alpek's operations are subject to the usual hazards associated with the manufacture of petrochemicals and the handling, storage and transportation of petrochemical materials, including:

- pipeline leaks and ruptures;
- explosions;
- fires;
- floods;
- severe weather and natural disasters;
- mechanical failure;
- transportation interruptions;
- chemical spills;
- discharges or releases of toxic or hazardous substances or gases;
- storage tank leaks;
- other environmental risks; and
- terrorist attacks.

These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. A major accident at one of Alpek's facilities could force us to suspend Alpek's operations temporarily, cause production delays and result in significant remediation costs and lost net sales as well as liability for workplace injuries and fatalities. We cannot assure you that our insurance will be sufficient to cover fully all potential hazards incident to our business, including losses resulting from war risks or terrorist acts. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition, results of operations. Because Alpek has a small number of production facilities and because those facilities are currently operating near capacity, the occurrence of any of the foregoing events may significantly reduce the productivity and profitability of a particular production facility and harm our overall results of operations.

Due to the integrated nature of Alpek's production facilities, problems in one part of its facilities may cause disruption to other parts of the production facilities, which could adversely affect our business.

Many of Alpek's production processes are integrated such that some of the products it produces are used as raw materials to make other products at its plants. Any problems that may develop in the production of one product may adversely affect the production of other petrochemicals in the same production chain. Production problems of this type may cause disruptions at upstream or downstream facilities and result in temporary shutdowns and reduced production. Some of Alpek's production processes also rely on common utilities and infrastructure shared amongst different plants at the same site, meaning that any problem with these shared utilities or infrastructure may adversely affect its production at more than one plant.

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

Alpek's business is subject to extensive Mexican, U.S. and Argentine federal, state and local laws and regulations concerning, among other things, the generation, storage, handling, use, remediation, disposal and transportation of hazardous materials and the emission and discharge of hazardous and non-hazardous materials into the ground, air or water. The operation of any manufacturing plant and the distribution of chemical products entail risks under environmental laws, many of which provide for substantial fines and criminal sanctions or even lead to the closure of our facilities for certain violations. Alpek is also subject to extensive governmental regulation from Mexican, U.S. and Argentine governmental entities concerning its competitive and marketplace conduct, which could affect our ability to make acquisitions within Alpek's industry, as well as the health, safety and working conditions of its employees. We currently believe that all of Alpek's plants operate in accordance with all material applicable laws and regulations. However, subsequent changes in or additions to existing laws or regulations, or stricter enforcement or application or different interpretations of such laws or regulations, could force us to make significant additional expenditures, which could affect our profitability or financial condition in the future. Moreover, from time to time, new legislative initiatives may be introduced that may affect Alpek's operations and the conduct of its business, and we cannot provide assurances that the cost of complying with these initiatives or that the effects of these initiatives will not have a material adverse effect on our financial performance in the future.

Failure to comply with past, present or future environmental laws could result in the imposition of fines, third party claims, and investigation by environmental regulators. For example, the perceived effects of climate change may result in additional legal and regulatory requirements to reduce or mitigate the effects of Alpek's industrial facilities' emissions. If such requirements are enacted, or if the applicable laws are more strictly interpreted, our capital expenditures and expenses for environmental compliance in the future may increase, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

In addition, Alpek may be exposed to liabilities relating to its facilities that arise from non-compliance with environmental laws by prior owners, for which Alpek, as successor owner, may be responsible. For example, DuPont, the previous owner of our Cape Fear and Cedar Creek, North Carolina and Cooper River, South Carolina sites, in coordination with state and federal authorities, is currently conducting groundwater investigations at these sites. While DuPont has agreed to indemnify us for contamination and remediation costs associated with any pre-existing groundwater conditions, such indemnification may not be sufficient or available to cover our liabilities. The inability or refusal of DuPont or any other indemnitor to satisfy its environmental compliance and indemnification obligations could require us to incur costs or become the basis of new or increased liabilities that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to obtain, renew or maintain the permits and approvals required to operate Alpek's businesses may have an adverse effect on our business, financial condition, results of operations and prospects.

Alpek requires permits and approvals to operate its businesses and/or construct and operate its facilities. In the future, Alpek may be required to renew such permits and approvals or to obtain new permits and approvals. While we believe that Alpek will be able to obtain such permits and approvals and it has not experienced any difficulty in renewing and maintaining these permits and approvals in the past, as and when required, there can be no assurance that the relevant authorities will issue any such permits or approvals in the time frame anticipated by us, or at all. Any failure to renew, maintain or obtain the required permits and approvals and technology licenses, or the revocation or termination of existing permits and approvals, may interrupt Alpek's operations or delay or prevent the implementation of any capacity expansion programs, and may have an adverse effect on our business, financial condition, results of operations and prospects.

An increasing focus on environmental and social issues may lead to a decrease in demand for Alpek's products.

The "green" movement and its focus on environmental and social issues may lead to a decrease in demand for Alpek's products. For example, there is growing social and industry pressure to increase the recycled content of PET used in packaging, in substitution of new PET production, as well as to decrease the weight and amount of plastic used in plastic containers, which has decreased and may further decrease the amount of new PET (and, as a result, PTA) production required. In addition, one of the principal end uses of PET is for the packaging of bottled water. If as a result of the green movement, there is an appreciable decrease in the consumption of bottled water in the markets we serve, then demand for Alpek's products may also decrease.

Alpek's operations could be adversely affected if a change in the terms of its suppliers' financing were to occur.

Alpek's business operations depend to some extent on the relationships it sustains with its suppliers. A number of events, such as deterioration in the financial condition of its suppliers derived from a mechanical problem in one of their facilities, a natural disaster or any event of a similar nature, could restrict the suppliers' ability to fulfill their obligations to Alpek, which could have a material adverse effect in our operations and financial condition. Alpek currently manages payment terms which we believe are standard in the markets in which it participates; however, a change, reduction or elimination of the financing terms with its strategic suppliers could have a material adverse effect on the performance and planning of our operations and on our liquidity and financial results. The current financing terms with Alpek's suppliers could change in the future, which could have an adverse effect on our financial results.

Alpek's frozen U.S. pension plans are currently underfunded, and we may have to make significant cash payments to these plans, which would reduce the cash available for our business.

Alpek has unfunded obligations under its frozen pension plans that cover current and former employees at DAK Americas and DAK Pearl River. The funded status of its pension plans is dependent upon many factors, including returns on invested assets, the level of certain market interest rates and the discount rate used to determine pension obligations. Unfavorable returns on the plan assets or unfavorable changes in applicable laws or regulations could materially change the timing and amount of required plan funding, which would reduce the cash available for our business. Specifically, given the underfunded status of the pension plans, we may be required to contribute certain amounts in order to satisfy the minimum funding standards under the U.S. Internal Revenue Code of 1986. In addition, an increase or a decrease in the discount rate used to determine pension obligations could result in an increase or a decrease in the valuation of pension obligations, which could affect the reported funding status of Alpek's pension plan and future contributions, as well as the periodic pension cost in subsequent fiscal years.

Under the U.S. Employee Retirement Income Security Act of 1974, as amended, the Pension Benefit Guaranty Corporation ("PBGC") has the authority to terminate an underfunded tax-qualified pension plan under limited circumstances. In the event Alpek's tax-qualified pension plan is terminated by the PBGC, we could be liable to the PBGC for some portion of the underfunded amount.

The success of Alpek's strategic alliances depends on the satisfactory performance by its strategic alliance partners of their strategic alliance obligations. The failure of its strategic alliance partners to perform their strategic alliance obligations could impose on us additional financial and performance obligations that could result in reduced profits or, in some cases, losses for us with respect to Alpek's strategic alliances.

A portion of Alpek's operations are conducted through strategic alliances, including its strategic alliances with LyondellBasell, BASF and Shaw Industries, where certain decisions must be made in a shared manner with unaffiliated third parties. Differences in views among Alpek's strategic alliance partners, particularly LyondellBasell and BASF, may result in delayed decisions, in failure to agree on major matters or in failure to timely react to actions by competitors or to customer opportunities, potentially negatively affecting the business and operations of the strategic alliances and in turn our business and operations.

In addition, we cannot control the actions of Alpek's strategic alliance partners, including any nonperformance, default or bankruptcy of strategic alliance partners. The success of Alpek's strategic alliances depends, in part, on the satisfactory performance by its strategic alliance partners of their strategic alliance obligations. If Alpek's strategic alliance partners fail to satisfactorily perform their strategic alliance obligations as a result of financial or other difficulties, the strategic alliance may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, losses for us with respect to the strategic alliance. We cannot assure you that our business partnerships or strategic alliances will be successful in the future.

Significant capital investments including future development of new facilities have been, and may in the future continue to be, necessary to achieve Alpek's growth plans, which carry project and other risks.

Alpek's business requires significant capital expenditures for maintenance and expansion. Alpek's growth plans have required, and may continue to require, significant capital investments to expand, renovate, convert or upgrade existing facilities, develop new facilities or technologies or make major acquisitions or investments. For example, Alpek invested US$621 million in the acquisition of the Columbia Assets, including the intellectual property relating to the IntegRex® technology. Projects that require significant capital expenditure carry risks including:

- failure to complete a project within the prescribed project timetable and/or within budget; and
- failure of the project to perform according to prescribed operating specifications following its completion.

There can be no assurance that technology Alpek has acquired, including the technology acquired as part of the Columbia Assets acquisition, or may acquire in the future will perform as expected or that Alpek will be able to successfully integrate the acquired technology into its production facilities. Furthermore, if new technologies and more cost-efficient processes are developed in the petrochemical industry, our competitors may be able to access new technology which we do not possess.

In addition, any significant increases in raw material costs unforeseen in the project plan and any inability to sell the products produced at volumes and/or price levels envisaged in the project plan could adversely affect the success of Alpek's projects. Due to the significant amount of capital required and the long lead time between planning and completion of such projects, project failure could have a material adverse effect on our business, financial condition, results of operations and prospects.

Alpek is continuously evaluating future business opportunities, and it is possible that expected returns on these investments may not be fully achieved as a result of adverse market conditions and other factors. Moreover, it is possible that these projects may not be concluded in a timely manner, for reasons outside of our control.

Changes in laws and regulations relating to beverage containers and packaging could reduce demand for such end use products.

Legal requirements have been enacted in various jurisdictions in the United States and elsewhere requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing and use of certain nonrefillable beverage containers. Other proposals relating to additional beverage container deposits, recycling, ecotax and/or product stewardship have been or may be introduced in various jurisdictions in the United States and elsewhere. Consumers' increased concerns and changing attitudes about solid waste streams and environmental responsibility and related publicity could result in the adoption of such legislation or regulations. This has encouraged some of Alpek's PET customers to reduce the amount of PET resin they use in their bottle production process. This process, known as "light weighting," has reduced the amount of PET resin used in each bottle and has impacted the demand for pX, PTA and PET resin.

If the legislation or regulations described above were to be adopted and implemented on a large scale, or increased light weighting of bottles or substitution of PET resin as the primary packaging material were to occur, in each case in any of the major markets in which Alpek and/or its key PET customers operate, Alpek's PET customers' costs could increase and they may require changes to the packaging materials they use for their end use products. Such changes would reduce the demand for PET resin, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to Sigma

The food industry is highly competitive, and Sigma may lose market share to competitors which offer similar or substitute products or which have more efficient manufacturing processes.

The food industry is highly competitive and is not subject to regulatory entry barriers. Increased competition could reduce Sigma's net sales due to loss of market share or the need to reduce prices to respond to competitive pressures. Competitive pressures may also restrict Sigma's ability to increase prices, including in response to commodity and other cost increases. Our profits could decrease if reduced prices or increased costs are not offset with increased sales volumes.

Sigma competes in Mexico with other major national producers such as Qualtia, Bafar, Lala and Esmeralda, as well as with foreign producers such as Danone. In the United States, Sigma competes against Gwaltney, Land O'Frost, Eckrich and Foster Farms in the value brand segment of the packaged meats market. Sigma also competes with local producers who have production costs that are significantly lower than Sigma's costs. To varying degrees, Sigma's competitors may have strengths in particular product lines and regions as well as greater financial or technological resources. Sigma's yogurt products, in particular, are highly sensitive to price competition and product substitution. We expect that Sigma will continue to face strong competition in all of its markets and anticipate that existing or new competitors may broaden their product lines and extend their geographic scope. Sigma's competitors may improve their competitive position by introducing new products, improving efficiency using technology, improving manufacturing processes or expanding the capacity of manufacturing facilities. If Sigma is unable to keep pace with its competitors' product and manufacturing process initiatives, our results of operations and financial condition could be materially adversely affected.

Loss of one or more significant customers could negatively affect Sigma's net sales and overall financial performance.

Sigma's largest customer, Wal-Mart de México accounted for approximately 12% of Sigma's consolidated net sales for the year ended December 31, 2013, and Sigma's top 10 customers, together, accounted for approximately 29% of its consolidated net sales for the year ended December 31, 2013. The loss of Wal-Mart de México or any other significant customer could negatively impact Sigma's net sales and profitability. Sigma does not generally enter into sales agreements with its customers, and where such agreements exist, they are generally terminable at will by the customer. Because Sigma's profitability depends on its maintenance of a high capacity utilization rate, the loss of all or a substantial portion of the sales volume related to a significant customer would have an adverse effect. If any of Sigma's significant customers face financial difficulties or come to prefer any of Sigma's competitors, Sigma's results and/or its ability to collect accounts receivable could also be adversely affected. In addition, the consolidation of Sigma's customer base could reduce its net sales and profitability, particularly if one of its significant customers is acquired by a company that has a relationship with one of its competitors.

Sigma relies on its customers which are retailers; and if they perform poorly or give preference to products of our competitors, our financial performance could be negatively affected.

Sigma derives almost all of its operating revenues in Mexico from sales to retailers. Sigma sells its products to modern retailers, such as supermarkets and hypermarkets, and to traditional retailers, such as small family-owned stores. These retailers, in turn, sell Sigma's products to end consumers. In 2012, net sales from customers in Sigma's modern and traditional retailers accounted for 39% and 61%, respectively, of Sigma's total net sales in Mexico. Any significant deterioration in the sales performance of Sigma's customers could adversely affect the performance of Sigma's products. Sigma's retail customers also carry products that directly compete with Sigma's products for retail space and consumer purchases. There is a risk that Sigma's retail customers may give higher priority to the products of, or form alliances with, our competitors or their own private labels, including providing priority shelf space. If Sigma's retail customers fail to purchase Sigma's products, or provide Sigma's products with promotional support, our financial performance and results of operations could be adversely affected.

Loss of the reputation of Sigma's brands could have a material adverse effect on our business.

Approximately 89% and 88% of Sigma's net sales for 2012 and 2013, respectively, were derived from sales of products under brands that we own. Sigma's brand names are a key asset of our business. Maintaining the reputation of Sigma's brands is essential to our future success. Loss of reputation could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be able to maintain the value of our brands.

Changes in consumer preferences could affect Sigma's financial performance.

Consumer preferences change over time and the success of Sigma's products depends on our ability to identify the evolving tastes and dietary habits of consumers and to offer products that appeal to these tastes and habits. The introduction of new products and product extensions requires significant research and development as well as marketing initiatives. If our new products fail to meet consumers' preferences, then the return on our investment will be less than anticipated and Sigma's strategy to grow net sales and profits may not be successful.

The loss of rights granted pursuant to any of Sigma's franchise or distribution agreements could harm our business and competitive position.

Through Sigma's franchise agreements with Sodima, Sigma has the exclusive right to manufacture, market and distribute Yoplait® products in Mexico, Central America, the Dominican Republic and Haiti. Sigma also has the rights to use Sodima's production and manufacturing processes and to receive technical assistance from Sodima. In exchange for these rights, Sigma has agreed to refrain from selling identical or substantially similar products to certain of the Yoplait® products.

Because of the nature of franchising and Sigma's agreements with Sodima, our success in the yogurt industry is, to a large extent, directly related to the success of Yoplait® products that Sigma distributes. In Mexico, if we fail to maintain the Yoplait® brand as one of the top three brands in the Mexican yogurt market, Sodima could grant rights to sell and distribute its products in Mexico to another party or parties, despite Sigma's existing Mexican franchise agreement, in which case Sigma would cease to be the sole distributor of Yoplait® products in Mexico. We cannot assure you that the Yoplait® brand will be able to compete effectively with other brands in the yogurt market, and any failure of the Yoplait® brand to compete effectively would likely have a material adverse effect on our financial performance.

Sigma's franchise agreement with Sodima with respect to Mexico became effective on July 1, 2012 for a period of thirteen years, unless the agreement is terminated by either party prior to December 31, 2014, in which case, the agreement will terminate after an additional 24-month period. We cannot assure you that this franchise agreement will not be terminated before December 31, 2014, and any termination of this franchise agreement could adversely affect our business, financial performance and results of operations. In the event Sodima terminates this franchise agreement, Sigma will seek to develop alternative arrangements to source and provide yogurt products to our customers. We cannot assure you that Sigma will be able to successfully develop any such alternative products or that such products will achieve market acceptance, in which case our business and financial performance may be adversely affected.

Sigma has entered into distribution agreements with (i) Oscar Mayer Foods, a division of Kraft Foods, which grants Sigma the exclusive right to distribute certain Oscar Mayer® products in Mexico, Costa Rica, Honduras and El Salvador and (ii) Kraft Foods de Mexico, which grants Sigma the exclusive right to sell and distribute Kraft's Philadelphia® cream cheese within certain markets in Mexico. In addition, these agreements contain covenants restricting Sigma's ability to produce similar products to those covered under these agreements, or to use the Oscar Mayer® or Philadelphia® brands in an unauthorized manner. The distribution agreement with Oscar Mayer® will terminate on October 31, 2017. The distribution agreement with Kraft Foods de Mexico is in the process of being renewed. Both of these distribution agreements allow for early termination. Although we have no reason to believe that these agreements will not be renewed, we cannot provide any assurances that such renewals will occur timely or at all, and the failure to renew any such agreement could have a material adverse impact on our business and results of operation. Failure to comply with these provisions could result in an immediate termination of our agreements and exclusive relationship.

Disruption of Sigma's supply chain could adversely affect its operations.

Sigma's operations depend on the continuous operation of its supply chain. Damage or disruption to its manufacturing or distribution capabilities due to weather, natural disaster, fire, electricity shortages, terrorism, social or politically motivated protests, pandemics, strikes, the financial and/or operational instability of key suppliers, distributors, warehousing and transportation providers, or other reasons could impair its ability to manufacture or distribute its products.

Sigma's operations are vulnerable to power shortages that generally affect enterprises located in Mexico, Central America, the Dominican Republic and Peru. If the cities in which Sigma has operations are affected by power outages or must ration power, Sigma's production volumes would decrease, its production could be delayed and its financial performance may be adversely affected. We cannot assure you that power shortages will not affect Sigma in the future. In addition, increases in electricity costs may adversely affect Sigma's profitability. We cannot assure you that Sigma's electricity costs will not rise significantly or that Sigma will be able to pass any such costs to its customers.

To the extent that we are unable, or it is not financially feasible, to mitigate interruptions in Sigma's supply chain or their potential consequences, there could be an adverse effect on our business and results of operations, and additional resources could be required to restore Sigma's supply chain.

Increases in commodity costs may have a negative impact on profits.

Sigma uses many different commodities including, among others, pork, poultry, fluid and dry milk, natural gas and motor fuel. Commodities are subject to price volatility caused by, among other things, commodity market fluctuations, supply and demand, currency fluctuations, and changes in governmental agricultural programs. Commodity price increases will result in increases in raw material costs and operating costs. Sigma may not be able to increase its product prices and achieve cost savings that fully offset these increased costs; and increasing prices may result in reduced sales volume and profitability.

The prices of Sigma's raw materials normally fluctuate due to market conditions. We cannot assure you that these fluctuations will not have an adverse effect on our financial performance or that Sigma will be able to pass along the effect of increased costs to its customers.

Sigma's operations could be adversely affected if its suppliers fail to perform in a satisfactory manner.

Sigma depends on the availability of raw materials, including, among others, pork, poultry, and fluid and dry milk, for the production of its products. If its major suppliers are unable or unwilling to continue providing Sigma with raw materials for any reason, including due to production delays or increased competition for their products, Sigma may face delays in obtaining alternate suppliers, and such suppliers may be unwilling to supply Sigma's raw material needs on terms as favorable as those provided by its current suppliers. Any such event could result in delays in operations and diminished financial results.

Health and product liability risks related to the food industry could adversely affect our business, results of operation and financial condition.

Sigma is subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of product recalls. In addition, in the past, Sigma has voluntarily recalled products because of their failure to meet our quality standards. Any actual or perceived health risks associated with Sigma's products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of Sigma's products. Even if Sigma's own products are not affected by contamination, Sigma's industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for Sigma's products in the affected category. Sigma maintains systems designed to monitor food safety risks throughout all stages of the production process. However, Sigma's systems and internal policies may not be fully effective in mitigating risks related to food safety. Any product contamination or other condition negatively affecting Sigma's products could have a material adverse impact on our business, financial condition and results of operations.

Changes in health-related regulations could have a negative impact on our business.

Sigma's operations in Mexico are subject to extensive laws, rules, regulations and standards of hygiene and quality regulation and oversight by designated authorities such as the Ministry of Health (*Secretaría de Salud*), the Ministry of Agriculture, Farming, Rural Growth, Fish and Food (*Secretaría de Agricultura*, *Ganadería*, *Desarrollo Rural*, *Pesca y Alimentación*) and the Ministry of the Economy (*Secretaría de Economía*) and other state and municipal authorities in Mexico and foreign authorities regarding the processing, packaging, labeling, storage, distribution and advertising of our products.

Sigma's U.S. food products and packaging materials are regulated by the U.S. Food and Drug Administration or, for products containing meat or poultry, the Food Safety and Inspection Service of the U.S. Department of Agriculture. These agencies enact and enforce regulations relating to the manufacturing, distribution and labeling of food products. In addition, various states regulate our U.S. operations by licensing plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of dairy products and imposing their own labeling requirements on food products.

Sigma's operations in countries other than Mexico and the United States are subject to comparable hygiene and quality local laws and regulations.

Government policies in Mexico, the United States and our other markets, varying interpretations of applicable laws and regulations and the enactment of new laws and regulations may adversely affect the supply of, demand for and prices of Sigma's products, restrict Sigma's ability to do business in existing and target local and export markets and could adversely affect our results of operations and financial condition. In addition, if Sigma is required to comply with future material changes in food safety regulations, Sigma could be subject to material increases in operating costs and also be required to implement regulatory changes on schedules that cannot be met without interruptions in its operations. Increased governmental regulation of the food industry, such as proposed requirements designed to enhance food safety or to regulate imported ingredients, could increase our costs and adversely affect our profitability.

Sigma's business may be negatively affected by trade barriers.

Sigma imports from the United States a significant amount of its raw materials, principally poultry, for the production of its processed meat products. Events that affect international trade may restrict Sigma's ability to import poultry and other livestock products from the United States or any other country and could result in its inability to obtain sufficient raw materials for the production of our products. In the past, Sigma's international operations have been affected by various factors, including trade disputes and security concerns. For example, in the past, the Mexican government has imposed import restrictions on poultry from the United States due to concerns about the H5N1 virus (avian flu).

The imposition of price controls or additional taxes on the products that Sigma makes could have an impact on its business.

The sale prices of Sigma's products are not currently subject to any government regulation and are mainly determined through demand and supply in Sigma's markets, which allows Sigma to modify the prices of its products according to its own strategic decisions. However, such price controls have existed in the past, from time to time, in Mexico and could be imposed in the future. For example, a tax reform that imposes an additional tax on high calorie foods and beverages was approved by the Mexican legislature in the fourth quarter of 2013 and was implemented as of January 1, 2014. This tax could result in an increase in the prices of Sigma's products and could have an adverse effect on the demand for the products Sigma manufactures. Additionally, we cannot assure you that the governments of other countries in which Sigma operates will not impose similar price control mechanisms in the future. The imposition of price controls or additional taxes on the products that Sigma sells could have an adverse impact on its sales, which could have a negative effect on our results of operations and financial condition.

Health epidemics and other outbreaks in Mexico may affect our business and results of operations.

Sigma's business could be adversely affected by health epidemics and other outbreaks, including any future outbreaks of the AH7N3 virus (avian flu). During the end of 2012 and the beginning of 2013, an outbreak of avian flu occurred in Mexico affecting the prices of products produced in Mexico and other countries, including Sigma's products. Any prolonged occurrence or recurrence of avian flu, severe acute respiratory syndrome (SARS) or the H1N1 virus or other adverse public health developments in Mexico could result in an adverse effect on the Mexican economy or discourage consumers from purchasing Sigma's products, which may have a material adverse effect on our business, financial condition and results of operations. In addition, Sigma's operations may be impacted by a number of health-related factors, including, among others, quarantines or closures of Sigma's facilities and developments which could disrupt Sigma's operations or cause a general slowdown in the Mexican economy. Any of the foregoing events or other public health problems could adversely affect our business and results of operations.

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

Sigma's operations in Mexico and its other markets are subject to applicable federal, state and municipal laws, regulations and official standards (*normas oficiales mexicanas*) relating to the protection of the environment and natural resources.

In Mexico, the primary applicable environmental laws are the Mexican General Law of Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente y sus reglamentos*) and its regulations, the National Water Law and its regulations (*Ley de Aguas Nacionales y su reglamento*), and the General Law for the Prevention and Integral Management of Wastes (*Ley General para la Prevención y Gestión Integral de los Residuos y su reglamento*, or the "Ecological Law") and its regulations. The Ministry of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, or "SEMARNAT") oversees compliance with the federal environmental laws through the Attorney General for Environmental Protection (*Procuraduría Federal de Protección al Ambiente*, or "PROFEPA"), which has the authority to enforce federal environmental laws. As part of its enforcement powers, PROFEPA is empowered to bring administrative and criminal proceedings against companies that violate environmental laws and also has the power to close non-complying facilities.

In the United States, Sigma is subject to federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and Superfund. Any violation of these laws by Sigma or its subsidiaries may result in joint and several liabilities. Sigma has specific programs across its business units designed to meet applicable environmental compliance requirements. However, we cannot quantify with certainty the potential impact of future compliance efforts and environmental remediation actions.

We cannot assure you that amendments of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations in the jurisdictions in which Sigma operates will not result in the need for investments that are not currently provided for in our capital expenditures program or will not otherwise result in a material adverse effect on our business, results of operations or financial condition.

Risks Relating to Nemak

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

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

Lower production levels by Nemak's major customers, particularly with respect to series of vehicle models for which Nemak is a significant supplier, could adversely affect its financial condition, reduce its sales and harm its profitability.

Nemak is dependent on a limited number of clients, and the financial distress of its main customers and/or main suppliers could adversely affect our financial condition, operating results and cash flows.

Nemak's business is exposed to risks related to the financial condition of its customers. Seven global parent groups (GM, Ford, Chrysler, Volkswagen Group, BMW, Hyundai and Renault-Nissan) were responsible for 93% of Nemak's equivalent volume in 2013. A loss of order volumes from, or a loss of market share by, any of these major customers could harm Nemak's business, financial condition and results of operations.

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

Any changes in consumer credit availability or cost of borrowing could adversely affect Nemak's business.

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

Nemak bears production risk from its customers' unpredictable production schedules.

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

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

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

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

High raw material costs could continue to have an adverse impact on Nemak's profitability.

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

A disruption of Nemak's aluminum or energy supply could adversely affect our operating results.

Nemak is dependent on a reliable supply of aluminum and other raw materials, energy and components. Nemak's business may be subject to periodic delays in the delivery of these materials, energy and components. Aluminum alloy constitutes a substantial portion of Nemak's cost of goods sold. In some jurisdictions, such as the United States and Brazil, Nemak obtains a significant portion of its aluminum alloy requirements from a single source and is therefore particularly vulnerable to delays or disruption from its source. In addition, the proximity of aluminum suppliers to Nemak's operations is an important element in reducing transportation costs and maintaining cost-effectiveness of supply, which limits Nemak's ability to find economically viable supply substitutes. Also, Nemak is not immune to the consequences that price fluctuations for natural gas could have on production costs, as has occurred in recent years.

Failure by Nemak's suppliers to continue to supply it with materials, energy and component parts on commercially reasonable terms, or at all, could result in a disruption of its aluminum or energy supply, which could adversely affect our operating results.

If the use of aluminum engine blocks does not continue to increase, Nemak may not achieve anticipated future growth.

Nemak's business growth depends in part on the continued use of aluminum as a substitute for iron in engine blocks. One or more other metals or elements, or combinations of these, may emerge as an alternative to aluminum in the production of these components. The emergence of an alternative to aluminum or the emergence of economically viable alternatives to the internal combustion engine, such as electric or hydrogen powered vehicles, could adversely impact Nemak's future growth.

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

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

If a product liability claim is successful, Nemak's insurance may not be adequate to cover all of the liabilities that it may incur, and Nemak may not be able to continue to maintain such insurance, or obtain comparable insurance at a reasonable cost, if at all. With respect to components manufactured by third-party suppliers, the contractual indemnification that Nemak seeks from our third-party suppliers may be limited and thus insufficient to cover claims made against us. If Nemak does not have adequate insurance or contractual indemnification available to it, product liability claims relating to defective products could have a material adverse effect on its ability to successfully sell its products and on its business, financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any claim that the products Nemak sells caused illness or injury could have a material adverse effect on its reputation, business and results of operations.

Nemak does not receive binding purchase commitments from its customers, and Nemak may be adversely affected if customers terminate programs or cancel purchase orders.

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

The prices that Nemak charges its customers are typically predetermined, and Nemak bears the risk of costs in excess of estimates.

Nemak sells its products at prices set several years before it manufactures the component, subject to adjustment for fluctuations in the price of aluminum. In many cases, component prices decline over the term of the contract in anticipation of expected increases in efficiency. If Nemak does not achieve these efficiencies, its overall profitability could be adversely affected.

Nemak's costs in fulfilling these contracts may vary substantially from its initial estimates. Under Nemak's arrangements with its customers, Nemak may only increase agreed upon prices under specific circumstances. Increases in interest rates, labor costs, energy prices, and costs relating to unexpected tooling design or production difficulties may not be passed through to the customer. Cost overruns that Nemak cannot pass through to its customers could adversely affect its operating results.

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

Nemak competes to obtain and retain supply arrangements for new and redesigned vehicle models and is affected by the success of those models.

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

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

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

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

In addition, internal production is a viable alternative to outsourcing for OEMs and OEMs might not continue to outsource the production of cylinder heads, engine blocks, and other engine components to Nemak. In particular, the unions representing the workforce of an OEM may object to its proposed outsourcing, and the OEM may need to reach an agreement with the unions before outsourcing can occur. Even if OEMs decide to outsource, they may elect to spin off particular foundry operations and use the supplier resulting from the spin-off. In these cases, we would not enjoy the benefit of the outsourced volume.

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

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

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

We cannot assure you that Nemak will be able to install and certify the equipment needed for its new product programs in a timely manner or that the transitioning of its manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at its facilities. Development and manufacturing schedules are difficult to predict, and we cannot assure you that Nemak's customers will execute the launch of their new product programs on schedule. Nemak's failure to successfully launch new products, or a failure by its customers to successfully launch new programs, could adversely affect its business, financial condition and results of operations.

Nemak's liquidity and financial results may suffer if it is required to replace its agreements and fails to do so in a timely manner or at all.

Nemak is party to various agreements with several financial institutions, pursuant to which it sells and assigns its accounts receivable from some of its subsidiaries from sales to certain customers in the United States, Mexico and certain European countries. Nemak currently relies on these agreements to finance a portion of its working capital and obtain liquidity. There is no guarantee that Nemak would be able to replace these bilateral facilities in a timely manner, or at all, or that it could do so on the same economic terms. Failure to do so could have a material adverse effect on its liquidity and results of operations.

Risks Relating to Alestra

Telmex dominates the telecommunications market in Mexico, and Alestra depends on Telmex to offer its own services.

Telmex exerts significant influence on all aspects of the telecommunications market in Mexico, including interconnection, on which Alestra depends to service most of its customers. Telmex is well capitalized and has substantially greater financial, technical and marketing resources, larger customer bases and more established relationships in the telecommunications industry than does Alestra. With these advantages, and as the dominant provider of telecommunications services in Mexico, Telmex has a significant competitive advantage over Alestra. If Telmex were to engage in price squeezing or predatory pricing, Alestra would be unable to competitively price its services and could experience significant loss in market share and revenues.

Because Alestra uses Telmex's networks to provide services to the vast majority of its own customers, Alestra is therefore dependent upon Telmex to meet certain telecommunications needs of its customers and to maintain its service standards. In addition, because Telmex is the dominant provider of local services, almost all of Alestra’s customers also maintain an ongoing relationship with Telmex. Alestra may not be able to obtain the services it requires from Telmex at rates, and on terms and conditions, that permit it to offer services at rates that are both profitable and competitive, or even at the same quality or price that Telmex or its subsidiary enterprises offer themselves. In the past, Alestra has experienced difficulties in obtaining high quality, reliable and reasonably priced services from Telmex.

As a result of a high level of competition and an oversupply of fiber optic capacity, the average price of Alestra’s long distance services and private lines has declined significantly, and may continue to decline, further reducing its revenues.

Alestra’s domestic and international long distance services accounted for 16.1% of its revenues in 2013 and 18.2% of its revenues in 2012. Since there is an oversupply of fiber optic capacity, Alestra’s competitors can increase their long distance traffic volumes without incurring any significant costs other than those related to the acquisition of customers. If Alestra’s competitors continue to attempt to increase market share by reducing the price they charge for long distance calls, we expect that Alestra’s revenues will continue to decrease as its customers switch to Alestra’s competitors, or as Alestra is forced to reduce its rates to remain competitive. Alestra’s revenues from long distance services may continue to decline as a result of severe competition and the oversupply of fiber optic capacity.

Charges for private lines services rendered to governmental entities have been substantially reduced by other telecommunication companies due to an increase in competition. As a result, Alestra reduced its prices for such services, resulting in a decrease in revenues from these services. If this practice continues, Alestra’s revenues may decrease further if governmental entities switch to competitors or if Alestra further reduces its prices for such services.

Alestra’s ability to generate positive cash flow will depend on its ability to successfully compete in the IT, local, data and internet services market in Mexico.

As a result of its decreasing revenues from long distance services, Alestra has been refocusing its resources and marketing efforts on capturing future growth in IT, local, data and internet related services in Mexico. This strategy possesses many risks, including but not limited to:

- the continuous, rapid and significant changes in technology and new products in the IT, data and internet services market, and Alestra’s inability to access alternative technology;
- the high level of capital expenditures required to provide IT, data and internet services to business customers and to keep abreast of technological changes;
- the highly competitive nature of the IT, data and internet services market;

- the superior competitive position of some of Alestra's competitors, including Telmex, which is the dominant provider of telecommunications services in Mexico and which may be better positioned to offer business clients, Alestra's primary target market, bundled data and voice services at lower prices;
- the limited flexibility of the telecommunications regulatory framework to address technological change;
- new competition from cable TV and terrestrial microwave TV providers, who provide data voice services and internet broadband services to the Mexican public; and
- the development of wireless technologies in Mexico, which could allow Alestra's competitors to capture even more of the broadband services market and more spectrum, should the regulator decide to auction available frequencies without certain limitations to those who already have spectrum.

Competition in the IT, data and internet services market has significantly increased as Alestra's competitors, including Telmex and Axtel among others, have also faced decreasing margins from voice services and have shifted their focus to IT, data and internet services. If Alestra is unsuccessful in its strategy of focusing on the IT, data and internet services market in Mexico, and is unable to obtain the benefits of these higher-margin businesses, its results of operations and financial condition would be adversely impacted.

As a result of technological advances, regulatory changes and the lack of enforcement of regulations, Alestra is facing additional competition from new market participants, which may result in lower prices for its services, lower margins, and/or a loss of market share.

As a result of technological advances and regulatory changes, cable network operators entered the Mexican telecommunications market with bundled and convergent services, increasing the level of competition. Several cable network providers have amended their concessions to offer telephone services. In addition, since the SCT has not been able to enforce regulations to stop the illegal provision of telecommunication services by entities without concessions, several international telecommunication providers target the Mexican market to illegally offer telecommunication services.

The Mexican telecommunications market is already a highly concentrated market characterized by declining prices and reduced margins, and if new market participants were to enter the market, it could result in price wars as Telmex, the current de facto significant market power player, would attempt to maintain its dominant market position. If there are further declines in the price of telecommunication services in Mexico, Alestra will be forced to competitively react to those price declines by lowering its margins, or it would risk losing additional market share, which would adversely affect its business, financial condition and results of operations.

Alestra has not been able to reach an agreement with Telmex regarding interconnection rates for 2008, 2010, 2011, 2012, 2013 and 2014, and Telmex has disputed the Cofetel resolutions on such rates.

Alestra has not yet reached an agreement with Telmex regarding interconnection rates for 2008, 2010, 2011, 2012, 2013 and 2014. Although the former Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or "Cofetel"), recently replaced by the Constitutional autonomous independent entity called Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones* "Ifetel"), has issued resolutions regarding the rates to be applied between 2008 and 2012, Telmex has disputed all the resolutions. As of December 31, 2013, the amount under dispute was Ps. 604.0 million, of which Ps. 124.0 million has been deposited in an escrow account with a Mexican trustee and is expressed in our consolidated financial statements as restricted cash. Ps. 51.1 million of the total provision has been paid to Telmex and Ps. 428.9 million has been objected to and retained by Alestra, as established in the agreements executed among the parties. In March 2013, the 13th Federal Tribunal (*Décimo Tercer Tribunal Colegiado de Circuito*) announced its final judgment with regards to the 2009 rates dispute against Telmex, by which, among others, the interconnection rates issued by Cofetel were confirmed resulting in a favorable judgment for Alestra. In April 2013, Alestra received the official legal notification of the ruling and therefore Alestra has requested the refund of the deposited amount corresponding to the dispute regarding 2009 interconnection rates, along with its corresponding interest. We believe that this ruling will enhance the outcome of all other interconnection disputes.

A significant portion of Alestra's business comes from one customer.

Although Alestra no longer provides AT&T Global Services as a result of the AT&T Transactions on October 1, 2011, Alestra executed commercial agreements with AGNS México pursuant to which Alestra provides AGNS México certain telecommunication services in order to allow AGNS México to provide AT&T Global Services directly to its customers in Mexico. Revenues from these commercial agreements have, and are expected to continue to, partially offset the loss of revenues from AT&T Global Services. 12% of Alestra's total revenue for 2013 was attributable to revenue from AT&T pursuant to such agreements. The revenue from these agreements could decline in the future as prices decrease, and to the extent that AT&T migrates such services to other networks. In the event that AT&T reduces or terminates its purchases from Alestra under these commercial agreements, as permitted under such agreements, Alestra's revenue, financial condition and results of operations could be adversely affected.

Alestra's public telecommunications network concession and its wireless concessions are subject to revocation in several circumstances, and the Mexican federal government may expropriate or temporarily seize Alestra's concessions.

The Federal Telecommunications Law (*Ley Federal de Telecomunicaciones*) and other applicable laws provide that each of Alestra's concessions will terminate upon certain circumstances, including, without limitation, (i) revocation, (ii) governmental taking, (iii) expiration of the term of the concession, (iv) liquidation or bankruptcy or (v) relinquishment. If Alestra is unable to operate under its concessions, it will not be able to generate any revenues with respect to such concessions or operate its business.

Moreover, the Mexican federal government could expropriate or temporarily seize Alestra's telecommunications public network concession or wireless concessions, or all or a portion of Alestra's assets related to its telecommunications public network concession or wireless concessions, in the event of a natural disaster, war, significant public disturbance or threats to internal peace and for other reasons related to preserving public order and the national economy.

If the Mexican federal government were to expropriate or temporarily seize Alestra's assets, it would have to indemnify Alestra for all direct losses and damages. Applicable law is relatively ambiguous in respect of the causes for expropriation or temporary seizure, and there is uncertainty in respect of the amount and timing of the applicable compensation. An expropriation or temporary seizure of Alestra's concessions would have a material adverse effect on its business, financial condition and results of operations, and may result in its inability to continue to operate its business.

We cannot assure you that Alestra will be able to renew its wireless and public telecommunications network concessions on terms as favorable as those currently in effect or at all.

Alestra currently holds eight wireless concessions (six directly held by Alestra and two held by GTel) and two public telecommunications network concessions from the Mexican federal government. Alestra's and GTel's point-to-point and point-to-multipoint wireless concessions will terminate in 2018 and 2020, respectively, and Alestra's public telecommunications network concessions will terminate in 2025. Although the term of Alestra's public telecommunications network concessions may be extended for a period equivalent to the initial 30-year term for which it was originally granted, we cannot assure you that such concession could be renewed on terms as favorable as those currently in effect. Although Alestra has applied to extend the terms of its wireless concession with Ifetel, we cannot assure you whether Ifetel will extend the terms of Alestra's wireless concessions or if Ifetel will award the wireless concessions through a new bidding process. In either case, we cannot guarantee that such concessions could be renewed or that new concessions could be obtained by Alestra on terms as favorable as those currently in effect.

If Alestra is not able to renew or obtain new wireless concessions, it will need to substitute the radio links with other facilities of its own or lease from other carriers to provide last mile access to its customers, which would have a material adverse effect on its business, financial condition and results of operations.

Risks Relating to Newpek

Crude oil, NGL and natural gas prices are highly volatile, and a price decline in such products may adversely affect Newpek's prospects, business, financial condition and results of operations.

Newpek's sales, return on investment, cash flow and future growth are all significantly dependent on crude oil, NGL and natural gas prices. Prices for these products may fluctuate considerably in response to small changes in the supply and demand balance of such products, as well as to market uncertainty and a wide variety of factors that are beyond Newpek's control, such as:

- local and worldwide supply and demand of crude oil, NGL and natural gas;
- storage levels in Cushing, Oklahoma, the reference market for WTI crude oil price;
- natural gas storage levels in the United States;
- weather conditions;
- political and economic conditions locally and worldwide;
- actions by OPEP and national companies related to crude oil price and production control;
- NGL imports/exports by the United States;
- new technology developments that affect energy consumption and energy supply;
- local and international industry regulations;
- impact of energy conservation efforts;
- proximity, capacity, cost and availability of pipelines and other infrastructure necessary for product transportation;
- price and availability of alternative fuels; and
- environment and climate change regulations.

Newpek adopts price forecasts in order to plan and project its cash flows. If crude oil and natural gas prices reach and sustain lower levels compared to those in its forecasts, Newpek's financial results could be adversely affected, particularly given that a significant portion of Newpek's expenses are fixed in nature and cannot be quickly adjusted to offset unanticipated crude oil and natural gas prices decreases.

Extended periods of low prices can also affect the decision to drill wells that may become uneconomical at certain price levels and thus reduce expected crude oil, NGL and natural gas production. A drop in production may result in a deficit in the expected cash flow and could require investment reductions or the incurrence of debt. Any of these factors could negatively impact Newpek's ability to replace lost production and its future growth rate.

An increase in operating and capital costs could materially adversely affect Newpek's cash flows, results of operations and financial condition, as well as its ability to complete planned development activities.

Historically, Newpek's operating and capital costs have risen when crude oil, NGL and natural gas prices have risen. This is due to factors that are beyond Newpek's control, such as increases in electricity costs, steel and other raw materials that Newpek and its suppliers depend on. Manpower and services costs also increase when drilling activities and taxes increase. Recently, incremental drilling activity in the oil and gas industry has caused a rise in material, spare parts and drilling equipment costs. These costs may rise faster than Newpek's revenue and therefore could materially adversely affect Newpek's return on investment, planned development activities, cash flow, results of operation and financial condition.

Newpek's development and exploratory drilling may not be successful, which could materially adversely affect its business, financial condition and results of operations.

Drilling operations involve various risks, including the risk that the reserves of crude oil and natural gas of a drilled well are not commercially viable or do not result in the expected volumes. Drilling, well completion and well operation costs are generally uncertain and operations may be delayed, postponed, cancelled or more expensive as a result of many factors, including:

- unexpected drilling conditions;
- formation irregularities or unexpected pressures;
- failure or accidents in any equipment;
- accidents or failure in the stimulation processes during fracking;
- adverse weather conditions;
- restricted access to drill or install pipelines and infrastructure in fields; and
- access to, cost and availability of, equipment, services and personnel required to complete drilling and well operations.

As a result, Newpek's exploration or development drilling may not be successful, which could materially adversely affect Newpek's business, results of operation and financial condition.

A decline in the price of crude oil, NGL or natural gas may decrease the estimated value of Newpek's proved reserves, which could have a material adverse effect on its results of operations.

A decrease in crude oil, NGL or natural gas prices may cause Newpek to substantially lower the estimated value of its proved reserves in the United States. Newpek is required to subject its assets to an impairment test when it believes that the value of proved reserves may no longer be recovered. If an impairment test indicates a decrease in the useful life or future cash flow of proved reserves, the value of such reserves may no longer be recovered and an adjustment could be necessary to reflect new market values. Any negative adjustment to the value of future proved reserves could have a material adverse effect on Newpek's results of operations.

A change in 2P (proved plus probable) reserves in the contractual areas (*areas contractuales*) under CIEPs contracts in Mexico will change Newpek's minimum capital expenditure obligation. Newpek's CIEP contracts with PEP establish a formula where the contractor must guarantee a minimum investment per year dependent on the 2P reserves of the contractual area. As a result, an upward change in 2P reserves will result in an increase in Newpek's minimum capital expenditure obligation and could impact Newpek's planned development activities.

Newpek periodically evaluates its non-proved oil and gas properties and could be required to recognize non-cash expenses if estimated reserves are determined insufficient to cover its investment.

Newpek periodically evaluates the costs related to its non-proved oil and gas properties on a project by project basis. These evaluations are influenced by the results of exploratory activities, expected commodity prices, expected expirations of Newpek's leasing contracts and the timing of Newpek obtaining contracts and permits related to projects. If the potential reserves determined by these types of evaluations are not sufficient to recover all of the expenses incurred in each project, Newpek will recognize such expenses as non-cash items. Such expenses could be significant and could have a material adverse effect on Newpek's results of operations.

Newpek may not be able to obtain access on commercially reasonable terms, or at all, to pipelines and storage facilities, gas gathering systems and other transportation, processing, fractionation and refining facilities to market its oil, NGL and gas production.

The marketing of oil, NGL and gas production depends significantly on the availability, proximity and capacity of pipelines and storage facilities, gas gathering systems and other transportation, processing, fractionation and refining facilities, as well as the existence of adequate markets. If there is insufficient capacity available in these systems, if these systems become unavailable to Newpek, or if access to these systems becomes commercially unreasonable, the price offered for Newpek's production could decrease significantly or Newpek could be forced to shut down production or delay or discontinue drilling plans and commercial production while it constructs its own facilities or awaits the availability of third party facilities. Newpek's plans to develop and sell oil and gas could be materially and adversely affected by the inability or unwillingness of third parties to provide sufficient transportation, storage or processing and fractionation facilities to Newpek, particularly in areas of planned expansion where such facilities do not currently exist.

To the extent that Newpek enters into transportation contracts with gas pipelines that are subject to FERC regulation, Newpek is subject to FERC requirements related to the use of such capacity. Any failure on Newpek's part to comply with FERC's regulations and policies or with an interstate pipeline's tariff could result in the imposition of civil and criminal penalties.

The refining industry may be unable to absorb rising U.S. oil and condensate production and, in such a case, the resulting surplus could depress prices.

Under United States law and regulations, the export of oil and certain condensates is restricted. Absent a change in this law or an expansion of United States refining capacity, rising production of oil and condensate could result in a surplus of these products, which could cause prices for these commodities to fall and markets to constrict. In such circumstances, the returns on Newpek's capital projects would decline, possibly to levels that would make the execution of Newpek's drilling plans uneconomical. A lack of market for Newpek's products could also require that Newpek shut down a portion of its production. If this were to occur, Newpek's production and cash flow could decrease, which could have a material adverse effect on Newpek's business, results of operation and financial condition.

The nature of Newpek's business and assets exposes Newpek to environmental and health and safety regulations and costs and liabilities related to environmental and health and operational safety.

The oil and gas business involves the production, handling, sale and disposal of environmentally sensitive materials and is subject to environmental hazards, such as oil spills, produced water spills, gas leaks, pipeline and vessel ruptures and unauthorized discharges of substances or gases, any of which could expose Newpek to substantial liability due to pollution and other environmental damage. Newpek owns, leases and/or operates properties that have been used for exploring oil and gas for many years and could be subject to costs and liabilities to the extent that hydrocarbons, hazardous substances and wastes have been or are disposed in such properties. Pollution and similar environmental risks generally are not fully insurable either because such insurance is not available or because of the high premium costs and deductibles associated with obtaining such insurance.

A variety of federal, state and local laws and regulations govern the environmental and health and safety aspects of the oil and gas business. Compliance with these laws and regulations may increase the cost of Newpek's operations and non-compliance with these laws and regulations may subject Newpek to administrative, civil or criminal penalties, remedial cleanups or other liabilities. Such laws and regulations may also affect the cost of any acquisitions.

Environmental and health and safety laws and regulations are subject to modification or substitution which may result in stricter laws. We cannot assure you that Newpek will be able to continue to comply with existing or future environmental laws and regulations. Such laws and regulations could also result in a decrease in production and/or processing activities or a substantial increase in production, development, exploration or treatment costs, any of which could have a material adverse effect on Newpek's results of operation and financial condition.

Production and free cash flow estimates from proved reserves are not precise and actual volume and free cash flow may be lower than Newpek's estimates.

Newpek develops short- and long-term forecasts of its expected production. These forecasts are used to plan future projects and project cash flows. There are numerous uncertainties in the estimates of production and free cash flow from Newpek's proved reserves. Such estimates are based on a variety of assumptions that could be inaccurate. Oil engineering is a subjective process used to estimate cumulative underground oil and gas volumes that cannot be measured precisely. The estimates of economically recoverable oil and gas reserves, as well as future net cash flows, depend on a series of factors, variables and assumptions, including the following:

- historic production of the wells and fields in areas where we have an interest compared with production in other producing areas;
- quality and quantity of available data;
- data interpretation;
- assumed effects of regulations of governmental agencies:
- assumptions of future commodities prices; and
- assumptions of future operating costs, labor liabilities, taxes, development costs, transportation costs and reconditioning and repair costs.

Because estimated proved reserves are, to an extent, subjective, each of the following may differ materially from the assumptions considered in the proved reserves estimate:

- oil and gas volumes that are finally recovered;
- incurred production costs to recover reserves;
- quantity and distribution of development expenses; and
- commodity prices.

Furthermore, different reserve engineers may make different estimates of proved reserves and cash flows based on the same available data. Newpek's actual production, revenues and expenditures with respect to proved reserves will likely be different from estimates, and the differences may be material.

The estimated discounted future net cash flows from proved reserves are based on average prices preceding the date of the estimate and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as:

- the amount and timing of actual production;
- levels of future capital spending;
- increases or decreases in the supply of or demand for oil, NGLs and gas; and
- changes in governmental regulations or taxation.

Newpek relies on a limited number of purchasers for a majority of its production.

A limited number of companies purchase a majority of Newpek's oil, NGLs and gas. The loss of a significant purchaser could have a material adverse effect on Newpek's ability to sell its production. In addition, to the extent that buyers depend on credit lines to finance their operations, there is a risk that buyers could stop paying their contractual obligations to Newpek if they cannot access credit lines for extended periods. If Newpek determines that there is a probability that some or all of its customer accounts are uncollectible, Newpek would be required to accrue an expense in the period of the probable loss, which could have a material adverse effect on its results of operations.

CIEP agreements may be terminated in certain circumstances by PEP without judicial intervention.

PEP is a descentralized agency of the Mexican government and, as such, without judicial intervention and under circumstances that are largely discretionary, may terminate CIEP agreements if certain conditions are met. If PEP were to determine that certain conditions allowing for termination have been met and therefore the CIEP agreements are terminable and PEP terminates such agreements, such termination would materially and adversely affect Newpek’s business, financial condition and results of operations.

Newpek's operations involve many operational risks, some of which could result in unforeseen interruptions to Newpek's operations and substantial losses for which Newpek may not be adequately insured.

Newpek's operations, including well stimulation and completion activities, such as hydraulic fracturing, are subject to all of the risks normally incident to the oil and gas development and production business, including:

- blowouts, cratering, explosions and fires;
- adverse weather effects;
- environmental hazards, such as gas leaks, oil spills, pipeline and vessel ruptures, encountering NORM and unauthorized discharges of toxic gases, brine, well stimulation and completion fluids or other pollutants into the surface and subsurface environment;
- high costs, shortages or delivery delays of equipment, labor or other services or water for hydraulic fracturing;
- facility or equipment malfunctions, failures or accidents;
- title problems;
- pipe or cement failures or casing collapses;
- compliance with environmental and other governmental requirements;
- lost or damaged oilfield workover and service tools;
- unusual or unexpected geological formations or pressure or irregularities in formations; and
- natural disasters.

Newpek's overall exposure to operational risks may increase as its drilling activity expands and as it seeks to directly provide drilling, fracture stimulation and other services internally. Any of these risks could result in substantial losses to Newpek due to injury or loss of life, damage to or destruction of wells, production facilities or other property, clean-up responsibilities, regulatory investigations and penalties and suspension of operations, all of which could have a material adverse effect on Newpek’s business, results of operation and financial condition.

Although Newpek has insurance for its operations in amounts and with deductibles that it considers appropriate, we cannot assure you that the insurance currently in place or other insurance that may be appropriate will be available in the future at commercially reasonable rates. In addition, in any particular instance, Newpek’s insurance coverage could prove to be insufficient or an accident or casualty could occur that either is not covered or becomes the subject of a dispute.

Newpek's operations involve utilizing what we believe to be some of the latest drilling and completion techniques as developed by it and its service providers which are subject to a number of risks.

Risks that Newpek faces while drilling horizontal wells include, among others, the following:

- landing the wellbore in the desired drilling zone;
- staying in the desired drilling zone while drilling horizontally through the formation;
- running casing the entire length of the wellbore; and

- the ability to run tools and other equipment consistently through the horizontal wellbore.

Risks that Newpek faces while completing wells include, among others, the following:

- the ability to fracture stimulate the planned number of stages;
- the ability to run tools the entire length of the wellbore during completion operations; and
- the ability to successfully clean out the wellbore after completion of the final fracture stimulation stage.

Drilling results in emerging areas are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. New discoveries and emerging formations have limited or no production history and, consequently, Newpek is more limited in assessing future drilling results in these areas. If the Newpek's drilling results are worse than anticipated as a result of any of the above factors, the return on investment for a particular project may not be as attractive as anticipated and Newpek may recognize non-cash impairment charges to reduce the carrying value of its unproved properties.

Newpek's expectations for future drilling activities will be realized over several years and are subject to uncertainties that could materially adversely affect the timing and results of such activities.

Newpek has identified drilling locations and prospects for future drilling opportunities, including development, exploratory and infill drilling activities. We believe these drilling locations and prospects represent a significant part of Newpek's future drilling plans. Newpek's ability to drill and develop these locations depends on a number of factors, including the availability of capital, seasonal conditions, regulatory approvals, negotiation of agreements with third parties, commodity prices, costs, access to and availability of equipment, services, resources and personnel and drilling results. Changes in the laws or regulations on which Newpek relies in planning and executing its drilling programs could adversely impact Newpek's ability to successfully complete those programs. For example, under current Texas laws and regulations Newpek may receive permits to drill, and may drill and complete, certain horizontal wells that traverse one or more units and/or leases. A change in those laws or regulations could adversely impact Newpek's ability to drill those wells. Because of these uncertainties, Newpek cannot give any assurance as to the timing of these activities or that they will ultimately result in the realization of proved reserves or meet Newpek's expectations. As such, Newpek's actual drilling activities may materially differ from Newpek's current expectations, which could have a material adverse effect on Newpek's business, financial condition and results of operations.

Certain tax deductions awarded by the United States government with respect to the exploration and development of oil and gas could be eliminated due to proposed changes in legislation.

In recent years, legislation has been proposed in the United States that would, if enacted into law, make significant changes to U.S. tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas companies. Such proposed tax legislation changes include, but are not limited to (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such change could have a material adverse effect on Newpek's cash flows, results of operations and financial condition.

A change in laws and regulations in Mexico could have a material adverse effect on Newpek's prospects, business, financial condition and results of operations.

Changes in the oil and gas industry in Mexico are expected once secondary laws are enacted in connection with the recently approved energy reform. Implementing legislation, the content and effects of which are still under consideration and largely unknown, has to be passed within four months from the effectiveness of the constitutional reform. Newpek may face difficulties and may incur significant costs to comply with such legislation, which could have an adverse effect on its prospects, business, financial condition and results of operations.

Climate change legislation and regulatory initiatives restricting emissions of greenhouse gases could result in increased operating costs and reduced demand for the oil, NGLs and gas that Newpek produces.

In 2009, the EPA officially published its findings that emissions of greenhouse gases ("GHGs") present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the Earth's atmosphere and other climatic changes. Based on these findings, the EPA adopted regulations under the CAA establishing Title V and PSD, permitting requirements for large sources of GHGs. Newpek could become subject to these permitting requirements and could be required to install "best available control technology" to limit emissions of GHGs from any new or significantly modified facilities that Newpek may seek to construct in the United States if such facilities would otherwise emit large volumes of GHGs. The EPA has also adopted rules requiring the reporting of GHG emissions on an annual basis from specified GHG emission sources in the United States, including certain oil and gas production facilities, which include certain of Newpek's facilities. While the U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of federal climate legislation in the United States, a number of state and regional efforts have emerged that are aimed at tracking or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If the U.S. Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on Newpek's operations. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would affect Newpek's business, any such future laws and regulations could require Newpek to incur increased operating costs, such as costs to purchase and operate emissions control systems, acquire emissions allowances or comply with new regulatory or reporting requirements, including the imposition of a carbon tax. Any such legislation or regulatory programs could also increase the cost to the consumer, and thereby reduce demand for oil and gas, which could reduce the demand for the oil and gas that Newpek produces. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have a material adverse effect on Newpek's business, financial condition and results of operations.

Laws and regulations related to threatened and endangered species may delay or restrict Newpek's operations and could result in additional expenses.

Various U.S. federal and state statutes prohibit certain actions that adversely affect endangered or threatened species and their habitats, migratory birds, wetlands and natural resources. These statutes include the ESA, the Migratory Bird Treaty Act, the CWA and CERCLA. The U.S. Fish and Wildlife Service may designate critical habitat and suitable habitat areas that it believes are necessary for survival of threatened or endangered species. A critical habitat or suitable habitat designation could result in further material restrictions to federal land use and private land use, and could delay or prohibit land access or oil and gas development. If any harm to a species or damage to wetlands, habitat or natural resources occurs or may occur, government entities or, at times, private parties, may act to prevent oil and gas exploration or development activities or seek damages for harm to species, habitat or natural resources resulting from drilling or construction or releases of oil, wastes, hazardous substances or other regulated materials and, in some cases, may seek criminal penalties. Moreover, as a result of a settlement approved by the U.S. District Court for the District of Columbia in September 2011, the U.S. Fish and Wildlife Service is required to make a determination on the listing of numerous species as endangered or threatened under the ESA before completion of the agency's 2017 fiscal year. The designation of previously unprotected species as threatened or endangered in areas where Newpek conducts operations could cause Newpek to incur increased costs arising from species protection measures or could result in limitations on Newpek's development and production activities that could have an adverse effect on Newpek's ability to develop and produce reserves in the United States.

In Mexico, Newpek is obligated to adopt the necessary measures related to health, safety and environmental protection standards to protect wildlife and fauna according to all applicable laws. The adoption of such measures could also result in additional expenses and could limit Newpek's E&P activities in Mexico.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities, could result in increased costs and additional operating restrictions or delays and could adversely affect Newpek's production.

Hydraulic fracturing is a common practice that is used to stimulate production of hydrocarbons from tight formations. Newpek routinely utilizes hydraulic fracturing techniques in the majority of its drilling and completion programs. The process involves the injection of water, sand and additives under pressure into targeted subsurface formations to stimulate oil and gas production. In the United States, the process is typically regulated by state oil and gas commissions, but the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel fuels under the SDWA's Underground Injection Control Program and has published final guidance in February 2014 addressing the performance of such activities. In 2011, the EPA announced its intent to develop and issue regulations under the Toxic Substances Control Act to require companies to disclose information regarding the chemicals used in hydraulic fracturing, and in its Semi-Annual Regulatory agenda published in July 2013, the agency continues to project the future issuance of an Advance Notice of Proposed Rulemaking that would seek public input on the design and scope of such disclosure regulations. The EPA has published final rules under the CAA that, among other things, require producers to reduce volatile organic compound emissions from certain subcategories of fractured and refractured gas wells for which well completion operations are being conducted by routing flowback emissions to a gathering line or capturing and combusting flowback emissions using a combustion device, such as a flare, until January 1, 2015, and by performing green completions, with or without combustion devices, on or after January 1, 2015. Also, in May 2013, the BLM published a supplemental notice of proposed rulemaking governing hydraulic fracturing on federal and Indian oil and gas leases that would require public disclosure of chemicals used in hydraulic fracturing, confirmation that wells used in fracturing operations meet appropriate construction standards, and development of appropriate plans for managing flowback water that returns to the surface.

In addition, the U.S. Congress, from time to time, has considered adopting legislation intended to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic-fracturing process. Certain states in which Newpek operates, including Colorado and Texas, have adopted, and other states are considering adopting, regulations that could impose new or more stringent permitting, disclosure, and well-construction requirements on hydraulic-fracturing operations. In addition, local land use restrictions, such as city ordinances, may restrict or prohibit drilling in general or hydraulic fracturing in particular. In the event federal, state or local restrictions are adopted in areas where Newpek is currently conducting, or in the future plans to conduct operations, Newpek may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps be limited or precluded in the drilling of wells or in the amounts that Newpek is ultimately able to produce from its reserves.

In addition, certain governmental reviews were recently conducted or are underway that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater and a draft report is expected to be available for public comment and peer review in 2014. Moreover, the EPA is developing effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities and is expected to propose these standards in 2014. These studies, or future studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms.

Various governmental entities may prematurely terminate Newpek's permits under certain circumstances, some of which are beyond Newpek's control.

Newpek's permits granted under the local laws and regulations of the countries in which it maintains operations are essential to its continuing performance. Newpek's permits may be prematurely terminated or revoked under certain circumstances. The early termination or revocation of any of Newpek's permits and the suspension of the operations of any of its assets, or the imposition of changes to the manner in which Newpek operates any of its assets as a result of changes to its permits could have an adverse effect on Newpek's business, financial condition and results of operations.

The success of Newpek's strategic alliances depends on its strategic partners' satisfactory performance of their obligations, and any failure by Newpek's strategic partners to perform their obligations could impose additional financial and performance obligations that could result in reduced profits or, in some cases, losses with respect to its strategic alliances.

Newpek's operations are conducted through strategic alliances, including its strategic alliances with Pioneer Natural Resources, Reliance, MPG and Petrofac, where decisions in some cases must be made jointly. Differences in views among Newpek's strategic partners may result in delayed decisions or in a failure to agree on major matters, which could negatively impact the business and operations of the strategic alliances, and in turn Newpek's business, financial condition and results of operations.

We cannot control the actions of Newpek's strategic partners, including any nonperformance, default or bankruptcy. The success of Newpek's strategic alliances depends, in part, on the satisfactory performance of the obligations of Newpek's strategic partners. If Newpek's strategic partners fail to perform their obligations as a result of financial or other difficulties, the alliance may be unable to adequately perform or deliver its contracted services. Under these circumstances, Newpek may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. Those additional obligations could result in reduced profits or, in some cases, losses for Newpek with respect to such alliances.

Risks Relating to Mexico

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

We are a Mexican corporation and a significant portion of our assets and operations are located in Mexico, including many of our production facilities. As a result, our business, results of operations, financial condition and prospects are subject to political, economic, social, legal and regulatory risks specific to Mexico. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions, fiscal and monetary policies and regulation of state-owned enterprises, such as Pemex, and of private industry could have an impact on Mexican private sector entities, including our company, and on market conditions, prices and returns on Mexican securities, including our securities. We cannot predict the impact that political conditions will have on the Mexican economy. Furthermore, our business, results of operations, financial condition and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. We cannot assure potential investors that changes in Mexican laws, regulations and/or public policies will not adversely affect our business, results of operations, financial condition and prospects. We do not have and do not intend to obtain political risk insurance.

Following Enrique Peña Nieto's election as President of Mexico in 2012, Mexico's Congress remained politically divided, as his political party, the *Partido Revolucionario Institucional* (Institutional Revolutionary Party), does not have a numerical majority in Mexico's Congress. The lack of alignment between Mexico's Congress and the President could result in deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy.

We cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, results of operations, financial condition and prospects. Mexico has recently experienced periods of violence and crime due to the activities of organized crime. In response, the Mexican government has implemented various security measures and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy or on our operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

The peso-dollar exchange rate is an important factor for us because of its effect on our business, results of operations, financial conditions and prospects.

Currently, the peso-dollar exchange rate is determined on the basis of the free market float in accordance with the policy set by *Banco de México*. There is no guarantee that *Banco de México* will maintain the current exchange rate regime or that *Banco de México* will not adopt a different monetary policy that may affect the exchange rate itself. Any change in the monetary policy, the exchange rate regime or in the exchange rate itself, including the imposition of generalized exchange controls, as a result of market conditions over which we have no control, could have a considerable impact, either positive or negative, on our business, financial condition and results of operations.

The Mexican Peso has been subject to significant devaluations against the U.S. dollar in the past and may be subject to significant fluctuations in the future. In 2008, as a result of the negative economic conditions in the United States and in other parts of the world, local and international markets experienced high exchange rate volatility, which contributed to the devaluation of the Mexican Peso.

The Mexican government has implemented a series of measures to limit the devaluation of the Mexican Peso and stabilize the local economy. However, such measures may not be effective, which could adversely affect our business, results of operations, financial condition and prospects.

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

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the Mexican Peso and the imposition of substantial government controls over exchange rates and prices, which at times has adversely affected our operating revenues and margins. The annual rate of inflation for the last three years, as measured by changes in the NCPI, as provided by *Banco de México*, was 3.8% in 2011, 3.6% in 2012 and 4.0% in 2013. Although inflation is less of an issue today than in past years, we cannot assure you that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States. A substantial increase in the Mexican inflation rate could adversely affect consumer purchasing power, thereby negatively impacting demand for our products, and would increase some of our costs, which could adversely affect our business, results of operations, financial condition and prospects.

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

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

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of NAFTA and increased economic activity between the two countries. Therefore, adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations.

The recent increase in violence in Mexico, including violence associated with Mexican organized crime, has had a negative impact on and could continue to adversely affect the Mexican economy and our business, results of operations, financial condition and prospects.

In recent years, Mexico has experienced prolonged periods of criminal violence, primarily due to organized crime (especially drug cartels). This violence has been particularly pronounced in the northern states of the country that share a border with the United States. Although the Mexican government has increased its security measures by strengthening military and police forces, organized violence and crime continue to pose a significant threat to the Mexican economy and are a source of economic and political instability and uncertainty. Systemic criminal activity and isolated criminal acts may disrupt our operations, impact our ability to earn revenue and add to our cost of operations. Continued violence could result in the Mexican government taking additional measures, which may include restrictions on cross-border transport and trade. If the levels of violence in Mexico, over which we have no control, remain the same or increase, they could have an adverse effect on the Mexican economy and our business, results of operations, financial condition and prospects.

The approved amendments to Mexican tax laws may adversely affect us.

On December 11, 2013, certain reforms to Mexican tax laws were published in the Official Gazette of Mexico, which became effective as of January 1, 2014. While the corporate income tax rate, which had previously been scheduled for reduction, remained at 30%, the tax reforms (i) resulted in several amendments to corporate tax deductions, among other things, by eliminating deductions that were previously allowed for related-party payments to certain foreign entities and narrowing tax deductions on salaries paid to employees, (ii) imposed a 10% withholding income tax on dividends paid by the corporation to Mexican individuals or foreign residents, (iii) increased the value-added tax in certain areas of Mexico, (iv) required the use of electronic invoices and new monthly tax reports to be provided to governmental tax authorities and (v) imposed a 10% income tax payable by individuals on the sale of stock listed on the BMV.

Our business, financial condition and results of operations may be adversely affected as a result of increased taxes on salaries and increased costs due to additional compliance measures.

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

Mexico's Congress has approved amendments to applicable laws that expressly permit class action lawsuits. These new laws may cause our subsidiaries' customers and other market participants to initiate class action lawsuits against our subsidiaries, thereby increasing their exposure to liability. Due to the lack of judicial history in interpreting and applying these laws, we cannot predict the possible outcome of any actions initiated under such laws, including the extent of any liability we or our subsidiaries may face.

Risks Relating to the Notes

Payments on the notes will be effectively junior to any of our secured indebtedness and structurally junior to the debt obligations of our subsidiaries.

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

As of December 31, 2013, we had total consolidated indebtedness of Ps. 57.5 billion (US$4.4 billion). As of December 31, 2013, on a stand-alone basis, Alfa had Ps. 2,216 million (US$169 million) of outstanding indebtedness, none of which was secured indebtedness.

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

In addition, under Mexican law, our obligations under the notes are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations (to the extent of the security provided), social security, employee housing fund contributions, taxes and court fees and expenses. In the event of our liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

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

We may be unable to purchase an affected series of notes upon a specified change of control event, which would result in defaults under the applicable indenture governing the notes.

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

We may incur substantially more debt, which could further exacerbate the risks associated with our indebtedness.

After giving pro forma effect to the offer and sale of the notes and the application of the net proceeds from this offering as described under "Use of Proceeds," we would have had total indebtedness (excluding accrued interest) of Ps. 68,642 million (US$5,249 million), Ps. 13,403 million (US$1,025 million) of which will be the debt of Alfa and Ps. 55,239 million (US$4,224 million) of which will be the debt of our subsidiaries. We and our subsidiaries may be able to incur substantial additional debt in the future. Adding new debt to our current indebtedness levels would increase our leverage and the related risks that we now face could intensify.

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

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

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

The notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions" for a full explanation of such restrictions.

An active trading market for the notes may not develop.

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

Payments claimed in Mexico on the notes, pursuant to a judgment or otherwise, would be in Mexican Pesos.

In the event that proceedings are brought against us in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, or if payment is otherwise claimed from us in Mexico, we would not be required to discharge those obligations in a currency other than Mexican currency. Under the Monetary Law of the United Mexican States (*Ley Monetaria de los Estados Unidos Mexicanos*) an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payments are made. Such rate is currently determined by *Banco de México* and published every banking day in the Official Gazette of Mexico. As a result, you may suffer a U.S. Dollar shortfall if you obtain a judgment or a payment in Mexico. You should be aware that no separate action exists or is enforceable in Mexico for compensation for any shortfall.

Our obligations under the notes would be converted in the event of bankruptcy.

Under Mexico's Law on Mercantile Reorganization (*Ley de Concursos Mercantiles*), if we are declared insolvent, bankrupt or if we become subject to a reorganization proceeding or *concurso mercantil*, our obligations under the notes, (i) would be converted into Mexican Pesos and then from Mexican Pesos into inflation-adjusted units (*unidades de inversión*, known as UDIs), (ii) would be satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, which differ from those in other jurisdictions such as the United States, (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, (v) would not be adjusted to take into account any depreciation of the Mexican Peso against the U.S. Dollar occurring after such declaration and (vi) would be subject to certain statutory preferences, including tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors).

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

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

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

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

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

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

EXCHANGE RATE INFORMATION

On December 21, 1994, *Banco de México* implemented a floating foreign exchange rate regime under which the Mexican Peso is allowed to float freely against the U.S. Dollar and other foreign currencies. *Banco de México* typically intervenes directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. Since mid-2003, *Banco de México* has been conducting auctions of U.S. Dollars in an attempt to reduce the levels of its foreign reserves. *Banco de México* conducts open market operations on a regular basis to adjust the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. *Banco de México* may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions are required to allocate more funds to their reserves, which will in turn reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds increases. The opposite happens if reserve requirements are lowered. This mechanism, known as "*corto*" or "*largo*," as the case may be, or more formally "the daily settlement balance target," represents a mechanism used by *Banco de México* to adjust the level of interest and net foreign exchange rates.

We cannot assure you that *Banco de México* will maintain its current policies with respect to the Mexican Peso or that the Mexican Peso will not depreciate significantly in the future. Additionally, in the event of shortages of foreign currency, we cannot assure you that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations, if any, would continue to be available without substantial additional cost.

This offering memorandum contains translations of certain Mexican Peso amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the Mexican Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. Unless otherwise indicated, the exchange rate used for purposes of the convenience translation is:

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

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

	High	**Low**	**Average**(1)	**Period-End**
Year				
2009	15.37	12.60	13.51	13.06
2010	13.18	12.16	12.64	12.36
2011	14.24	11.50	12.43	13.98
2012	14.39	12.63	13.17	13.01
2013	13.44	11.98	12.77	13.08
Month				
September 2013	13.44	12.72	13.09	13.01
October 2013	13.27	12.77	13.02	12.89
November 2013	13.24	12.86	13.06	13.08
December 2013	13.24	12.86	13.00	13.08
January 2014	13.49	12.99	13.20	13.37
February 2014	13.39	13.19	13.29	13.30
March 2014 (through March 19)	13.32	13.15	13.24	13.23

(1) The average exchange rate means the daily average of the exchange rates on each day during the relevant period. Source: *Banco de México* Official Exchange Rate.

On March 19, 2014, the Official Exchange Rate in effect was Ps. 13.23 per US$1.00.

USE OF PROCEEDS

We estimate that the net proceeds from the issuance of the notes will be approximately US$985 million (after deducting the initial purchasers' discounts and commissions and the payment of estimated offering expenses). We intend to use the net proceeds from the notes to fund new energy related projects, to repay existing debt and for general corporate purposes. See "Summary—Our Strategy—Invest in energy" for further detail regarding our strategy for investing in energy related projects and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Alfa" for a more detailed description of the debt we expect to repay with the proceeds of this offering.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of December 31, 2013 (i) on a historical basis and (ii) as adjusted to give effect to the issuance of the notes and the use of the proceeds therefrom as if it had occurred on December 31, 2013. This table should be read together with our Annual Audited Financial Statements included in this offering memorandum.

	As of December 31, 2013			
	Actual		As Adjusted	
	(Ps.)	(US$)[1]	(Ps.)	(US$)[1]
	(in millions)			
Cash and cash equivalents	12,266	938	23,261	1,779
Debt:				
Current debt	10,522	805	8,633	660
Non-current debt:				
Senior Notes[2]	30,793	2,355	30,793	2,355
Local Bonds [3]	5,203	398	5,203	398
Senior Notes offered hereby	-	-	13,077	1,000
Other non-current debt	10,936	836	10,936	836
Total non-current debt	46,932	3,589	60,009	4,589
Total Debt	57,454	4,394	68,642	5,249
Equity:				
Total controlling interest	56,441	4,315	56,441	4,315
Non-controlling interest	8,728	667	8,728	667
Total equity	65,169	4,982	65,169	4,982
Total capitalization[4]	122,623	9,376	133,811	10,231

(1) Amounts in U.S. Dollars have been translated for convenience only from Mexican Pesos at the rate of Ps. 13.08 per US$1.00, published by *Banco de México* in the Official Gazette of Mexico on December 31, 2013. See "Exchange Rate Information."

(2) Includes Nemak's senior notes due 2023, Alpek's senior notes due 2022, Alpek's senior notes due 2023, Sigma's senior notes due 2018 and Sigma's senior notes due 2019. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

(3) Includes bonds issued by Nemak and Sigma in Mexico.

(4) Consists of the sum of shareholders' equity plus total debt.

SELECTED HISTORICAL FINANCIAL DATA AND OTHER INFORMATION

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

The financial information as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013 has been derived from our Annual Audited Financial Statements.

The following table sets forth our consolidated income statement for each of the years presented.

	For the Year Ended December 31,			
	2011	**2012**	**2013**	**2013[1]**
	(Ps.)	**(Ps.)**	**(Ps.)**	**(US$)**
		(in millions)		
Statement of Income Data:				
Revenue	182,967	200,167	203,456	15,935
Cost of sales	(151,491)	(164,599)	(166,829)	(13,067)
Gross profit	31,476	35,568	36,627	2,869
Selling expenses	(9,885)	(10,845)	(11,142)	(873)
Administrative expenses	(7,844)	(8,369)	(9,189)	(720)
Other revenues (expenses), net	(1,075)	(49)	210	16
Operating profit before non-recurring items	12,672	16,305	16,506	1,293
Non-recurring items	-	367	(2,421)	(190)
Operating profit	12,672	16,672	14,085	1,103
Financial income[2]	606	1,681	286	22
Financial costs[3]	(5,364)	(4,412)	(4,343)	(340)
Financial costs, net	(4,758)	(2,731)	(4,057)	(318)
Share of losses of investments accounted for using the equity method	(31)	-	(41)	(3)
Profit before income tax	7,883	13,941	9,987	782
Income tax expense	(2,551)	(3,390)	(3,192)	(250)
Net consolidated profit	5,332	10,551	6,795	532
Profit attributable to:				
Controlling interest	4,748	9,361	5,926	464
Non-controlling interest	584	1,190	869	68

The following table sets forth our consolidated balance sheet data for each of the years presented.

	As of December 31,			
	2011	**2012**	**2013**	**2013[1]**
	(Ps.)	**(Ps.)**	**(Ps.)**	**(US$)**
		(in millions)		
Balance Sheet Data:				
Current Assets				
Cash and cash equivalents	8,254	13,661	11,902	910
Restricted cash and cash equivalents	370	577	364	28
Customer and other accounts receivables, net	24,250	21,903	23,564	1,802
Inventories	20,584	21,728	22,692	1,735
Derivative financial instruments	119	129	86	7
Other assets	512	976	1,043	80
Non-Current Assets				
Non-current derivative financial instruments	46	-	-	-
Property, plant and equipment, net	76,381	74,244	73,974	5,657
Goodwill and intangible assets, net…	18,856	18,732	23,906	1,828
Deferred income tax	796	1,062	1,211	93
Investments accounted for using the equity method and others	1,026	1,213	6,648	508
Total assets	151,194	154,225	165,390	12,648

	As of December 31,			
	2011	2012	2013	2013[(1)]
	(Ps.)	(Ps.)	(Ps.)	(US$)
		(*in millions*)		
Current Liabilities				
Current debt	5,828	4,598	10,522	805
Suppliers and other accounts payable	28,376	27,562	30,252	2,313
Income tax payable	-	535	481	37
Derivative financial instruments	699	378	78	6
Provisions	-	-	833	64
Other liabilities	326	559	534	41
Non-Current Liabilities				
Non-current debt	53,512	47,175	46,932	3,589
Derivative financial instruments	1,628	587	337	26
Provisions	578	716	543	42
Deferred income tax	3,894	3,373	3,534	270
Deferred income tax from tax consolidation	5,299	4,473	3,785	289
Employees' benefits	2,432	2,690	1,891	145
Other liabilities	357	435	499	38
Total liabilities	102,929	93,081	100,221	7,664
Stockholders' Equity				
Capital stock	217	211	210	16
Retained earnings	40,662	52,106	55,643	4,255
Other reserves	2,815	92	588	45
Total controlling interest	43,694	52,409	56,441	4,315
Non-controlling interest	4,571	8,735	8,728	667
Total stockholders' equity	48,265	61,144	65,169	4,982
Total liabilities and stockholders' equity	151,194	154,225	165,390	12,648

The following tables set forth our consolidated cash flow data and other financial data for each of the years presented.

	Year Ended December 31,			
	2011	2012	2013	2013[(1)]
	(Ps.)	(Ps.)	(Ps.)	(US$)
		(*in millions*)		
Cash Flow Data:				
Net cash generated from operating activities	14,809	20,987	19,758	1,548
Net cash used in investing activities	(15,411)	(12,101)	(18,903)	(1,481)
Cash generated from (used in) financing activities	931	(2,885)	(2,664)	(209)
Other Financial Data:				
Adjusted EBITDA[(5)]	20,074	24,476	24,535	1,922

The following table sets forth selected segment information for each of the years presented.

	Year Ended December 31,			
	2011	2012	2013	2013[(1)]
Segment Information	(Ps.)	(Ps.)	(Ps.)	(US$)
		(*in millions*)		
Revenue[(4)]:				
Alpek	90,381	95,803	89,818	7,035
Sigma	41,078	45,476	48,989	3,837
Nemak	44,669	51,381	56,299	4,410
Alestra	3,744	4,523	4,954	388
Newpek	573	1,227	1,706	134
Other segments and eliminations	2,522	1,757	1,690	132
Total	182,967	200,167	203,456	15,935

Segment Information	2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
	Year Ended December 31, (in millions)			
Operating profit (loss):				
Alpek	7,589	7,476	2,925	229
Sigma	3,396	4,782	5,277	413
Nemak	1,986	3,555	4,517	354
Alestra	533	959	1,329	104
Newpek	209	677	825	65
Other segments and eliminations	(1,041)	(777)	(788)	(62)
Total	12,672	16,672	14,085	1,103
Adjusted EBITDA[5]:				
Alpek	9,545	9,609	7,344	575
Sigma	4,846	6,214	6,710	526
Nemak	4,614	6,671	7,823	613
Alestra	1,572	1,804	2,166	170
Newpek	380	875	1,166	91
Other segments and eliminations	(883)	(697)	(674)	(53)
Total	20,074	24,476	24,535	1,922

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps 13.08 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2013, with respect to balance sheet data and (ii) Ps. 12.77 per U.S. Dollar, the daily average of the Official Exchange Rates on each day during the year ended December 31, 2013, with respect to financial information other than balance sheet data. These convenience translations should not be construed as representations that the Mexican Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. See "Exchange Rate Information."

(2) Includes a foreign exchange gain in the amount of Ps. 16 million in 2013 and Ps. 962 million in 2012.

(3) Includes a foreign exchange loss in the amount of Ps. 365 million in 2013, and Ps. 1,244 million in 2011.

(4) Segment information for revenue excludes intersegment revenue.

(5) We define Adjusted EBITDA as operating profit plus depreciation and amortization and asset impairment, less non-recurring items and income from dividends. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial Information and Certain Other Information". The following tables set forth a reconciliation of Adjusted EBITDA to operating profit for Alfa and each of its business units for each of the years presented:

Alfa	2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
	Year Ended December 31, (in millions)			
Operating profit	12,672	16,672	14,085	1,103
Depreciation and amortization	6,915	7,962	7,932	621
Asset impairment	503	270	2,518	197
Non-recurring items	-	(367)	-	-
Income from dividends	(16)	(61)	-	-
Adjusted EBITDA	20,074	24,476	24,535	1,922

Alpek	2011 (Ps.)	2012 (Ps.)	2013 (Ps.)	2013[1] (US$)
	Year Ended December 31, (in millions)			
Operating profit	7,589	7,476	2,925	229
Depreciation and amortization	1,819	2,129	2,025	159
Asset impairment	137	4	2,394	188
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	9,545	9,609	7,344	575

Sigma	Year Ended December 31,			
	2011	2012	2013	2013[1]
	(Ps.)	(Ps.)	(Ps.)	(US$)
	(*in millions*)			
Operating profit	3,396	4,782	5,277	413
Depreciation and amortization	1,397	1,409	1,353	106
Asset impairment	53	23	80	6
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	4,846	6,214	6,710	526

Nemak	Year Ended December 31,			
	2011	2012	2013	2013[1]
	(Ps.)	(Ps.)	(Ps.)	(US$)
	(*in millions*)			
Operating profit	1,986	3,555	4,517	354
Depreciation and amortization	2,435	3,287	3,282	257
Asset impairment	209	214	24	2
Non-recurring items	-	(367)	-	-
Income from dividends	(16)	(18)	-	-
Adjusted EBITDA	4,614	6,671	7,823	613

Alestra	Year Ended December 31,			
	2011	2012	2013	2013[1]
	(Ps.)	(Ps.)	(Ps.)	(US$)
	(*in millions*)			
Operating profit	533	959	1,329	104
Depreciation and amortization	1,008	833	828	65
Asset impairment	31	12	9	1
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	1,572	1,804	2,166	170

Newpek	Year Ended December 31,			
	2011	2012	2013	2013[1]
	(Ps.)	(Ps.)	(Ps.)	(US$)
	(*in millions*)			
Operating profit	209	677	825	65
Depreciation and amortization	146	197	330	26
Asset impairment	25	1	11	1
Non-recurring items	-	-	-	-
Income from dividends	-	-	-	-
Adjusted EBITDA	380	875	1,166	91

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

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

	For the Year Ended December 31,	
	2009	**2010**
	(MFRS) **(*Ps. in millions*)**	
Revenue	115,632	136,395
Gross Profit	8,762	10,758
Adjusted EBITDA(1)	15,952	14,280
Net cash flow from operating activities	14,042	12,829
Capital Expenditures	3,647	4,237

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

	For the Year Ended December 31,	
	2009	**2010**
	(MFRS) **(*Ps. in millions*)**	
Consolidated net income	5,669	2,276
Depreciation and amortization	5,194	5,518
Other expenses, net	403	1,145
Comprehensive financing expense, net	2,979	4,437
Income tax	1,707	904
Adjusted EBITDA	15,952	14,280

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

The following discussion and analysis of our financial condition and results of operations is based on financial information extracted and derived from our Annual Audited Financial Statements beginning on page F-1 of this offering memorandum. You should read this discussion in conjunction with our Annual Audited Financial Statements and the other financial information included elsewhere in this offering memorandum. Our Annual Audited Financial Statements, as well as the other financial information in the offering memorandum related to these financial statements as *of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013, have been prepared in accordance with IFRS.*

Overview

We are a holding company and one of Mexico's largest public companies based on revenues. We conduct our operations through five business units: (i) Alpek (the largest petrochemical company in Mexico and the second largest in Latin America); (ii) Sigma (a leading producer, marketer and distributor of highly recognized branded foods primarily in Mexico, the United States and, upon the completion of the acquisition of Campofrío, the European Union); (ii) Nemak (the world's largest independent manufacturer of high-tech aluminum components for the automotive industry in terms of revenue and production capacity); (iv) Alestra (a provider of telecommunication and information technology services in Mexico) and (v) Newpek (a natural gas and hydrocarbons business in Mexico and the United States). Currently, we have manufacturing facilities in 18 countries and employ more than 61,000 personnel.

For the year ended December 31, 2013, we had consolidated revenue and Adjusted EBITDA of Ps. 203.5 billion (US$15.9 billion) and Ps. 24.5 billion (US$1.9 billion), respectively, with approximately 62% of our total sales made outside of Mexico. As of December 31, 2013, our total assets were Ps. 165.4 billion (US$12.6 billion) and our market capitalization was Ps. 188.3 billion (US$14.4 billion).

Mexican Economic Environment

Our business is closely tied to general economic conditions in Mexico. As a result, our economic performance and our ability to implement our business strategies may be affected by changes in national economic conditions.

From the 1995 currency and banking crisis until 2008, Mexico's GDP has grown at an average real rate of 3.3% per year. In 2008, however, the Mexican economy experienced a significant deterioration as a result of the global financial crisis. Foreign consumer demand deteriorated significantly, particularly in the manufacturing sector, which also affected domestic consumer demand, with lower investment and consumption. Mexico's GDP growth rate fell to 1.4% and several supply side shocks affected price levels. The Mexican Peso was also adversely impacted by the economic downturn, and from September 2008 through the first quarter of 2009, the Mexican Peso devaluated significantly.

During 2009, the financial crisis that started in 2008 continued affecting the world economy, which experienced the sharpest decline in decades. Mexico suffered the sharpest decline in GDP since 1932, declining by 4.7% during 2009, mainly as a result of Mexico's close commercial ties with the United States. As a result of the sharp decline in foreign consumer demand, Mexican exports fell significantly in key industries such as the automotive and electrical equipment industries. The Mexican financial sector was strongly affected by volatility. Inflation in 2009 was 3.57%.

However, in 2010, the Mexican economy recovered considerably, with external demand and exports of manufactured goods driving an annual GDP growth of 5.1%, the highest in the past ten years. Subsequent to 2010, however, the Mexican economy slowed and has grown at lower rates, having annual GDP growth of 4.0% in 2011, 3.9% in 2012 and of 1.1% in 2013.

Consumer price inflation in Mexico increased to 4.0% in 2013 from 3.6% in 2012. During 2013, the Mexican Peso had an annual nominal depreciation of 0.5%, compared with an appreciation of 6.9% in 2012. Interest rates in Mexico decreased in 2013 compared to 2012 as the *tasa de interés interbancaria de equilibrio* (the equilibrium interbank interest rate, or TIIE) decreased to 4.3% in 2013 from 4.8% in 2012 in nominal terms.

Factors Affecting Our Results of Operations

General Factors in Each Business Unit

Alpek's results of operations are primarily affected by (i) available production capacity, (ii) any operational disruptions, (iii) demand in North America and globally for its products by end users, (iv) regional market conditions and the regional supply and demand balance for its products and (v) the cost of raw materials and energy.

Sigma's results of operations are primarily affected by (i) available production capacity, including through the acquisition of new production facilities or the expansion of existing plant capacity, (ii) Sigma's capacity utilization rate and any operational disruptions, (iii) demand for processed meats, dairy products and other refrigerated food in Sigma's markets, (iv) economic growth or contraction in Mexico and other markets where Sigma operates and resilience to adverse economic scenarios and (v) the cost of raw materials, energy and transportation.

Nemak's results of operations are primarily affected by (i) demand for engines and transmissions produced by Nemak's customers in the regions in which Nemak operates, such as North America, Europe, South America, and Asia, (ii) demand for vehicle sales, (iii) changes in product mix driven by the performance of particular vehicle platforms for which Nemak supplies one or more powertrain components, (iv) available production capacity, including the acquisition of new production facilities or the expansion of existing plant capacity, (v) Nemak's capacity utilization rate and any operational disruptions and (vi) raw material prices, particularly aluminum, mainly purchased in Mexico, the United States and Germany as well as energy prices.

Alestra's results of operations are primarily affected by (i) the number of subscribers, volume of traffic, rates charged by Alestra to its customers and settlement rates agreed with foreign carriers, (ii) Alestra's cost of direct access related to last-mile access needed to extend its network to customers' premises and to backbone services, (iii) backbone services related to capacity usage, in order to connect multiple customers to Alestra's network and (iv) Alestra's cost of domestic and international long distance that consists primarily of local access charges and resale expenses which are paid on a per-minute basis primarily to Telmex, international settlements payments paid to foreign carriers on a per-minute basis for the completion of international calls originated in Mexico by Alestra and fees for leased lines which are typically paid on a per-circuit, per-month basis to Telmex and other last-mile access providers.

Newpek's results of operations are affected mainly by (i) hydrocarbon, gas and oil prices, (ii) the production decline rate of its wells, (iii) the availability of sales infrastructure (trucking or pipeline) and connections to different types of customers (petrochemical plants and refineries, among others), (iv) the availability, cost and terms of leases in productive areas, (v) supply and demand for oil field services, (vi) hydrocarbon mixture and composition and (vii) underground stability and corrosiveness.

Acquisitions and Other Significant Events within our Business Units

Our results of operations for the periods under review have been influenced by acquisitions, dispositions, capacity expansion and a plant closure.

Alpek

- On June 19, 2013, we announced the planned shutdown of all operations at Alpek's Cape Fear site, located near Wilmington, North Carolina. We are closing this site for the purpose of consolidating Alpek's polyester operations and reducing costs by leveraging more efficient assets in Alpek's multi-site network.

- On August 31, 2011, Alpek completed the acquisition of Wellman's PET business for US$123 million. The Wellman business consists of a 430,000 ton capacity PET plant located in Bay St. Louis, Mississippi, employing 165 people, as well as technology for PET manufacturing.

- On January 31, 2011, Alpek completed the acquisition of the U.S. PTA and PET facilities of Eastman for US$621 million. As a result, Alpek acquired a modern, integrated petrochemical facility consisting of three plants located in Columbia, South Carolina, with a total combined annual capacity of 1.26 million tons, which produce PTA and PET.

Sigma

- On November 13, 2013, Sigma signed purchase agreements with certain stockholders of Campofrío, Europe's leading processed meats company, through which it acquired 44.5% of its stock. On November 14, 2013, Sigma announced a cash tender offer for the shares of Campofrío. On December 23, 2013, Sigma further announced that it signed an agreement with WH Group through which WH Group will join Sigma in the cash tender offer for shares of Campofrío. Sigma and WH Group currently and jointly own approximately 82% of Campofrío's shares, subject to the Spanish authorities' approval.

- On May 31, 2013, Sigma acquired ComNor, a Company based in Monterrey, Mexico, which processes beef, pork and poultry.

- On April 2, 2013, Sigma acquired Monteverde, a company based in Costa Rica, engaged in the production of cheese, yogurt and meat processing, for US$9.0 million.

- On September 2, 2010, Sigma acquired Bar-S, a Delaware corporation based in Phoenix, Arizona, which operates three processed meats production plants in Oklahoma.

Nemak

- On June 28, 2012, Nemak acquired J.L. French for US$216 million. J.L. French is one of the major high pressure die-casting ("HPDC") suppliers in the automotive industry. The acquisition included four state-of-the-art facilities located in the United States and Spain, which produce engine blocks, transmission cases and other components.

Alestra

- On August 19, 2013, Alestra acquired GTel, a leading provider of voice, data and video services in Mexico.

Newpek

- During the third quarter of 2013, Newpek signed a joint venture agreement with Petrofac to establish an oil and gas field services company in Mexico.

- During the fourth quarter of 2013, Newpek acquired a portfolio of 150,000 acres of land in Texas, Oklahoma and Colorado to explore and drill conventional oil formations using non-conventional technology.

Critical Accounting Policies

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

Actual results may differ from our estimates under different assumptions or conditions. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or more accurate information. In our opinion, our most critical accounting estimates under IFRS are those that require us to make estimates and assumptions that affect the reported amounts related to the accounting for fair value of financial instruments, impairment of goodwill, contingent losses, income taxes and the basis of consolidation. For a full description of all of our accounting policies, see our Annual Audited Financial Statements included in this offering memorandum.

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

Fair Value of Derivatives

The fair value of financial instruments is determined based upon liquid market prices evidenced by exchange traded prices, broker-dealer quotations or prices of other transactions with similarly rated counterparties. If available, quoted market prices provide the best indication of value. If quoted market prices are not available for fixed maturity securities and derivatives, we discount expected cash flows using market interest rates commensurate with the credit quality and maturity of the investment.

Derivative financial instruments used for hedging are designated either as cash-flow hedges or fair value hedges. The changes in the fair value of cash flow hedges are reported in other comprehensive income, while the changes in the fair value of fair value hedges (along with the change in the fair value of the hedged item) are recorded in earnings. Fair value amounts are based on either quoted market prices or estimated values derived utilizing dealer quotes or internally generated modeling techniques.

As market conditions change, adjustments to the fair value of these derivatives are made to reflect those conditions. In addition, hedging effectiveness needs to be evaluated on a periodic basis and, to the extent the hedge is not deemed effective, hedge accounting ceases to be applied. Actual settlements of these derivatives will reflect the market conditions at the time and may differ significantly from the estimated fair value reflected on the balance sheet.

Estimated Impairment of Goodwill

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

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

Contingent Losses

We make judgments and estimates in recording provisions for matters relating to claims and litigation, primarily in relation to rates of interconnection services. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

Contingencies are recorded as provisions when it is likely that a liability has been incurred and the amount of the loss is reasonably estimable. Significant management judgment is required in determining the timing of when to recognize a provision from the initial contingency disclosed.

Income Taxes

As part of the process of preparing our Annual Audited Financial Statements, we are required to estimate our income taxes. We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Significant judgment is required in determining our provision for income taxes, our deferred income tax assets and deferred income tax liabilities.

Basis for Consolidation

The Annual Audited Financial Statements include the assets, liabilities and results of all entities in which we have a controlling interest. The significant outstanding balances and transactions between companies have been eliminated in the consolidation. To determine control as of December 31, 2012, we analyzed whether or not we have the power to govern the strategic financial and operating policies of the respective entity, and not only power over the portion of the equity we own. As a result of this analysis, we have exercised critical judgment in determining whether to combine or consolidate the financial statements of Polioles and Indelpro, where the determination of control is not straightforward. IFRS 10 "Consolidated financial statements" was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". This standard became effective as of January 1, 2013. Under IFRS 10, subsidiaries are considered to be all entities (including structured entities) over which we have control. We control an entity when we have power over an entity, we are exposed to, or have rights to, variable returns from our involvement with such entity and we have the ability to affect these returns through our power over such entity. Subsidiaries are fully consolidated from the date on which control of such entity is transferred to us and they are deconsolidated from the date on which we cease to have control over such entity. We reached the conclusion that there are factors and circumstances described in the by-laws of Polioles and Indelpro and applicable law that allow Alpek to carry out the daily operations of Polioles and Indelpro, which therefore demonstrates control. This conclusion was based on the principal substantive right of Alpek, in accordance with the by-laws of Polioles, to appoint the general director, who has control over the relevant decision making and based on the by-laws of Indelpro and supported in the General Law of Mercantile Organizations, which allows Alpek to control the decisions over relevant activities by a simple majority through an ordinary shareholders' meeting, where it holds 51% of Indelpro. We will continue assessing these circumstances at each balance sheet date to determine whether or not this critical judgment will continue to be appropriate. If we determine that Alpek no longer has control over Polioles or Indelpro, Polioles and Indelpro would need to be deconsolidated and accounted for under the equity method according to the accounting rules in effect at such date. The significant outstanding balances and transactions between companies have been eliminated in the consolidation.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenue is shown net of estimated customer returns, rebates and similar discounts and after eliminating intercompany sales.

Our customers have the right to return the goods we sell them if they are dissatisfied. We believe that based on past experience with similar sales, the dissatisfaction rate will not exceed 2.5%. We have therefore recognized revenue on our transactions with a corresponding provision against revenue for estimated returns.

We grant discounts and incentives to customers, which are recognized as a deduction from income or as selling expenses depending on their nature. These programs include customer discounts for sales of products based on (i) sales volume (usually recognized as a reduction of revenue) and (ii) promotions in retail products (usually recognized as selling expenses).

Results of Operations

General

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

	Year Ended December 31,						Percent Change	
	2011	Percent of Revenue	2012	Percent of Revenue	2013	Percent of Revenue	2012 vs. 2011	2013 vs. 2012
	(in millions of Pesos, except percentages)							
Revenue	182,967	100.0	200,167	100.0	203,456	100.0	9.4	1.6
Cost of sales	(151,491)	(82.8)	(164,599)	(82.2)	(166,829)	(82.0)	8.7	1.4
Gross profit	31,476	17.2	35,568	17.8	36,627	18.0	13.0	3.0
Selling and administrative expenses	(17,729)	(9.7)	(19,214)	(9.6)	(20,331)	(10.0)	8.4	5.8
Other revenue (expenses), net	(1,075)	(0.6)	(49)	(0.0)	210	0.1	(95.4)	(528.6)
Operating profit before non-recurring items	12,672	6.9	16,305	8.1	16,506	8.1	28.7	1.2
Non-recurring items	-	-	367	0.2	(2,421)	(1.2)	N.A.	(759.7)
Operating profit	12,672	6.9	16,672	8.3	14,085	6.9	31.6	(15.5)
Financial income	606	0.3	1,681	0.8	286	0.1	177.4	(83.0)
Financial costs	(5,364)	(2.9)	(4,412)	(2.2)	(4,343)	(2.1)	(17.7)	(1.6)
Financial costs, net	(4,758)	(2.6)	(2,731)	(1.4)	(4,057)	(2.0)	(42.6)	48.6
Share of losses of investments accounted for using the equity method	(31)	(0.0)	–	–	(41)	(0.0)	(100.0)	NA
Profit before income tax	7,883	4.3	13,941	7.0	9,987	4.9	76.8	(28.4)
Income tax expense	(2,551)	(1.4)	(3,390)	(1.7)	(3,192)	(1.6)	32.9	(5.8)
Net consolidated profit	5,332	2.9	10,551	5.3	6,795	3.3	97.9	(35.6)

The following table shows the percentage contribution to our revenue from each of our business units for the years ended December 31, 2011, 2012 and 2013:

	For the year ended December 31,		
	2011	2012	2013
Revenues [(1)] by Business Units			
Alpek	49.4%	47.9%	44.1%
Sigma	22.5%	22.7%	24.1%
Nemak	24.4%	25.7%	27.7%
Alestra	2.0%	2.3%	2.4%
Newpek	0.3%	0.6%	0.8%
Other segments and eliminations [(2)]	1.4%	0.9%	0.8%

(1) Revenue only from external customers.
(2) Includes other operating and services subsidiaries and eliminations of intercompany operations.

Although our principal subsidiaries generally do not have established dividend policies, our subsidiaries' consistent growth of cash flow generation has historically allowed for strong dividend distributions upstream. The following table sets forth the dividends (excluding corporate fees and funds received in connection with Alpek's initial public offering) paid to us by each of our business units for the years ended December 31, 2011, 2012 and 2013.

	For the year ended December 31,		
	2011	2012	2013
Business Unit	(*in millions of Pesos*)		
Alpek	1,227	1,560	2,439
Sigma	854	856	1,029
Nemak	135	128	-
Alestra	102	105	193
Newpek	-	-	-
Other segments[(1)]	-	-	13
Total	2,317	2,649	3,674

(1) Includes other operating and services subsidiaries.

The amount and payment of future dividends by our subsidiaries, if any, will be subject to applicable law and will depend upon a variety of factors that may be considered by the respective board of directors and shareholders of each of our subsidiaries, including future operating results, financial condition, capital requirements, investments in potential acquisitions or other growth opportunities, legal restrictions and contractual restrictions in current and future debt instruments.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue for the year ended December 31, 2013 was Ps. 203,456 million, an increase of 1.6% from Ps. 200,167 million in 2012. This was primarily due to (i) an increase of 7.7% in the revenue of Sigma, (ii) an increase of 9.6% in the revenue of Nemak, (iii) an increase of 9.5% in the revenue of Alestra and (iv) an increase of 39.0% in the revenue of Newpek, all of which was partially offset by a 6.2% decrease in the revenue of Alpek.

Cost of sales for the year ended December 31, 2013 was Ps. 166,829 million, an increase of 1.4% from Ps. 164,599 million in 2012. This was primarily due to an increase in employee benefit expenses and technical assistance, consumption of energy and fuel, professional fees and administrative services, partially offset by a decrease in raw material costs.

Gross profit for the year ended December 31, 2013 was Ps. 36,627 million, an increase of 3.0% from Ps. 35,568 million in 2012. This increase was primarily due to an increase of 2.8% in sales volume, partially offset by an increase of 1.4% in cost of sales.

Selling and administrative expenses for the year ended December 31, 2013 were Ps. 20,331 million, an increase of 5.8% from Ps. 19,214 million in 2012. This was primarily due to an increase in employee benefit expenses.

Operating profit for the year ended December 31, 2013 was Ps. 14,085 million, a decrease of 15.5% from Ps. 16,672 million in 2012. This was primarily due to non-recurring expenses in 2013 compared to 2012, primarily related to the closing of the Cape Fear plant and Alpek's lower margin environment in global markets of polyester and CPL, partially offset by higher operating profit at Nemak and Sigma as a result of an increase in their sales volume.

Financial costs, net for the year ended December 31, 2013 were Ps. 4,057 million, an increase of 48.6% from Ps. 2,731 million in 2012. This was primarily due to a foreign exchange loss of Ps. 349 million in 2013 as a result of the differences in the Mexican Peso/U.S. Dollar exchange rates at the end of 2013 and 2012, compared to the foreign exchange gain of Ps. 962 million in 2012.

Profit before income tax for the year ended December 31, 2013 was Ps. 9,987 million, a decrease of 28.4% from Ps. 13,941 million in 2012. This was primarily due to a foreign exchange loss as described above and the non-recurring costs related to the closing of the Cape Fear plant.

Income tax expense for the year ended December 31, 2013 was Ps. 3,192 million, a decrease of 5.8% from Ps. 3,390 million in 2012. This decrease was primarily due to lower operating profit in 2013.

Net consolidated profit for the year ended December 31, 2013 was Ps. 6,795 million, a decrease of 35.6% from Ps. 10,551 million in 2012. This decrease was primarily due to the factors described above.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue for the year ended December 31, 2012 was Ps. 200,167 million, an increase of 9.4% from Ps. 182,967 million in 2011. This was primarily due to an increase of (i) 6.0% in the revenue of Alpek, (ii) 10.7% in the revenue of Sigma, (iii) 15.0% in the revenue of Nemak, (iv) 20.8% in the revenue of Alestra and (v) 114.1% in the revenue of Newpek.

Cost of sales for the year ended December 31, 2012 was Ps. 164,599 million, an increase of 8.7% from Ps. 151,491 million in 2011. This was primarily due to a 5% increase in raw material costs as a result of an increase in sales.

Gross profit for the year ended December 31, 2012 was Ps. 35,568 million, an increase of 13.0% from Ps. 31,476 million in 2011. This was primarily due to an increase in the revenue of all of our business units.

Selling and administrative expenses for the year ended December 31, 2012 were Ps. 19,214 million, an increase of 8.4% from Ps.17,729 million in 2011. This was primarily due to an increase in advertising expenses and freight charges as a result of an increase in the revenue of all of our business units.

Operating profit for the year ended December 31, 2012 was Ps. 16,672 million, an increase of 31.6% from Ps. 12,672 million in 2011. This was primarily due to a 9.4% increase in revenue, a 95.4% decrease in other expenses, net, and income from non-recurring items in 2012 of Ps. 367 million from the acquisition of J.L. French by Nemak.

Financial costs, net for the year ended December 31, 2012 were Ps. 2,731 million, a decrease of 42.6% from Ps. 4,758 million in 2011. This was primarily due to a foreign exchange gain of Ps. 962 million in 2012 as a result of the differences in the Mexican Peso/U.S. Dollar exchange rates at the end of 2012 and 2011, compared to the foreign exchange loss of Ps. 1,244 million in 2011.

Profit before income tax for the year ended December 31, 2012 was Ps. 13,941 million, an increase of 76.8% from Ps. 7,883 million in 2011. This was primarily due to an increase in sales and a foreign exchange gain as described above.

Income tax expense for the year ended December 31, 2012 was Ps. 3,390 million, an increase of 32.9% from Ps. 2,551 million in 2011. This increase was primarily due to an increase in operating profit in 2012.

Net consolidated profit for the year ended December 31, 2012 was Ps. 10,551 million, an increase of 97.9% from Ps. 5,332 million in 2011. This increase was primarily due to the factors described above.

Alpek

The following table shows selected financial information for Alpek's operations:

	Year Ended December 31,						Percent Change	
	2011	Percent of Revenue	2012	Percent of Revenue	2013	Percent of Revenue	2013 vs 2012	2012 vs 2011
	(in millions of Pesos, except percentages)							
Revenue from external customers	90,381	100.0	95,803	100.0	89,818	100.0	(6.2)	6.0
Operating profit	7,589	8.4	7,476	7.8	2,925	3.3	(60.9)	(1.5)
Financial result	(1,190)	(1.3)	(1,331)	(1.4)	(1,172)	(1.3)	(11.9)	11.8
Profit before tax	6,375	7.1	6,106	6.4	1,723	1.9	(71.8)	(4.2)

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue from external customers for the year ended December 31, 2013 was Ps. 89,818 million, a decrease of 6.2% from Ps. 95,803 million in 2012. This decrease was primarily due to a 5.2% decrease in sales volume and a 1.1% decrease in the average price of Alpek's products. The decline in sales volume was due to a 7.0% decrease in Polyester sales volume, which was partially offset by a 1.9% increase in Plastics & Chemicals sales volume.

Operating profit for the year ended December 31, 2013 was Ps. 2,925 million, a decrease of 60.9% from Ps. 7,476 million in 2012. This decrease was primarily due to the decrease in gross profit and the restructuring costs and impairment of assets associated with the closure of Alpek's Cape Fear plant.

Financial result for the year ended December 31, 2013 constituted an expense of Ps. 1,172 million, compared to an expense of Ps. 1,331 million in 2012. This change was primarily due to a decrease in financial expenses as a result of lower interest and refinancing expenses, partially offset by a decrease in financial income, a negative foreign currency impact and a negative valuation of our derivative financial instruments.

Profit before tax for the year ended December 31, 2013 was Ps. 1,723 million, a decrease of 71.8% from Ps. 6,106 million in 2012. This decrease was primarily due to the reduction in operating profit, partially offset by a reduction in financial result expenses.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue from external customers for the year ended December 31, 2012 was Ps. 95,803 million, an increase of 6.0% from Ps. 90,381 million in 2011. This increase was primarily due to a 5.5% increase in sales volume, mainly due to the integration of acquisitions made in 2011 and an increase in PP sales volume. The growth in sales volume was partially offset by a decline in sales of petrochemical products and an adjustment in the PTA price formula in North America during 2012.

Operating profit for the year ended December 31, 2012 was Ps. 7,476 million, a decrease of 1.5% from Ps. 7,589 million in 2011. This decrease was primarily due to the contraction in margins of CPL and other export products, an adjustment in the PTA price formula in North America during 2012 and certain non-recurring events, such as Hurricane Isaac. This decrease was partially offset by an increase in the margins of EPS and polyurethane.

Financial result for the year ended December 31, 2012 constituted an expense of Ps. 1,331 million, compared to an expense of Ps. 1,190 million in 2011. This change was primarily due to an increase in financial expenses related to debt prepayments including the partial prepayment of Petrotemex's 9.50% Senior Notes due 2014, partially offset by an increase in financial income, a positive foreign currency impact and a favorable valuation of Alpek's derivative financial instruments.

Profit before income taxes for the year ended December 31, 2012 was Ps. 6,106 million, a decrease of 4.2% from Ps. 6,375 million in 2011. This decrease was primarily due to the reduction in operating profit and an increase in financial result expenses.

Sigma

The following table shows selected financial information for Sigma's operations:

	Year Ended December 31,						Percent Change	
	2011	Percent of Revenue	2012	Percent of Revenue	2013	Percent of Revenue	2013 vs. 2012	2012 vs 2011
	(in millions of Pesos, except percentages)							
Revenue from external customers	41,078	100.0	45,476	100.0	48,989	100.0	7.7	10.7
Operating profit	3,396	8.3	4,782	10.5	5,277	10.8	10.4	40.8
Financial result	(1,938)	(4.7)	54	0.1	(1,039)	(2.1)	(2,024.1)	(102.8)
Profit before tax	1,458	3.5	4,836	10.6	4,234	8.6	(12.4)	231.7

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue from external customers for the year ended December 31, 2013 was Ps. 48,989 million, an increase of 7.7% from Ps. 45,476 million in 2012. This increase was primarily due to a 3.9% increase in sales volume, which resulted primarily from a 3.7% increase in the sales volume of processed meats products, a 22.7% increase in the sales volume of other frozen and refrigerated products and a 3.7% increase in the average prices of Sigma's products. The increase in Sigma's sales volume reflects both organic and, to a lesser extent, acquisition-based growth.

Operating profit for the year ended December 31, 2013 was Ps. 5,277 million, an increase of 10.4% from Ps.4,782 million in 2012. This increase was primarily due to a 7.7% increase in sales in 2013 and expenses increasing at a lower rate than revenue.

Financial result for the year ended December 31, 2013 constituted an expense of Ps. 1,039 million, compared to an income of Ps. 54 million in 2012. This change was primarily due to a foreign exchange loss of Ps. 42 million in 2013 as a result of the differences in the Mexican Peso/U.S. Dollar exchange rates at the end of 2013 and 2012, compared to the foreign exchange gain of Ps. 956 million in 2012.

Profit before tax for the year ended December 31, 2013 was Ps. 4,234 million, a decrease of 12.4% from Ps. 4,836 million in 2012. This decrease was primarily due to a foreign exchange loss as described above, partially offset by an increase in Sigma's operating profit as described above.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue from external customers for the year ended December 31, 2012 was Ps. 45,476 million, an increase of 10.7% from Ps. 41,078 million in 2011. This increase was primarily due to a 3.4% increase in sales volume, which resulted primarily from a 1.7% increase in sales volume of processed meats, a 7.4% increase in the sales volume of dairy products and an increase in the average prices of Sigma's products. The increase in Sigma's sales volume reflects both organic and, to a lesser extent, acquisition-based growth and an increase in Sigma's international sales.

Operating profit for the year ended December 31, 2012 was Ps. 4,782 million, an increase of 40.8% from Ps. 3,396 million in 2011. This increase was primarily due to operational efficiencies in Mexico, synergies resulting from the Bar-S acquisition and expenses increasing at a lower rate than revenue.

Financial result for the year ended December 31, 2012 constituted an income of Ps. 54 million, compared to an expense of Ps. 1,938 million in 2011. This change was primarily due to a foreign exchange gain of Ps. 956 million in 2012 as a result of the differences in the Mexican Peso/U.S. Dollar exchange rates at the end of 2012 and 2011, compared to the foreign exchange loss of Ps. 994 million in 2011.

Profit or loss before taxes for the year ended December 31, 2012 was Ps. 4,836 million, an increase of 231.7% from the Ps. 1,458 million in 2011. This increase was primarily due to a foreign exchange gain and the increase in Sigma's operating profit as described above.

Nemak

The following table shows selected financial information for Nemak's operations:

	Year Ended December 31,						Percent Change	
	2011	Percent of Revenue	2012	Percent of Revenue	2013	Percent of Revenue	2013 vs. 2012	2012 vs. 2011
	(in millions of Pesos, except percentages)							
Revenue from external customers	44,669	100.0	51,381	100.0	56,299	100.0	9.6	15.0
Operating profit	1,986	4.4	3,555	6.9	4,517	8.0	27.1	79.0
Financial result	(1,119)	(2.5)	(1,393)	(2.7)	(1,456)	(2.6)	4.5	24.5
Profit before tax	867	1.9	2,200	4.3	3,080	5.5	40.0	153.7

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue from external customers for the year ended December 31, 2013 was Ps. 56,299 million, an increase of 9.6% from Ps. 51,381 million in 2012. This increase was primarily due to a 13.0% increase in sales volume, partially offset by the appreciation of the Peso against the U.S. Dollar in 2013.

Operating profit for the year ended December 31, 2013 was Ps. 4,517 million, an increase of 27.1% from Ps. 3,555 million in 2012. This increase was primarily due to a 13.0% increase in sales volume and operational efficiencies as a result of the acquisition of J.L. French.

Financial result for the year ended December 31, 2013 constituted an expense of Ps. 1,456 million, compared to an expense of Ps. 1,393 million in 2012. This change was primarily due to fees and expenses in connection with several debt refinancing agreements completed in 2013.

Profit before tax for the year ended December 31, 2013 was Ps. 3,080 million, an increase of 40.0% from Ps. 2,200 million in 2012. This increase was primarily due to an increase in operating profit, partially offset by an increase in financial result expenses.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue from external customers for the year ended December 31, 2012 was Ps. 51,381 million, an increase of 15.0% from Ps. 44,669 million in 2011. This increase was primarily due to a 14% increase in sales volume, an increase in revenue associated with the acquisition of J.L. French and the depreciation of the Mexican Peso against the U.S. Dollar, partially offset by a decrease in revenues due to decreased aluminum price indexes.

Operating profit for the year ended December 31, 2012 was Ps. 3,555 million, an increase of 79.0% from Ps. 1,986 million in 2011. This increase was primarily due to due to a 14% increase in sales volume, an increase in revenue associated with the acquisition of J.L. French and a decrease in the cost of sales resulting from the efficiencies achieved from operational improvements and economies of scale.

Financial result for the year ended December 31, 2012 constituted an expense of Ps.1,393 million, compared to an expense of Ps. 1,119 million in 2011. This increase was primarily due to the depreciation of the Mexican Peso against the U.S. Dollar in 2012 compared to 2011, partially offset by a Ps. 272 million decrease in interest expense in 2012 due to the negotiation of a lower spread on Nemak's syndicated facility and improved economic terms with respect to Nemak's 2012 senior loan.

Profit before tax for the year ended December 31, 2012 was Ps. 2,200 million, an increase of 153.7% from Ps. 867 million in 2011. This increase was primarily due to an increase in operating profit, partially offset by an increase in the financial result expenses.

Alestra

The following table shows selected financial information for Alestra's operations:

	Year Ended December 31,						Percent Change	
	2011	Percent of Revenue	2012	Percent of Revenue	2013	Percent of Revenue	2013 vs 2012	2012 vs 2011
	(in millions of Pesos, except percentages)							
Revenue from external customers	3,744	100.0	4,523	100.0	4,954	100.0	9.5	20.8
Operating profit	533	14.2	959	21.2	1,329	26.8	38.6	79.9
Financial result	(681)	(18.2)	(133)	(2.9)	(309)	(6.2)	132.3	80.5
Profit or loss before tax	(148)	(4.0)	826	18.3	1,020	20.6	23.5	-

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue from external customers for the year ended December 31, 2013 was Ps. 4,954 million, an increase of 9.5% from Ps. 4,523 million in 2012. This increase was primarily due to an increase in revenue from Alestra's core value added services (IT, data, internet and local service), partially offset by a decrease in revenue from long distance services. In 2013, core value added services represented 83.9% of Alestra's total revenue.

Operating profit for the year ended December 31, 2013 was Ps. 1,329 million, an increase of 38.6% from Ps. 959 million in 2012. This increase was primarily due an increase in revenue from Alestra's core value added services, a decrease in the costs of services primarily due to a reduction in leased lines from third-party carriers, caused by the expansion of our network and last-mile connections, and an extraordinary credit of Ps. 253 million related to the cancellation of the 2009 reserves for interconnection charges in dispute, which were favorably settled in the second quarter of 2013.

Financial result for the year ended December 31, 2013 constituted an expense of Ps. 309 million, compared to an expense of Ps. 133 million in 2012. This change was primarily due to a foreign exchange loss of Ps. 17 million in 2013 as a result of the differences in the Mexican Peso/U.S. Dollar exchange rates at the end of 2013 and 2012, compared to the foreign exchange gain of Ps. 195 million in 2012, partially offset by interest income recognized in connection with the release from escrow in 2013 of a deposit as a result of the settlement of a dispute related to the 2009 interconnection rates.

Profit before tax for the year ended December 31, 2013 was Ps. 1,020 million, an increase of 23.5% from Ps. 826 million in 2012. This increase was primarily due to an increase in Alestra's operating profit, partially offset by an increase in the financial result expenses.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue from external customers for the year ended December 31, 2012 was Ps. 4,523 million, an increase of 20.8% from Ps. 3,744 million in 2011. This increase was primarily due to an increase in revenue from Alestra's core value added services, partially offset by a decrease in revenue from long distance services. In 2012, Alestra's value added services represented 81.8% of its total revenue.

Operating profit for the year ended December 31, 2012 was Ps. 959 million, an increase of 79.9% from Ps. 533 million in 2011. This increase was primarily due an increase in revenue from Alestra's core value added services, a decrease in costs of services primarily due to a reduction in leased lines from third-party carriers, caused by the expansion of our network and last-mile connections, and an extraordinary credit of Ps. 161 million related to the cancellation of reserves for fixed-to-mobile interconnection charges to be paid to Telcel that were in dispute, which were favorably settled in 2012.

Financial result for the year ended December 31, 2012 constituted an expense of Ps. 133 million, compared to an expense of Ps. 681 million in 2011. This change was primarily due to a foreign exchange gain of Ps. 195 million in 2012 as a result of the appreciation of the Mexican Peso against the U.S. Dollar in 2012, compared to a foreign exchange loss of Ps. 329 million in 2011 and a decrease in interest expense due to the decrease in average debt in 2012.

Profit before tax for the year ended December 31, 2012 was Ps. 826 million, compared to a loss of Ps. 148 million in 2011. This change was primarily due to a decrease in the financial result expense as described above and an increase in Alestra's operating profit.

Newpek

The following table shows selected financial information for Newpek's operations:

	Year Ended December 31,						Percent Change	
	2011	Percent of Revenue	2012	Percent of Revenue	2013	Percent of Revenue	2013 vs. 2012	2012 vs. 2011
	(in millions of Pesos, except percentages)							
Revenue from external customers	573	100.0	1,227	100.0	1,706	100.0	39.0	114.1
Operating profit	209	36.5	677	55.2	825	48.4	21.9	223.9
Financial result	(7)	(1.2)	(8)	(0.7)	(18)	(1.1)	125.0	14.3
Profit before tax	202	35.3	669	54.5	815	47.8	21.8	231.2

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue from external customers for the year ended December 31, 2013 was Ps. 1,706 million, an increase of 39.0% from Ps. 1,227 million in 2012. This increase was primarily due to a 37.0% increase in daily production volume, caused by 125 additional wells becoming operational and generating production in 2013 and a 2.0% increase in prices.

Operating profit for the year ended December 31, 2013 was Ps. 825 million, an increase of 21.9% from Ps. 677 million in 2012. This increase was primarily due to the increase in revenue described above, partially offset by an increase in expenses primarily related to new acquisitions.

Financial result for the year ended December 31, 2013 constituted an expense of Ps. 18 million, compared to an expense of Ps. 8 million in 2012. This change was primarily due to an increase in interest expense related to debt incurred in connection with acquisitions.

Profit before tax for the year ended December 31, 2013 was Ps. 815 million, an increase of 21.8% from Ps. 669 million in 2012. This increase was primarily due to the increase in revenue described above, partially offset by an increase in total expenses primarily from new acquisitions.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue from external customers for the year ended December 31, 2012 was Ps. 1,227 million, an increase of 114.1% from Ps. 573 million in 2011. This increase was primarily due to a 96.0% increase in daily production volume, caused by 135 additional wells becoming operational and generating production in 2012 and a 9.0% increase in prices.

Operating profit for the year ended December 31, 2012 was Ps. 677 million, an increase of 223.9% from Ps. 209 million in 2011. This increase was primarily due to the increase in sales volume and a 4.5% higher margin.

Financial result for the year ended December 31, 2012 constituted an expense of Ps. 8 million, compared to an expense of Ps. 7 million in 2011. This change was primarily due to the appreciation of the Mexican Peso against the U.S. Dollar in 2012.

Profit before tax for the year ended December 31, 2012 was Ps. 669 million, an increase of 231.2% from Ps. 202 million in 2011. This increase was primarily due to the increase in revenue and operating margin as described above.

New Accounting Policies and Standards

As of January 1, 2012 we adopted IFRS for the preparation of our Annual Audited Financial Statements. New pronouncements and amendments issued but not yet effective for periods starting January 1, 2014, and that had not been adopted by us as of December 31, 2013, include:

- *IFRS 9, "Financial Instruments"*. IFRS 9, "Financial Instruments" was issued in November 2009 and contained requirements for classification and measurement of financial assets. Requirements for financial liabilities were included as part of IFRS 9 in October 2010. Most of the requirements for financial liabilities were taken from IAS 39 without making any changes. However, some amendments were made to the fair value option for financial liabilities to include own credit risk. In December 2011, the IASB made amendments to IFRS 9 to require its application for annual periods beginning on or after January 1, 2015, however in November 2013, modifications were issued that removed the previous mandatory effective date of January 1, 2015. The final effective date will be determined once the classification, measurement and impairment phases of IFRS 9 have been concluded.

- *IAS 32 (amended) "Financial instruments: Presentation, offsetting of assets and liabilities"*. These amendments are the application guidance of IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. These amendments to IAS 32 become effective for annual periods beginning on or after January 1, 2014.

- *IAS 39 (amended) "Financial Instruments": Recognition and Measurement"*. In June 2013, the IASB amended IAS 39 to clarify that there is no need to suspend hedge accounting when novation of a hedging instrument to a central counter party meets certain requirements. The amendment is applicable to annual periods starting on or subsequent to January 1, 2014.

We believe that the adoption of the new standards and amendments discussed above will have no material impact on our financial statements.

Liquidity and Capital Resources

Overview

Historically, we have generated and expect to continue to generate positive cash flow from operations. Cash flow from operations primarily represents inflows from net earnings (adjusted for depreciation and other non-cash items) and outflows from increases in working capital needed to grow our business. Cash flow used in investing activities represents our investment in property and capital equipment required for our growth, as well as our acquisition activity. Cash flow from financing activities is primarily related to changes in indebtedness borrowed to grow the business or indebtedness repaid with cash from operations or refinancing transactions as well as dividends paid.

Our principal capital needs are for working capital, capital expenditures related to maintenance, expansion and acquisitions and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, overall capacity and terms of financing arrangements and our access to the capital markets. We believe that our future cash from operations together with our access to funds available under such financing arrangements and the capital markets will provide adequate resources to fund our foreseeable operating requirements, capital expenditures, acquisitions and new business development activities.

Liquidity

We are a holding company and, as such, have no operations of our own. Our ability to meet our obligations is primarily dependent on the earnings and cash flows of our subsidiaries and the ability of those subsidiaries to pay us interest or principal payments on intercompany loans, dividends or other amounts.

The following table shows the generation and use of cash in 2011, 2012 and 2013:

	Year Ended December 31,		
	2011	**2012**	**2013**
		(in millions of Pesos)	
Net cash generated from operating activities	14,809	20,987	19,758
Net cash used in investing activities	(15,411)	(12,101)	(18,903)
Cash generated from (used in) financing activities	931	(2,885)	(2,664)
Cash and cash equivalents at end of year[(1)]	8,624	14,238	12,266

(1) Includes restricted cash.

Operating Activities

In 2013, net cash generated from operating activities was Ps.19,758 million, primarily attributable to (i) the profit for the period, (ii) an impairment of long-lived assets as a result of the closing of the Cape Fear plant in North Carolina, (iii) a decrease in working capital investment and (iv) partially offset by an increase in payment of taxes.

In 2012, net cash generated from operating activities was Ps. 20,987 million, primarily attributable to higher sales volume due to the integration of the Columbia Assets and the Wellman and J.L. French acquisitions, and partially offset by a reduction in accounts payable due the resolution of the fixed-to-mobile interconnection charges that were in dispute in the telecommunication sector.

In 2011, net cash generated from operating activities was Ps. 14,809 million, primarily attributable to higher sales volume and margins, and partially offset by investments in working capital.

Investing Activities

In 2013, net cash used in investing activities was Ps. 18,903 million, primarily attributable to the acquisition of Campofrío, ComNor, Monteverde and GTel.

In 2012, net cash used in investing activities was Ps. 12,101 million, primarily attributable to the construction of a cogeneration plant in Cosoleacaque, Veracruz, and the PET debottleneck project at the Columbia site, capital expenditures, maintenance expenses, the retooling of equipment to launch replacement programs, research and development to develop new business programs and the acquisition of J.L. French.

In 2011, net cash used in investing activities was Ps. 15,411 million, primarily attributable to the resources used for the acquisition of the Columbia Asset and the Wellman acquisition, capital expenditure for maintenance expenses, the launch of replacement programs and the development of new business programs.

Financing Activities

In 2013, cash used in financing activities was Ps. 2,664 million, primarily attributable to the pre-payment and re-payment of certain indebtedness by Alpek and the early payment of dividends by Alfa and Alpek in 2013, partially offset by an increase in debt incurred in connection with acquisitions.

In 2012, cash used in financing activities was Ps. 2,885 million, primarily attributable to the reduction of Alpek's debt, payment of Alpek's dividends, the costs related to Alpek's IPO, the prepayment of Nemak's syndicated loan incurred in 2009, and partially offset by the incurrence of long term indebtedness to acquire J.L. French.

In 2011, cash generated from financing activities was Ps. 931 million, primarily attributable to the debt incurred in connection with the acquisition of the Columbia Assets and the Wellman acquisition, and partially offset by the pre-payment and re-payment of Nemak's syndicated loan incurred in 2009.

In 2013, 2012 and 2011, we paid dividends of Ps. 3,510 million, Ps. 1,348 million and Ps. 1,131 million, respectively.

Indebtedness

As of December 31, 2013 we had total indebtedness of Ps. 57,454 million (US$4,394 million), of which Ps. 48,689 million (US$3,723 million) was denominated in U.S. Dollars, Ps. 1,295 million (US$99 million) was denominated in Euros, Ps. 6,844 million (US$523 million) was denominated in Mexican Pesos and Ps. 626 million (US$48 million) was denominated in certain other currencies (mainly Argentina Peso, Peruvian New Sol, Chinese Renminbi, Brazilian Real and Indian Rupee). Of this total indebtedness amount, Ps. 3,182 million (US$243 million) constituted short-term debt. Over 39% of our debt accrues interest under floating rates. The primary use of our debt has been to fund acquisitions, capital expenditures and other corporate needs. Following this offering, we anticipate having credit facilities of up to US$766 million available, under which we may borrow additional funds to finance our working capital and other requirements.

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

Alfa

Alfa Term Loan

On October 5, 2009, we entered into a loan agreement with Inbursa in the amount of US$100 million. This facility amortizes over five years with final maturity on October17, 2014. At December 31, 2013 the outstanding amount of the facility was US$44.4 million. We intend to repay this loan facility in full with the proceeds of the notes offered hereby.

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

Alfa Short-Term Promissory Note

In November 2013, we borrowed under a short-term line of credit with Inbursa, and executed a promissory note in the amount of US$100 million with a maturity date of May 12, 2014. The outstanding amount of the promissory note was US$100 million as of December 31, 2013 and the applicable interest rate is one-month Libor plus 2.20%. We intend to repay this promissory note in full with the proceeds of the notes offered hereby.

Alfa Committed Credit Line

On September 21, 2010 we entered into a credit facility with Inbursa with a committed line of credit in the total amount of Ps. 1,000 million for general corporate purposes and for working capital requirements. This credit line was amended in 2013 to increase the amount up to US$175 million. As of December 31, 2013, we did not have any outstanding amounts under this committed credit line.

Alpek

Alpek 2023 International Notes

In August 2013, Alpek issued notes in the international capital markets in an aggregate principal amount of US$300 million (the "Alpek 2023 Notes"). The Alpek 2023 Notes bear interest at a rate of 5.375% per annum, which is payable on February 8 and August 8 of each year. The Alpek 2023 Notes mature on August 8, 2023. The outstanding amount of the Alpek 2023 Notes as of December 31, 2013 was US$300 million.

The Alpek 2023 Notes contain certain restrictive covenants which, among other things, limit Alpek's and its subsidiaries' ability to (i) effect a consolidation, merger or sale of assets, (ii) create liens on assets and (iii) enter into sale and leaseback transactions. The indenture governing the Alpek 2023 Notes contains customary events of default. Alpek's obligations under the Alpek 2023 Notes are guaranteed by the following subsidiaries: (i) Grupo Petrotemex, S.A. de C.V., (ii) DAK Americas LLC, (iii) DAK Resinas Americas Mexico, S.A. de C.V., (iv) Tereftalatos Mexicanos, S.A. de C.V., (v) Akra Polyester, S.A. de C.V. and (vi) DAK Americas Mississippi, Inc.

Alpek has the right, at its option, to redeem any of the Alpek 2023 Notes, in whole or in part, at any time or prior to their maturity at a redemption price equal to the greater of (1) 100% of the then outstanding principal amount of the Alpek 2023 Notes and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury rate plus 40 basis points, plus accrued interest thereon to the date of redemption and any additional amounts payable with respect to the Alpek 2023 Notes.

Alpek 2022 International Notes

In November 2012, Alpek issued notes in the international capital markets in an aggregate principal amount of US$650 million (the "Alpek 2022 Notes"). The Alpek 2022 Notes bear interest at a rate of 4.50% per annum, which is payable on May 20 and November 20 of each year. The Alpek 2022 Notes mature on November 20, 2022. The outstanding amount of the Alpek 2022 Notes as of December 31, 2013 was US$650 million.

The Alpek 2022 Notes contain certain restrictive covenants which, among other things, limit Alpek's and its subsidiaries' ability to (i) effect a consolidation, merger or sale of assets, (ii) create liens on assets and (iii) enter into sale and leaseback transactions. The indenture governing the Alpek 2022 Notes contains customary events of default. Alpek's obligations under the Alpek 2022 Notes are guaranteed by the following subsidiaries: (i) Grupo Petrotemex, S.A. de C.V., (ii) DAK Americas LLC, (iii) DAK Resinas Americas Mexico, S.A. de C.V., (iv) Tereftalatos Mexicanos, S.A. de C.V., (v) Akra Polyester, S.A. de C.V. and (vi) DAK Americas Mississippi, Inc.

Alpek has the right, at its option, to redeem any of the Alpek 2022 Notes, in whole or in part, at any time or prior to their maturity at a redemption price equal to the greater of (1) 100% of the then outstanding principal amount of the Alpek 2022 Notes and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury rate plus 45 basis points, plus accrued interest thereon to the date of redemption and any additional amounts payable with respect to the Alpek 2022 Notes.

Indelpro-Rabobank Credit Agreement

On March 29, 2011, Indelpro entered into a credit agreement with Rabobank Nederland, New York Branch, as lender (the "Indelpro-Rabobank Credit Agreement"), in an aggregate principal amount of US$60 million. This facility matures in April 2016, with three equal principal amortizations on each anniversary of the borrowing, starting on the third anniversary. As of December 31, 2013, Indelpro had US$60 million outstanding under this facility.

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

Sigma

Domestic Bonds

In November 2007, Sigma established a Ps. 5,000 million local bonds program (*programa revolvente de certificados bursátiles*). As of December 31, 2013, Sigma had local bonds of Ps. 3.3 billion outstanding. The local bonds contain certain restrictive covenants which, among other things, limit Sigma's and its subsidiaries' ability to:

- enter into transactions with affiliates, except for transactions in the ordinary course of business and on an arm's-length basis;
- effect a consolidation, merger or purchase of all or substantially all of Sigma's assets;
- create liens on assets;
- make investments outside the ordinary course of business; and
- enter into any agreements that would limit the ability of subsidiaries to pay dividends.

In addition, the local bonds contain standard default provisions, including a change of control provision at the Alfa level relating to Sigma, as well as cross-default provisions.

<u>Sigma 2014 Local Bonds.</u> In December 2007, Sigma issued local bonds of Ps. 1,635 million aggregate principal amount in two tranches under the local bonds program. The first tranche consisted of local bonds of Ps. 1,000 million aggregate principal amount bearing interest at the TIIE Rate plus 0.2%. The second tranche consisted of local bonds of Ps. 635 million aggregate principal amount bearing interest at an 8.75% fixed rate per year. Both tranches will mature on December 8, 2014.

<u>Sigma 2018 Local Bonds.</u> In July 2008, Sigma issued two additional tranches of local bonds under the local bonds program. The first tranche consisted of local bonds of Ps. 1,000 million aggregate principal amount bearing interest at a 10.25% fixed rate. The second tranche consisted of local bonds of 124 million UDIs (equivalent, at the time, to approximately Ps. 500 million) bearing interest at a 5.32% fixed rate per year. UDIs are instruments denominated in Mexican Pesos that automatically adjust the principal amount of an obligation to the inflation rate officially recognized by the *Banco de México*. Both tranches mature on July 12, 2018.

Sigma 2018 International Notes

In April 2011, Sigma issued notes in the international capital markets in an offering exempt from registration in the United States (the "Sigma 2018 Notes"), in an aggregate principal amount of US$450 million. The Sigma 2018

Notes bear interest at a rate of 5.625% per annum, which is payable on April 14 and October 14 of each year. The Sigma 2018 Notes mature on April 14, 2018.

The Sigma 2018 Notes contain certain restrictive covenants which, among other things, limit Sigma's and its subsidiaries' ability to (i) effect a consolidation, merger or sale of assets, (ii) create liens on assets and (iii) enter into sale and leaseback transactions.

Sigma's obligations under the Sigma 2018 Notes are guaranteed by the following subsidiaries: (i) Sigma Alimentos Corporativo, S.A. de C.V., (ii) Sigma Alimentos Centro, S.A. de C.V., (iii) Sigma Alimentos Comercial, S.A. de C.V., (iv) Sigma Alimentos Lácteos, S.A. de C.V., (v) Comercializadora de Embutidos ICO, S.A. de C.V., (vi) Alimentos Finos de Occidente, S.A. de C.V., (vii) Carnes Selectas Tangamanga, S.A. de C.V., (viii) Sigma Alimentos Congelados, S.A. de C.V., (ix) Sigma Alimentos Importaciones, S.A. de C.V., (x) Comercializadora Láctica, S.A. de C.V., (xi) Sigma Alimentos Noreste, S.A. de C.V., (xii) Empacadora de Embutidos del Centro, S.A. de C.V., (xiii) Grupo Chen, S. de R.L. de C.V., (xiv) Sigma Alimentos Exterior, S.L., (xv) Sigma Processed Meats, LLC (xvi) Sigma Foods, LLC., (xvii) Mexican Cheese Producers, Inc. and (xviii) Bar-S Foods Co.

Sigma 2019 International Notes

In December 2009, Sigma issued notes in the international capital markets in an offering exempt from registration in the United States (the "Sigma 2019 Notes") in an aggregate principal amount of US$250 million. The Sigma 2019 Notes bear interest at a rate of 6.875% per annum, which is payable on June 16 and December 16 of each year. The Sigma 2019 Notes mature on December 16, 2019.

The Sigma 2019 Notes contain certain restrictive covenants which, among other things, limit Sigma's and its subsidiaries' ability to (i) effect a consolidation, merger or sale of assets, (ii) create liens on assets and (iii) enter into sale and leaseback transactions.

Sigma's obligations under the Sigma 2019 Notes are guaranteed by the following subsidiaries: (i) Sigma Alimentos Corporativo, S.A. de C.V., (ii) Sigma Alimentos Centro, S.A. de C.V., (iii) Sigma Alimentos Comercial, S.A. de C.V., (iv) Sigma Alimentos Lácteos, S.A. de C.V., (v) Comercializadora de Embutidos ICO, S.A. de C.V., (vi) Alimentos Finos de Occidente, S.A. de C.V., (vii) Carnes Selectas Tangamanga, S.A. de C.V., (viii) Sigma Alimentos Congelados, S.A. de C.V., (ix) Sigma Alimentos Importaciones, S.A. de C.V., (x) Comercializadora Láctica, S.A. de C.V., (xi) Sigma Alimentos Noreste, S.A. de C.V., (xii) Empacadora de Embutidos del Centro, S.A. de C.V., (xiii) Grupo Chen, S. de R.L. de C.V., (xiv) Sigma Alimentos Exterior, S.L., (xv) Sigma Processed Meats, LLC (xvi) Sigma Foods, LLC and (xvii) Mexican Cheese Producers, Inc.

Sigma-Bank of Tokyo Mitsubishi Credit Agreement

On November 13, 2013, Sigma entered into a credit facility with The Bank of Tokyo-Mitsubishi UFJ, LTD as borrower, sole lead arranger, sole bookrunner and global coordinator, and the other parties thereto, as amended and restated on January 13, 2014, in the amount of US$1.0 billion (the "Sigma-Bank of Tokyo Mitsubishi Credit Agreement"). The credit facility has a final maturity date of November 13, 2018, with four equal amortizations in May 2017, November 2017, May 2018 and November 2018. At December 31, 2013 the outstanding amount under this facility was US$301.5 million.

The Sigma-Bank of Tokyo Mitsubishi Credit Agreement contains maintenance covenants that require Sigma to maintain certain financial ratios. The failure to comply with such covenants, if not cured within a certain specified time period, can lead to the loan then outstanding becoming immediately due and payable. These maintenance covenants include: (i) a leverage ratio, which requires that the ratio at any date of (a) consolidated net debt to (b) consolidated EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.5 to 1.0; and (ii) an interest coverage ratio which requires that the ratio of (a) consolidated EBITDA for the four consecutive fiscal quarters most recently ended on or prior to such date to (b) consolidated net interest expense for such period not less than 3.0 to 1.0 as of the last day of each fiscal quarter. The Sigma-Bank of Tokyo Mitsubishi Credit Agreement also contains certain customary events of default.

Committed Credit Line

In April 2011, Sigma entered into a credit agreement with Grupo Financiero Inbursa, S.A.B. de C.V. with a committed credit line of up to US$100 million for working capital and general corporate purposes. As of December 31, 2013, Sigma did not have any outstanding amounts under this committed credit line.

Nemak

Domestic Bonds

Nemak issued an aggregate amount of Ps. 3,500 million Mexican Peso-denominated notes (the "Nemak Certificado Bursátil") in two issuances: (i) Ps. 2,500 million principal amount issued in November 2007; and (ii) Ps. 1,000 million principal amount issued in May 2008. These bonds were refinanced in 2011 to adjust, among other things: (a) the amortization schedule, which was extended to be payable on a quarterly basis beginning with 5% in December 2015, 45% in 2016, and the remaining 50% during 2017; and (b) the interest rate, which became Mexican base rate ("TIIE") plus 280 basis points per annum.

Nemak's obligations under the Nemak Certificado Bursátil are supported by a partial corporate guarantee issued by Banco Nacional de Comercio Exterior, S.N.C. covering 29% of the principal amount of the issuance, as well as 100% of the first coupon in case of partial or total payment default by the issuer. As of September 21, 2012, Nemak may redeem the total amount of the Nemak Certificados Bursátiles at its option at any time.

The Nemak Certificado Bursátil contains certain restrictive covenants which, among other things, limit the ability of Nemak and its subsidiaries to (i) pay any principal or cash interest on subordinated debt, (ii) enter into transactions with affiliates, (iii) effect a consolidation, merger or purchase of all or substantially all assets, (iv) create liens on assets, (v) dispose of assets or (vi) incur additional debt.

The facility contains maintenance covenants that require Nemak to maintain certain financial ratios. These maintenance covenants include (i) an interest coverage ratio, which requires that the ratio of (a) consolidated EBITDA for the four consecutive fiscal quarters most recently ended on or prior to such date to (b) consolidated interest of such period not be less than 2.75 to 1.0 beginning on December 31, 2011; and (ii) a leverage ratio, which requires that the ratio of (a) consolidated net debt at such date to (b) consolidated EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.75 to 1.0, beginning on December 31, 2013 (all as defined in the Nemak Certificado Bursátil). The purchase and guarantee agreement also contains customary events of default.

The failure to comply with such covenants, if not cured within a certain specified time period, can lead, at the option of holders of more than 25% of the principal amount of the outstanding Nemak Certificados Bursátiles, to such amounts beginning immediately due and payable.

The Nemak Certificados Bursátiles' interest rate and currency were changed pursuant to cross currency swap transactions covering 100% of the payment of principal and interest from TIIE and Mexican Peso currency to a floating rate based on 1 month LIBOR and the U.S. Dollar. The transaction covers all payments of principal and interest at dates coinciding with the terms of the Nemak Certificados Bursátiles indenture agreement. The applicable interest rate is in U.S. Dollars and is approximately LIBOR + 3.96%.

Nemak 2023 International Notes

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

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

Nemak has the right, at its option, to redeem any of the Nemak 2023 Notes, in whole or in part, on or after February 28, 2018, at any time, at the redemption prices set forth in the indenture governing the Nemak 2023 Notes. Prior to February 28, 2018, Nemak has the right, at its option, to redeem the Nemak 2023 Notes, in whole but not in part, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (a) the redemption price of the Nemak 2023 Notes at February 28, 2018 plus (b) all required interest payments on the notes through February 28, 2018 (excluding accrued but unpaid interest to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued interest on the principal amount of the Nemak 2023 Notes to, but excluding, the date of redemption.

In addition, prior to or on February 28, 2016, Nemak may redeem up to 35% of the original principal amount of the Nemak 2023 Notes with the net proceeds from certain equity offerings by Nemak, at a redemption price equal to 105.50% of the aggregate principal amount thereof, plus any accrued and unpaid interest.

Nemak Senior Unsecured Loan

On December 2, 2013, Nemak entered into an unsecured loan agreement with Citigroup Global Markets Inc., BBVA Securities Inc., HSBC Securities (USA) Inc. and Santander Investment Securities Inc. in the amount of US$465 million (the "Nemak 2013 Senior Loan"). This loan is comprised of two tranches: (i) a US$372 million tranche and (ii) a Euro 68.7 million tranche.

The Nemak 2013 Senior Loan has a five year amortization schedule beginning in March 2015 with a final maturity date of December 2, 2018. The facility provides for a pricing grid based on the leverage ratio. The margin ranges between 2.25% and 1.50%. As of December 31, 2013, the applicable interest rate is 3 month LIBOR + 1.75%. The outstanding principal amount of the Nemak 2013 Senior Loan was US$465 million as of December 31, 2013.

This facility contains maintenance covenants that require Nemak to maintain certain financial ratios. The failure to comply with such covenants, if not cured within a certain specified time period, can lead to the loan then outstanding becoming immediately due and payable. These maintenance covenants include: (i) a leverage ratio that requires that the ratio at any date of (a) consolidated net debt to (b) consolidated EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.5 to 1.0; (ii) an interest coverage ratio which requires that the ratio of (a) consolidated EBITDA for the four consecutive fiscal quarters most recently ended on or prior to such date to (b) consolidated net interest expense for such period not be less than 3.0 to 1.0, as of the last day of each fiscal quarter; and (iii) a consolidated net worth ratio (as defined therein) at the end of each calendar year greater than or equal to 80% of the consolidated net worth stated in Nemak's December 31, 2012 audited financial statements plus 50% of cumulative consolidated net income from the immediately preceding calendar year. The Nemak 2013 Senior Loan also contains certain customary events of default.

Alestra

Term Loan Facility

On December 19, 2013, Alestra entered into a term loan facility with Banco Nacional de Comercio Exterior, S.N.C. for an amount up to US$190 million. This term loan facility has a 180-day availability period from the execution date and a ten year amortization schedule with a final maturity date of January 17, 2024. As of the date of this offering memorandum, this facility was fully drawn and the proceeds were used for an optional redemption of 100% of Alestra's 11.75% Senior Notes due 2014, which were redeemed on February 24, 2014.

Newpek

Reserve Based Loan

On October 4, 2011, Newpek entered into an amended and restated reserve-based loan agreement with Amegy Bank National Association, as administrative agent, and the lenders party thereto, for an amount up to US$120 million. This facility has a bullet amortization schedule and matures on December 31, 2015. At December 31, 2013 the outstanding amount of the facility was US$92.5 million.

The facility contains maintenance covenants that require Newpek to maintain certain financial ratios. The failure to comply with such covenants, if not cured within a certain specified time period, can lead to the loan then outstanding becoming immediately due and payable. These maintenance covenants include: (i) a leverage ratio that requires that the ratio as of the end of each fiscal quarter of (a) Funded Debt (as defined therein) to (b) EBITDA (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date not exceed 3.5 to 1.0; and (ii) an interest coverage ratio that requires that the ratio of (a) Cash Flow (as defined therein) for the four consecutive fiscal quarters most recently ended on or prior to such date to (b) Fixed Charges (as defined therein) for such period not be less than 2.5 to 1.0 as of the last day of each fiscal quarter. This facility also contains certain customary events of default.

Capital Expenditures

In 2011, 2012 and 2013, excluding expenditures made in relation to acquisitions, we made capital expenditures of Ps. 6,774 million (US$531 million), Ps. 8,732 million (US$684 million) and Ps. 12,198 million (US$955 million), respectively. These capital expenditures mainly include expenditures related to (i) maintenance programs, (ii) the construction of a cogeneration plant at Alpek's PTA-PET complex in Cosoleacaque, Veracruz, (iii) Alpek's debottleneck project at the PET plant in Columbia, (iv) Nemak's launching of new business programs and retooling equipment for replacement programs and (v) an increase in data center capacity for Alestra.

We estimate that our capital expenditures for 2014, excluding expenditures made in connection with any acquisitions, will be approximately US$1,055 million.

The table below sets forth the breakdown of our estimated capital expenditures for 2014 by business unit:

Business Unit	**For the year ending December 31, 2014** (*in millions of U.S. Dollars*)
Alpek	300
Sigma	145
Nemak	375
Alestra	100
Newpek	130
Other segments[1]	5
Total	1,055

(1) Includes other operating and services subsidiaries.

Tabular Disclosure of Contractual Obligations

The following is a summary of our consolidated contractual obligations as of December 31, 2013:

	Payments Due By Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(*in millions of Pesos*)		
Short-term debt obligations	3,175	3,175	-	-	-
Long-term debt obligations	53,910	7,318	9,726	17,926	18,939
Finance leases	170	22	42	105	
Total[1]	57,255	10,516	9,769	18,031	18,939

(1) Does not include accrued interest payable (Ps. 575 million) or debt issuance costs (Ps. 375 million).

In the ordinary course of business, we also enter into long-term supply agreements for raw materials and energy, which are not reflected in the table above. In addition, our obligations under derivative financial instruments are described further below. On a stand-alone basis, Alfa had total short-term obligations of US$144 million and total long-term obligations of US$25 million.

Off Balance Sheet Arrangements

As of December 31, 2013, we did not have any off balance sheet arrangements.

Internal Controls

We have adopted internal control policies and procedures designed to provide reasonable assurance that our operations are subject to and in compliance with guidelines set forth by our management and that our financial reporting complies with IFRS. Some of these policies and procedures include policies and procedures relating to our ongoing business operations, the implementation and promotion of business initiatives, the control and supervision of acquisitions, the promotion, distribution and sale of subsidiary projects and the development of internal controls for our human resources, accounting, legal, tax and information technology departments. We believe that our advanced information technology platform and our organizational structure provide us with the necessary tools to accurately and effectively apply our internal control policies and procedures. In addition, our various operational processes are subject to periodic internal audits.

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

Because we operate in various countries and enter into credit agreements in U.S. Dollars and, to a lesser extent, other currencies, we have entered into interest rate and exchange rate derivatives for purposes of reducing the overall cost of such financing and the volatility associated with exchange and interest rates. Additionally, due to the nature of the industries in which we operate and our consumption of energy and raw materials, we have entered into hedge contracts covering natural gas, gasoline, ethylene and other raw material prices.

All of our derivative financial transactions are subject to guidelines set forth by Alfa's Board of Directors in collaboration with Alfa's Planning, Finance and Audit Committees, and must be authorized by Alfa's Risk Management Committee.

We maintain a system of internal control over derivative financial instruments. The negotiation, authorization, contracting, operating, monitoring and recording of derivative financial instruments are subject to IAS 39 "Financial Instruments: Recognition and measurement" issued by the IASB and to internal control procedures variously overseen by our treasury, legal, accounting and auditing departments.

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

The obligations under our derivative financial instruments are generally contracted in U.S. Dollars. The notional amounts and fair values presented in the tables below have been translated from U.S. Dollars to Mexican Pesos using a rate of 13.08. The fair values presented below are mathematical estimates of the corresponding market values of such instruments. We estimate fair value by reference to independent third-party models, which may include models provided by the swap counterparties under these instruments that use assumptions based on past, present and future expectations of market conditions as of the relevant accounting closing date.

As of December 31, 2013, we were in compliance with the provisions of our financial instruments. Since September 2012, we have recorded the valuation of our commodities-related derivative financial instruments in other income and expenses. For the years ended December 31, 2013 and 2012, the valuation of derivative financial instruments represented a loss of Ps. 329 million and a loss of Ps. 836 million, respectively.

Exchange Rate Risk

As of December 31, 2013, the position of our exchange rate derivatives was as follows, in millions of Mexican Pesos:

Type of derivative value or contract	Economic purpose	Accounting treatment	Notional amount	Underlying asset		Fair Value	Maturity			Collateral
				Unit	Reference		2014	2015	2016+	
USD/MXN (CCS[1])[2]	Hedge	Hedge	(Ps 3,500)	Peso/Dollar	13.08	(Ps. 279)	Ps. -	(Ps. 14)	(Ps. 265)	Ps. —
EUR/USD (CCS[1])	Hedge	Non-hedge	Ps 1,023	Dollar/Euro	1.38	(102)	(20)	(32)	(50)	—
						(Ps. 381)	**(Ps. 20)**	**(Ps. 46)**	**(Ps. 315)**	**Ps. —**

(1) Cross currency swaps
(2) Fair value hedges

Interest Rate Risk

As of December 31, 2013, the position of our interest rate swaps was as follows, in millions of Mexican Pesos:

Type of derivative value or contract	Economic purpose	Accounting treatment	Notional amount	Underlying asset		Fair Value	Maturity			Collateral
				Unit	Reference		2014	2015	2016+	
LIBOR-based	Hedge	Hedge	785	% per year	0.49	(Ps. 20)	(Ps. 12)	(Ps. 7)	(Ps. 1)	—
						(Ps. 20)	**(Ps. 12)**	**(Ps. 7)**	**(Ps .1)**	**—**

Natural Gas and Other Commodities Price Risk

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

As of December 31, 2013, we had hedges on the price of natural gas for a portion of our expected consumption needs. In addition, in order to fix the sales prices of certain of our products, we have entered into swaps for certain commodities concurrently with the execution of sales contracts with certain customers, as the prices of such commodities have a direct or indirect impact on the sales prices of such products.

As of December 31, 2013, the position of our derivative financial instruments for natural gas and commodities was as follows, in millions of Mexican Pesos:

Type of derivative value or contract	Economic purpose	Accounting treatment	Notional amount	Underlying asset		Fair Value	Maturity			Collateral
				Unit	Reference		2014	2015	2016+	
Ethylene[1]	Hedge	Hedge	Ps 155	Dollar cents/ pound	58.75	Ps. 12	Ps. 11	Ps. 1	Ps. -	—
Natural Gas[1]	Hedge	Hedge	444	Dollar / MM BTU	4.29	7	15	-	(8)	—
Ethane[1]	Hedge	Hedge	23	Dollar cents/ pound	28.03	(3)	(3)	-	-	—
Paraxylene[1]	Hedge	Hedge	226	Dollar / MT	1,435	(2)	(2)	-	-	—
Crude WTI[1]	Hedge	Hedge	417	Dollar / barrel	93.33	(3)	(3)	-	-	—

Gasoline	Hedge	Non-hedge	923	Dollar /gallon	2.72	54	54	-	-	—
Natural Gas	Hedge	Non-hedge	25	Dollar / MM BTU	4.29	(53)	(53)	-	-	—
Crude Brent	Hedge	Non-hedge	60	Dollar / barrel	108.53	2	2	-	-	—
						Ps. 14	Ps. 21	Ps. 1	Ps. (8)	—

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(1) Cash flow hedges

Hedge Effectiveness

The effectiveness of derivative financial instruments classified as hedge instruments is assessed on a periodic basis. As of December 31, 2013, we assessed the effectiveness of hedges and estimated that they are highly effective for hedge accounting purposes. The notional amounts related to derivative financial instruments reflect the reference volume contracted.

As of December 31, 2013, the net fair value position of the aforementioned derivative financial instruments amounted to Ps. 387 million, which is included in our balance sheet as follows:

	Amount
	(in millions of Pesos)
Assets:	
Current assets	86
Non-current assets	—
Liabilities:	
Current liabilities	(78)
Non-current liabilities	(395)
Net position	(Ps. 387)

Credit Lines, Margins and Collateral Policies

In order to manage the obligation to post collateral in connection with margin calls under derivative financial instruments, we have agreed to a credit limit with each counterparty that we have a derivative transaction with. In cases where the agreed threshold under a particular transaction is less than the absolute mark-to-market value of such transaction, we have the obligation, from time to time, to post the corresponding collateral to the counterparty. We typically satisfy this obligation by drawing on our cash reserves, cash flow generation or available credit lines. Additionally, if we fail to post such collateral, the counterparty has the right, but not the obligation, to declare such obligation as prematurely expired and to demand the corresponding reasonable value in accordance with the agreed upon terms. As of December 31, 2013, we had no cash or other collateral posted for margin calls related to our derivative financial instruments.

Risk Management Committee

We have a Risk Management Committee which supervises, among other things, hedging and derivative transactions proposed to be entered into with a risk exposure in excess of US$1.0 million. This committee reports directly to our Chairman and Chief Executive Officer. All new hedging and derivative transactions which we propose to enter into, as well as the renewal or cancellation of existing hedging and derivative arrangements, are required to be approved by our senior management, including our Chairman and Chief Executive Officer. Proposed transactions must satisfy certain criteria, including that they be entered into for non-speculative purposes in the ordinary course of business, that they be based on fundamental analysis and that a sensitivity analysis and other risk analyses have been performed prior to the consummation of the transaction.

BUSINESS

Overview

We are a holding company and one of Mexico's largest public companies based on revenues. We conduct our operations through five business units: (i) Alpek (the largest petrochemical company in Mexico and the second largest in Latin America); (ii) Sigma (a leading producer, marketer and distributor of highly recognized branded foods primarily in Mexico, the United States and, upon the completion of the acquisition of Campofrío, the European Union); (ii) Nemak (the world's largest independent manufacturer of high-tech aluminum components for the automotive industry in terms of revenue and production capacity); (iv) Alestra (a provider of telecommunication and information technology services in Mexico) and (v) Newpek (a natural gas and hydrocarbons business in Mexico and the United States). Currently, we have manufacturing facilities in 18 countries and employ more than 61,000 personnel.

For the year ended December 31, 2013, we had consolidated revenue and Adjusted EBITDA of Ps. 203.5 billion (US$15.9 billion) and Ps. 24.5 billion (US$1.9 billion), respectively, with approximately 62% of our total sales made outside of Mexico. As of December 31, 2013, our total assets were Ps. 165.4 billion (US$12.6 billion) and our market capitalization was Ps. 188.3 billion (US$14.4 billion). The following table shows the breakdown by segment of our consolidated total revenue and Adjusted EBITDA for the year ended on December 31, 2013.

	Year Ended December 31, 2013			
	Revenue [(2)]	**Percent of Revenue**	**Adjusted EBITDA**	**Percent of Adjusted EBITDA**
	(in millions of Pesos, except percentages)			
Alpek	89,818	44.1	7,344	29.9
Sigma	48,989	24.1	6,710	27.3
Nemak	56,299	27.7	7,823	31.9
Alestra	4,954	2.4	2,166	8.8
Newpek	1,706	0.8	1,166	4.8
Other segments and eliminations[(1)]	1,690	0.8	(674)	(2.7)
Total	**203,456**	**100.0**	**24,535**	**100.0**

(1) Includes other operating and services subsidiaries and eliminations of intercompany operations.
(2) Revenue only from external customers.

Alpek

Overview

Alpek is involved in the production, marketing and sale of a diversified portfolio of petrochemical products. Alpek is the largest petrochemical company in Mexico and the second-largest in Latin America (based on 2013 net sales). Alpek has leadership positions across its product portfolio. For example, Alpek was the largest integrated producer of polyester and its precursor chemicals in the Americas based on installed capacity as of November 19, 2013, according to PCI. After the acquisition of Wellman in August 2011, Alpek became and continues to be the largest PET producer in the Americas and among the top five largest worldwide according to PCI, our internal estimates and market data. For the year ended December 31, 2013, Alpek derived approximately 76% of its net sales from its polyester group of products, including the production of PTA, PET resin and polyester fibers. Alpek also operates the only PP plant in Mexico which is one of the largest PP production facilities in North America as well as the largest expandable EPS plant in the Americas in terms of installed capacity, based on our internal estimates and our review of publicly available market data. Alpek is also the sole Mexican producer of CPL, which it mostly exports to China.

Alpek focuses on products and end markets that we believe offer the highest growth potential and ability to expand margins, and that are more likely to provide stable financial performance through economic cycles. For the year ended December 31, 2013, 90% of Alpek's products (on the basis of sales volume) were used in what we believe are recession-resistant end markets, such as the food and beverage packaging and consumer goods end markets.

Alpek operates through two major business segments: the Polyester Chain Business and the Plastics & Chemicals Business. The Polyester Chain Business segment, comprising the production of PTA, PET and polyester fibers, serves the food and beverage packaging, textile and industrial filament end markets. The Plastics & Chemicals Business segment, comprising the production of PP, EPS, polyurethanes, CPL, fertilizers and other chemicals, serves a wide range of markets, including the food and beverage packaging, consumer goods, automotive, construction, agriculture, oil industry and pharmaceutical end markets. For the year ended December 31, 2013, Alpek generated approximately 50% of its total net sales in high-growth emerging markets including Mexico.

Alpek is a publicly traded company in Mexico and is 82.09% owned by Alfa. Alpek employs approximately 4,500 personnel and operates nine plants in Mexico, six plants in the United States and one plant in Argentina.

Alpek operates through several companies , including (i) Grupo Petrotemex, S.A. de C.V. (PTA, PET and PSF), (ii) Indelpro S.A. de C.V. (PP), a strategic alliance with LyondellBasell Industries Holdings B.V. which owns 49% of the shares, (iii) Polioles S.A. de C.V. (EPS, PUR and other chemicals), a strategic alliance with BASF de Mexico, S.A. de C.V. , which owns 50.0% minus one share, (iv) Unimor, S.A. de C.V. (CPL and fertilizers), (v) DAK Americas LLC (PTS, PET, PSF), (vi) Akra Polyester, S.A. de C.V. (PTA and fibers), (vii) Tereftalatos Mexicanos S.A. de C.V. (PTA), (viii) DAK Resinas Americas Mexico S.A. de C.V. (PET) and (ix) DAK Americas Mississippi, Inc. (PET), among others.

Alpek generated consolidated revenue of Ps. 89.8 billion (US$ 7.0 billion) and Adjusted EBITDA of Ps. 7,344 million (US$ 575 million) for the year ended December 31, 2013. Alpek's total assets as of December 31, 2013 were Ps. 58.1 billion (US$ 4.4 billion). For the years ended December 31, 2011, 2012 and 2013, Alpek contributed 47.5%, 39.3% and 29.9%, respectively, to our consolidated Adjusted EBITDA and 49.4%, 47.9% and 44.1%, respectively, to our consolidated revenue.

Key Products

Alpek's subsidiaries are involved in the production, marketing and sale of its products in the following industries:

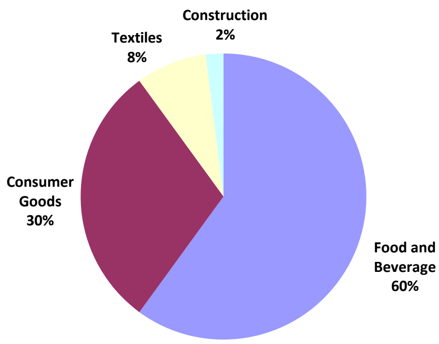
<table>
<tr><th colspan="4">Industry</th><th colspan="2">Alpek</th></tr>
<tr><th>Industry Segment</th><th>Main Products</th><th>Representative End Markets</th><th>Typical End Users[1]</th><th>Percent of 2013 Revenue</th><th>Main Geographic End Markets</th></tr>
<tr><td rowspan="2">Polyester Chain Products</td><td>PTA, PET</td><td>• Food and beverage packaging
• Personal care</td><td>• Coca Cola
• Pepsi
• Kraft Foods</td><td rowspan="2">Approximately 76%</td><td rowspan="2">• Mexico
• United States
• Argentina
• Brazil
• Spain
• Lithuania
• Colombia
• Italy</td></tr>
<tr><td>Polyester fibers</td><td>• Carpets
• Non-woven
• Apparel</td><td>• Hanes
• Shaw
• Fruit of the Loom</td></tr>
<tr><td rowspan="3">Plastics & Chemicals Products</td><td>PP</td><td>• Food and beverage packaging
• Consumer goods
• Automotive
• Medical</td><td>• Coca Cola
• Pepsi
• Alcoa
• Becton Dickinson
• Tupperware
• Kimberly Clark</td><td rowspan="3">Approximately 24%</td><td rowspan="3">• Mexico
• United States
• China
• Central America and Caribbean[2]
• Europe[3]
• Brazil
• Canada
• Colombia</td></tr>
<tr><td>EPS and polyurethanes</td><td>• Construction
• Packaging for appliances
• Furniture and bedding</td><td>• Whirlpool
• Samsung
• LG
• Bosch
• Sealy
• Simmons</td></tr>
<tr><td>Industrial and specialty chemicals</td><td>• Crude oil industry
• Automotive
• Polyester</td><td>• Pemex
• Bardahl
• Procter & Gamble</td></tr>
</table>

		• Hygiene • Pharmaceutical	• Johnson & Johnson		
	CPL	• Textile/apparel • Tire cords • Engineering plastics	• Nike • Quadrant • Rhodia		
	Fertilizers (ammonium sulfate)	• Agriculture	Many agricultural customers in central Mexico, mainly growers of sorghum and corn		

(1) Mix of current customers and non-customers of Alpek.
(2) Central America and Caribbean includes Barbados, Belize, Costa Rica, the Dominican Republic, Guatemala, Honduras, Jamaica, Nicaragua, Panama, El Salvador, Trinidad and Tobago and the British Virgin Islands.
(3) Europe includes Germany, Spain, France, the United Kingdom, Italy, the Netherlands, Poland and Lithuania.

We estimate that for the year ended December 31, 2013, approximately 90% of Alpek's products (on the basis of sales volume) were used in the food and beverage packaging and consumer goods end markets, as shown by the following chart.

Breakdown of Sales Volume by End Market for the Year Ended December 31, 2013



Polyester Chain Business

Alpek's Polyester Chain Business primarily involves the production, marketing and sale of PTA, PET and polyester fibers. Alpek is the second largest producer of PTA in North America and among the top five producers globally based on installed capacity, according to PCI and internal estimates, as of November 19, 2013. According to PCI, Alpek is also the largest producer of PET in the Americas and the second largest producer of polyester fibers in North America, based on its production capacity as of November 19, 2013. Alpek's Polyester Chain Business represented Ps. 68.3 billion (US$5.3 billion), or 76%, of Alpek's revenue in 2013.

PTA is primarily used to manufacture PET (used in plastic bottles, containers and other packaging) and polyester fibers (used for carpets, garments, home furnishings and consumer and industrial applications).

PET is a material that has gained widespread use in bottles and other containers for liquids, food and personal care products, including carbonated soft drinks, sparkling water, still water, fortified water, isotonic beverages, health drinks, juices, teas, dairy products, prepackaged food, health and beauty aids, pharmaceuticals and other household products. Sheet and film made from PET are used for cups, lids, trays, bowls and blister packaging. PET offers transparency, strength, durability and high barriers of protection, has no known health risks, is light weight, cost-efficient and recyclable and has a high degree of design flexibility and customization, all of which enable custom PET containers to be used for a variety of reusable and temperature-sensitive packaging applications. PET has increasingly displaced glass, aluminum and tin cans and other plastics such as PVC or polyethylene, and has shown one of the highest growth rates of any plastic container product worldwide during the last decade.

There is a growing trend to include recycled content in PET and polyester staple fiber products and, as a result, Alpek has developed a post-consumer PET bottle recycling operation to produce PET with recycled content. This facility is located at our Cedar Creek site in Fayetteville, North Carolina and is operated through a strategic alliance with Shaw Industries. Currently, it has the capacity to recycle 160 million pounds of, or over three billion, PET bottles per year.

Polyester staple fiber has multiple uses in carpets, garments, home furnishings (such as bedding, upholstery, drapery and towels) and non-woven consumer and industrial applications (such as wipes, medical and hygiene products, packaging, pharmaceutical products, automotive fabrics and linings). Polyester staple fiber is used in these products due to the durability, flexibility in applications, color stability, quality and production processability of final products.

Polyester filament has diverse applications such as textile fabrication, including automotive interiors and industrial yarns, manufacturing of seatbelts, canvases, conveyor belts, hoses and other products. According to PCI, the global demand for this product is growing rapidly due to its ability to substitute cotton and other fibers in many applications at lower cost, while providing similar properties.

Plastics & Chemicals Business

Alpek's Plastics & Chemicals Business comprises the production, marketing and sale of PP, EPS, PURs, glycols, glycol ethers, oil-field chemicals, specialty chemicals, CPL, fertilizers and nylon 6 polymer. Alpek's Plastics & Chemicals Business accounted for Ps. 21.6 billion (US$1.7 billion), or 24%, of its total net sales in 2013.

Polypropylene (PP) is a thermoplastic polymer that results from the chemical reaction among propylene monomer and a set of catalysts and chemicals. The properties of PP include low specific gravity, high stiffness, relatively high temperature resistance and good resistance to chemicals and fatigue. PP is used in a wide variety of applications including packaging, textiles (*e.g.*, ropes, thermal underwear and carpets), stationery, plastic parts and reusable containers of various types, automotive components, and polymer banknotes. Rapid improvements in processing properties, coupled with superior cost and environmental properties, contributed to a substitution trend that allowed the PP industry to develop. Alpek produces a variety of PP products including homopolymers, random and impact copolymers.

Expandable polystyrene (EPS) is a lightweight, rigid cellular plastic made from the polymerization of the styrene monomer. EPS is a material characterized by its versatility, given its shock-absorbing, insulating and molding properties. These properties, together with its processing ease and low cost, make it a popular packaging material for pieces sensitive to impact and for the preservation of perishable products. In Mexico, EPS has been included as part of the construction system in large-scale housing projects due to its ease of installation and light weight in roofing, therefore reducing construction costs and time. It also provides thermal and acoustic insulation.

Polyurethanes (PURs) are resilient, flexible, and durable materials that can replace paint, cotton, rubber, metal and wood in many applications across all fields. PURs can be hard like fiberglass, spongy like upholstery foam, protective like varnish, bouncy like rubber tires or sticky like glue. PURs are unique materials that offer the elasticity of rubber combined with the toughness and durability of metal.

Caprolactam (CPL) is the main raw material used in the production of nylon 6 (used in textile and industrial yarns, carpets and engineering resins). Currently, most of the world's installed capacity for the production of nylon 6 is located in China. In 2013, Alpek shipped approximately 65% of its CPL production to China. Alpek also uses a portion of its CPL to produce nylon 6 polymer, which is sold to customers, mostly in Mexico, for further transformation mainly into nylon 6 engineering resins. Examples of the end uses of nylon 6 are apparel (*e.g.*, blouses, dresses, hosiery, intimate apparel, swimwear, sportswear and leg wear), industrial yarns (*e.g.*, tire cord, automotive headliners, conveyor belts and seatbelts), engineering resins (*e.g.*, machine parts) and carpets.

Fertilizers produced based on ammonium sulfate is a by-product of the CPL production process Alpek uses. Ammonium sulfate is a nitrogen-rich fertilizer that is well suited for use in the farming regions located in central Mexico, near our production facilities. The close proximity to these regions enables Alpek to sell ammonium sulfate to over 800 fertilizer wholesalers, retailers and direct customers. In addition, Alpek has a dedicated team committed to the research and development of higher aggregate value fertilizers tailored to the specific needs of its customers.

Other chemicals include specialty chemicals and industrial chemicals. Alpek's specialty chemicals are used to manufacture a wide variety of products in a diverse spectrum of markets, including pharmaceuticals, cosmetics, detergents and industrial cleaning. Industrial chemicals are used in: (i) the polyester, automotive, pharmaceutical, cosmetic and personal care industries; (ii) paints, lacquers and dyes; and (iii) in various other applications. Alpek's main raw materials in the production of other chemicals are ethylene and propylene oxides.

Principal Acquisitions

On January 31, 2011, Alpek completed the acquisition of Eastman's U.S. PTA and PET facilities for US$621 million. As a result, Alpek acquired a modern, integrated petrochemical facility consisting of three plants located in Columbia, South Carolina, with a total combined annual capacity of 1.26 million tons, which produce PTA and PET. In connection with the acquisition, Alpek acquired working capital of US$190 million, as well as a series of patents and related intellectual property rights to the IntegRex® PTA and PET production technologies, which we believe are leading production technologies that are less capital intensive than other technologies and provide the lowest production cost per ton of PTA and PET of any technology that is currently available. Alpek also incorporated a complementary, diversified portfolio of PET products, which we believe will allow Alpek to reach a wider customer base and offer a more diversified product portfolio.

On August 31, 2011, Alpek completed the acquisition of Wellman's PET business for US$123 million. The Wellman business consists of a 430,000 ton capacity PET plant located in Bay St. Louis, Mississippi, as well as technology for PET manufacturing. This plant, which was acquired from Wellman, is strategically located on the coast of the Gulf of Mexico, close to the main sources of raw materials for the production of PET.

As a result of the Columbia Assets and Wellman acquisitions, we believe Alpek is the largest PTA and PET producer in North America based on installed capacity. According to PCI and based on our internal estimates, with the acquisition of the Columbia Assets, Alpek's North American market share based on installed capacity increased to 46% for PTA and 30% for PET, while the Wellman acquisition further increased Alpek's PET share in North America to 40%. According to our internal estimates and publicly available information, Alpek has approximately 38% PET capacity share in North America after (i) the recent shutdown of its Cape Fear site and (ii) the completion of the debottleneck project at the Columbia plant.

Key Projects and Agreements

Cogeneration Project

Beginning in 2012 and through 2014, Alpek will invest approximately US$130 million in a cogeneration project, which will produce electricity and steam, through its subsidiary Petrotemex. The cogeneration plant is expected to become operational during the first half of 2014. This cogeneration plant, which will supply Alpek's PTA and PET plants located in Cosoleacaque, Veracruz, Mexico, will have a nameplate capacity to generate approximately 95 megawatts of electricity. All of the steam produced by the plant will be used to cover the requirements of the site. The cogeneration plant will also supply energy to other Alfa entities and third parties outside of Cosoleacaque.

M&G Agreement

In the first quarter of 2013, Alpek entered into a master agreement with M&G under which M&G will license Alpek's IntegRex® PTA technology for the construction of its M&G Facility. In addition, Alpek will pay US$350 million to M&G in installments during the M&G Facility's construction, which Alpek intends to pay over the course of the construction from its cash flows from operations, and Alpek will receive contractual rights to 400 thousand tons of PET (made with 336 thousand tons of PTA) per year from the M&G Facility. During the year ended December 31, 2013, Alpek paid US$35 million to M&G under the agreement. Alpek will supply the raw materials for its portion of PTA-PET under the agreement. The M&G Facility is currently expected to begin operations in 2016.

UPC Agreement

On September 26, 2013, Alpek signed a joint venture agreement with United Petrochemical Company (UPC), a wholly-owned subsidiary of Sistema JSFC, for the construction of an integrated PTA-PET plant in Ufa, Russia. Under the joint venture agreement, Alpek and United Petrochemical Company will elaborate a detailed business plan to determine the project's feasibility and invest US$10 million each for the completion of the plant's evaluation stage. Construction will be subject to the approval of the business plan by the board of directors of both companies. The new facility would be an IntegRex® PTA-PET site dedicated to serving the Russian PET market with a maximum installed capacity of 600 kilotons of IntegRex® PTA and 600 kilotons of IntegRex® PET. An IntegRex® license agreement is expected to be signed upon final approval of the joint venture by all relevant competition authorities. We expect pX to be sourced domestically as supply negotiations are underway with JSOC Bashneft, a subsidiary of Sistema JSFC and one of the largest private Russian oil companies.

Market Overview and Competition

Polyester Chain Business

According to PCI's estimates, worldwide production of polyester in 2013 was approximately 61.9 million tons, with a CAGR of 6.5% from 2008 to 2013.

PTA. In 2013, PET, polyester fiber and film (video, audio and photography) represented approximately 30%, 63% and 5%, respectively, of the market for PTA worldwide, according to PCI's estimates. The PTA industry is comprised mainly by global players, which, in addition to Alpek, include BP plc, Zhejiang Yuandong Petro-Chemical Co., Ltd., Mitsui Chemicals, Inc., Formosa Chemicals & Fiber Corporation, Mitsubishi Chemical Corporation, Reliance Industries Limited and Lotte Group. Based on data prepared by PCI, as of November 19, 2013, Alpek has approximately 46% of North America PTA installed capacity. According to PCI, during 2013, worldwide production of PTA was approximately 52.8 million tons, with a CAGR of 7.2% from 2008 to 2013. Worldwide production of PTA is expected to increase at a CAGR of 6.4% from 2013 to 2018, while PTA demand is expected to grow at a CAGR of 6.2% over the same period, according to PCI. PTA prices have traditionally been correlated to pX prices worldwide.

PET. Based on our review of publicly available market data, we believe that, from 2003 to 2013, demand for PET grew at a 4.1% CAGR in the U.S. beverage containers market, compared to a CAGR of approximately 1.2% for glass and a CAGR of approximately -1.3% for metal during the same period. According to PCI, the PET industry capacity operating rate was 77.9% in 2013 and is expected to be 71.2% in 2014. From 2010 to 2013, the PET industry consolidated in North America and, as a result, the top three North American PET producers operate 84.4% of the installed PET capacity in the region according to PCI. Also according to PCI, during 2013, worldwide production of PET was approximately 22.9 million tons, with a CAGR of 7.5% from 2008 to 2013. Worldwide production of PET is expected to increase at a CAGR of 7.5% from 2013 to 2018, while demand is expected to grow at a rate of 6.4% over the same period. Historically, prices of PET in North America have generally been negotiated between PET producers and their customers on a monthly basis as a function of supply and demand.

Polyester fiber and filament. According to PCI, polyester fibers accounted for an estimated 53.8% of the world's total fiber consumption in 2013 compared to 36.1% in 2000, representing a 7.0% CAGR compared to a 1.3% CAGR for cotton over the same period. Since 2008, Alpek has had the largest polyester staple fiber capacity share in North America with 24.7% and, according to PCI and our internal estimates, Alpek has the third largest textile filament capacity share in North America with 31.6%. According to PCI's estimates, during 2013, worldwide production of staple fiber was approximately 15.2 million tons, with a CAGR of 4.8% from 2008 to 2013. Polyester fiber prices respond to import dynamics and the availability of recycled material.

Plastics & Chemicals Business

Polypropylene (PP). Alpek is the only PP producer in Mexico, being the leader of the market with a market share of 33% in 2013, according to our internal estimates. The other 67% of the market is served mainly by imports from U.S. producers and traders. PP production was approximately 411 kilotons during 2013 with a CAGR of approximately 11.5% for the period from 2008 to 2013, and we expect it to decrease to approximately 1.6% from 2013 to 2018. Based on our estimates, we believe demand showed a CAGR of approximately 4.3% from 2008 to

2013, which we expect to decrease to approximately 3.1% from 2013 to 2018. PP prices respond to market dynamics in the region, as well as to raw material pricing.

Expandable Polystyrene (EPS). In 2013 approximately 56% of Alpek's EPS sold in Mexico was used in the packaging industry while the remaining 44% went to the construction business. Alpek owns and operates the largest EPS manufacturing facility in the Americas and are leaders in the Mexican market, having maintained approximately a 76% share of the Mexican construction and packaging market, based on our internal estimates. As of December 31, 2013, based on our review of publicly available data, Alpek has 91% capacity share in Mexico. In the U.S. and Canada, we estimate Alpek's 2013 market share was approximately 15%. Based on our review of publicly available market data, we believe worldwide EPS capacity was approximately 10.4 million tons during 2013. The EPS industry bases its prices on a "delta margin," defined as the price difference between the EPS price and the styrene monomer price free on board ("FOB") for the U.S. Gulf Coast as reported by third party industry analysts.

Polyurethane (PURs). According to our estimates, Alpek has an important market share in the PURs segment in Mexico of approximately 29% and we believe Alpek is the trade leader in the "systems market" with a share of 36% in 2013. We estimate that PURs (excluding "systems") market demand in Mexico represented 111 kilotons in 2013, and the CAGR from 2008 to 2013 was approximately 1%. The PURs market is expected to experience a moderate growth of approximately 3.9% in 2014, reaching 115 kilotons. The CAGR for "systems" from 2008 to 2013 was 5% according to our estimates. In 2013, the "systems" segment market demand in Mexico was approximately 148 kilotons, with an estimated annual growth of 1.4% for 2013. PURs prices are set based on international prices, more specifically those applicable in the U.S.

Caprolactam (CPL). In 2013, the nylon industry was estimated to be a US$16.4 billion global industry, based on Alpek's estimates and according to PCI. In 2013, CPL was a US$11.8 billion global industry with global capacity of approximately 5.6 million tons and global production of approximately 4.9 million tons according to PCI. Also according to PCI, worldwide CPL capacity will grow by 510 kilotons by 2017 compared to 2013 levels, with an estimated 65% of the growth expected to occur in China. According to PCI, the Northeast Asian market consumed the largest volume of CPL in the world, approximately 44% of world consumption, or 2.2 million tons of CPL. Alpek is the sole CPL producer in Mexico and there are minimal CPL imports into the Mexican market. Because CPL generally consists of uniform properties and characteristics, it is a commodity and is traded and exported around the world in the CPL spot market.

Fertilizers (ammonium sulfate). The fertilizer industry in Mexico is approximately 4.3 million tons per year. Mexico's total demand of ammonium sulfate is approximately 1.9 million tons per year. There are four producers of ammonium sulfate in Mexico, each of which is located in a different geographical region of the country. Alpek's main competitors are Agrogen (with approximately 32% capacity share), Fefesur (with 14% capacity share) and Fertirey (with approximately 23% capacity share); the remaining 32% was produced by Alpek. Ammonium sulfate prices vary seasonally with demand.

Principal Customers

In the Polyester Chain Business, Alpek's customer base comprises mainly major producers of PET that purchase its PTA, as well as companies that convert PET into plastic bottles and other containers. Many of the world's most popular consumer brands use Alpek's products in their containers, including Coca Cola, Pepsi, Heinz, Kraft Foods, among others. Alpek's ten largest customers in the Polyester Chain Business accounted for 51% of its total net sales for this business segment and 39% of its total net sales for the year ended December 31, 2013. Alpek's largest customer in this segment, composed of various subsidiary companies of M&G, accounted for 11% of its total net sales for the year ended December 31, 2013.

In the Plastics & Chemicals Business, most of Alpek's customers are converters that purchase PP and EPS in the form of beads for several industrial, construction and packing uses, among others. Due to its many uses, PURs are sold to customers in a wide variety of end-use markets. CPL is exported mainly to customers in Greater China to produce nylon. Ammonium sulfate is sold to large numbers of agricultural customers near Alpek's production facilities for use as fertilizer. Alpek sells specialty and industrial chemicals to hundreds of small and medium businesses in a wide range of industries. Alpek's ten largest customers in the Plastics & Chemicals Business accounted for 26% of its total net sales for this business segment and 6% of its total net sales for the year ended

December 31, 2013. Alpek's largest customer in this business segment accounted for 1% of its total net sales for the year ended December 31, 2013.

Raw Materials and Energy

Alpek's operations utilize various raw materials, including, but not limited to pX, MEG, styrene monomer, propylene, cylcohexane, ethylene oxide, propylene oxide and natural gas, fuel oil, coal and electricity to meet its energy needs.

Alpek's main suppliers of raw materials includes British Petroleum (BP), Chevron, Exxon Mobil, Flint Hills and Pemex, with whom Alpek maintains close relationships. Alpek is one of the largest pX buyers in the world (in terms of volume) and have entered into supply contracts with our pX suppliers to ensure consistent pricing and reliable supply in the long term. Other raw materials that Alpek uses are supplied under long-term contracts entered into with suppliers having a global presence or with which Alpek has an established relationship.

Intellectual Property

Alpek has both developed and acquired licenses for technologies and trademarks as a result of many of its acquisitions over the years for its Polyester Chain Business. Some of these include (i) IntegRex® technology developed by Eastman, (ii) ownership rights with respect to BP's (formerly Amoco) PTA technology, (iii) a royalty-free perpetual license to use DuPont's original technology for the production of polymer-grade PTA, PET and polyester staple fiber at certain of Alpek's facilities, (iv) *Melt-Tek*® PET process, (v) DuPont's *Crystar*® specialty polymers technology and (vi) DuPont's *Dacron*®*, Delcron*™, *SteriPur*® AM featuring *AlphaSan*®, *HydroPur*® and *SteriPur*® FC.

Alpek's Plastics & Chemicals Business is supported by various technologies including (i) LyondellBasell's Spheripol® process, (ii) the Spherizone® process, (iii) BASF's Single-step® technology and (iv) CPL production processes owned by Dutch States Mines and licensed by Stamicarbon B.V.

Facilities and Operations

Alpek currently operates 16 manufacturing plants in the U.S., Mexico and Argentina, which are set forth in the table below:

Product Produced	Facility (Location)	Installed Capacity (Ktons/year)
PTA	Columbia, SC, USA	590(2)
	Altamira, Tamaulipas, Mexico	1,000
	Cosoleacaque, Veracruz, Mexico	610
PET	Fayetteville, NC, USA Charleston, SC, USA Columbia, SC, USA Bay St. Louis, MS, USA Cosoleacaque, Veracruz, Mexico Zárate, Argentina	170(1) 170(3) 725(2) 475(4) 180 193(5)
Fibers	Charleston, SC, USA	136(6)
Filament	Monterrey, Nuevo León, Mexico	160
PP	Altamira, Tamaulipas, Mexico	640
EPS	Altamira, Tamaulipas, Mexico	165
CPL	Salamanca, Guanajuato, Mexico	85(7)
Fertilizers	Salamanca, Guanajuato, Mexico	360
Nylon 6	Ocotlán, Jalisco, Mexico	10(8)
Various	Lerma, State of Mexico, Mexico	129(9)(10)

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(1) This plant was acquired by Petrotemex from DuPont in July 2001.
(2) This plant was acquired by Petrotemex from Eastman in January 2011.
(3) This plant began operations in June 2003.
(4) This plant was acquired by Petrotemex from Wellman in August 2011.
(5) This plant was acquired by Petrotemex from Eastman in December 2007.
(6) This plant was acquired by Petrotemex from DuPont in August 2004.
(7) This plant was acquired by Alfa from Celanese in 1995.
(8) This plant was acquired by Alfa from Celanese in 1995.
(9) This plant's capacity varies depending on the production mix.
(10) PURs production was relocated to the Lerma plant in 2001.

Sigma

Overview

Sigma is a leading producer, marketer and distributor of refrigerated and frozen foods, including processed meats, cheese, yogurt and pre-cooked meals, throughout Mexico, its main market, as well as in the United States and throughout Central America, the Dominican Republic and Peru. Based on the most recent industry report published by Consejo Mexicano de la Carne and INEGI, we believe that Sigma is the leading producer in the processed meats market and the formal cheese market (which excludes homemade cheese commercialized by individuals) as well as one of the leading producers in the yogurt.

Sigma has developed a broad portfolio of brands that are among the most recognized brands across a diverse Mexican consumer base and that have achieved leading market positions in the food segments in which Sigma operates. Some of its brands have been in the Mexican market for more than 50 years and many are considered "top-of-mind" household names. Sigma's broad portfolio of brands, from premium to value, covers the full range of socioeconomic market segments, which allows Sigma to diversify sales across a variety of markets. Some of the trademarks Sigma owns for its brands include San Rafael®, FUD®, Tangamanga®, Chimex®, Iberomex®, Viva®, San Antonio® and Bar-S®.

Sigma's customers include small family-owned stores, superstores, wholesalers and convenience stores. Sigma has had relationships of over 30 years with six of its top 10 customers, including its largest customer, Wal-Mart de México.

During the fourth quarter of 2013, Sigma acquired 45% of the shares of Campofrío and signed an agreement according to which WH Group (formerly Shuanghui International Holdings), which owns 37% of the shares of Campofrío, will join Sigma in the proposed cash tender offer for shares of Campofrío, allowing Sigma to increase its stake in Campofrío up to 63%. Campofrío is the leader in the European luncheon meats market, with well-recognized brands and plants in eight European countries and one in the United States. Sigma and WH Group are awaing the approval from Spanish authorities to launch the joint tender offer. Currently Sigma does not control Campofrío and Campofrío's results are not consolidated with the results of Alfa. The cash tender offer is expected to close during the first half of 2014.

The Campofrío acquisition gives Sigma an opportunity to capitalize on the strength of that company's brands and its modern operating assets, as well as its excellent management and renowned capacity for innovation. Sigma also expects to generate synergies through the exchange of best practices and products between geographic areas.

According to Campofrío's press release dated February 27, 2014, it had net sales of €1,907 million for the year ended December 31, 2013 and total assets of €2,253 million as of December 31, 2013.

Sigma is 100% owned by Alfa. Sigma employs over 29,500 personnel and operates 41 plants, 136 distribution centers and has over 3,800 active delivery routes reaching over 440,000 customer locations in the markets Sigma serves.

Sigma operates through several companies, including (i) Sigma Alimentos Centro, S.A. de C.V. (production and distribution of refrigerated foods), (ii) Sigma Alimentos Importaciones, S.A. de C.V. (import of meat products), (iii) Sigma Alimentos Internacional, Inc. (purchase of meat and other products in the United States and resale to its affiliates in Mexico), (iv) Sigma Alimentos Lácteos, S.A. de C.V. (trade, processing and distribution of dairy products), (v) Sigma Foods, LLC (distribution and commercialization of cold cuts, yogurt and cheese), (vi) Braedt, S.A. (preparation of meat products) and (vii) Bar-S Foods Co. (preparation of meat products), among others.

Sigma generated consolidated net sales of Ps. 49.0 billion (US$3.8 billion) and Adjusted EBITDA of Ps. 6.7 billion (US$526 million) for the year ended December 31, 2013. Sigma's total assets as of December 31, 2013 were Ps. 38.4 billion (US$2.9 billion). For the years ended December 31, 2011, 2012 and 2013, Sigma contributed 24.1%, 25.4% and 27.3%, respectively, to our consolidated Adjusted EBITDA and 22.5%, 22.7% and 24.1%, respectively, to our consolidated revenue.

Key Products

We believe Sigma is a leading producer of branded refrigerated foods, including processed meats, cheese, yogurt, pre-cooked meals and beverages, in Mexico. For the year ended December 31, 2013, Sigma's sales were comprised as follows: 65% from processed meats, 29% from dairy products and 6% from other refrigerated products.

Processed Meats

Sigma produces, markets and distributes a wide range of quality branded processed meat products in Mexico, the United States, Central America, the Dominican Republic and Peru, including (i) ham, (ii) sliced cold cuts, (iii) hot dogs, (iv) bologna and (v) bacon. Sigma differentiates its processed meats products from those of its competitors by offering innovative products, such as its Balance® product line, targeted to health-minded consumers, and Snax®, a two-pack sausage snack, appealing to children. Sigma also offers innovative packaging options that address consumer demand for easier to use and store packaging, such as semi-rigid and re-sealable containers. In its international markets, Sigma customizes its product offerings to the local taste preferences of consumers. In the Dominican Republic, for example, Sigma's principal processed meat product is salami, a popular bologna-type product.

Dairy Products

Sigma produces quality branded dairy products in two main categories: cheese and yogurt. Sigma also produces and sells other spreadable dairy goods, such as margarine, butter and cream. Sigma produces markets and distributes branded cheese products, including processed, fresh, string and aged cheeses designed to appeal to both domestic and foreign tastes. Due to the highly fragmented nature of the cheese market in Mexico, Sigma offers customized products for each region. Sigma markets fresh cheese in the United States under the FUD® and La Chona® brands. In addition, Sigma customizes its products based on the needs of our customers, for example, by offering single and small serving packaging for customers in its traditional distribution channel and grated cheese for its food service customers.

Sigma produces, markets and distributes yogurt in a variety of types and flavors, such as stirred, drinkable, functional, light, "petit suisse" and dessert, under the Yoplait® brand through its exclusive licensing arrangement with Sodima.

Other Refrigerated Products

Sigma produces, markets and distributes other refrigerated products, including refrigerated pizzas, precooked meals, soy-based meats and ready-to-drink coffees and teas. Sigma entered this market in 1995 with pre-cooked foods, primarily under the brands El Cazo Mexicano®, and more recently FUD®, San Rafael® and Guten®.

Brands

Sigma's brands are well-recognized by consumers, and brands such as FUD® and San Rafael® hold the highest levels of consumer recognition in market surveys Sigma conducted in Mexico asking consumers to list processed meats. Sigma's FUD® brand has been in the market for more than 50 years. The Yoplait® brand is a leading brand in dairy products world-wide, and has a prominent position in Mexico. Some other trademarks that Sigma owns include Tangamanga®, Guten®, Bernina®, San Rafael®, FUD®, Iberomex®, Nayar®, Viva®, San Antonio®, Galicia®, Noche Buena®, Chen®, La Villita®, Franja® and Bar-S®.

Sigma's most important brands, based on sales, are: (i) FUD®; (ii) Bar-S®; (iii) Chimex®; (iv) La Villita®; and (v) San Rafael®. Each of the trademarks for these brands expire on March 2015, July 2019, September 2014, December 2014 and October 2017, respectively. The trademarks are each renewable for 10-year terms.

Market Overview and Competition

Sigma operates in two principal markets, the processed meats and dairy products market.

Processed Meats

Sigma is the leader in the processed meats market in Mexico in both supermarkets and small family-owned stores, based on industry reports published by Consejo Mexicano de la Carne in 2012. Sigma's significant competitors are Qualtia and Bafar. We estimate that the Mexican processed meats market grew at a rate of 3% to 5% annually from 2008 through 2012, reaching a volume of approximately 1 million tons in 2012. We expect future growth of this market to be similar to Mexican GDP growth rates. We believe that Sigma has an extensive production and distribution capacity in Mexico, which enables Sigma to compete nationally in all market segments.

Dairy Products

We estimate that Sigma achieved market leadership in the formal cheese market that reached a volume of approximately 314,000 tons as of December 31, 2013, based on industry reports published by INEGI. Other significant competitors in the dairy market include Chilchota Alimentos, S.A. de C.V., Esmeralda and Lala. The Mexican cheese market is mature and highly fragmented, with over 2,000 producers participating in the formal, or industrial, market, with no single company having full coverage in both geography and product offering. We estimate that, based on industry reports published by Business Monitor, the formal cheese market has grown at a rate of approximately 2% annually from 2008 through 2013.

The yogurt market in Mexico is highly competitive. We believe that Sigma was one of the leading producers in the yogurt market in 2013 in Mexico based on reports published by INEGI. Other market participants include market leader Lala, Danone, Alpura, S.A. de C.V. and Nestlé, S.A. de C.V. According to our estimates, the yogurt market reached a volume of approximately 785,000 tons in 2013. This market has been growing rapidly at rates of approximately 3% per year from 2008 to 2013, largely due to market innovations. Sigma has the exclusive right to produce and distribute Yoplait®, one of the three global brand leaders, in Mexico, Central America, the Dominican Republic and Haiti.

License, Franchise and Distribution Contracts

In 1992, Sigma developed a strategic alliance with the French company Sodima International S.A. Currently, Sigma's franchise agreement with Sodima gives Sigma (i) the exclusive right to manufacture and market Yoplait® in Mexico, Dominican Republic, Haiti and Central America, (ii) the right to use Sodima's production and manufacturing processes, and (ii) the right to receive technical assistance from Sodima. Under this franchise agreement, Sigma pays licensing fees to Sodima based on a percentage of its net sales. Recently, Sigma renewed its franchise agreement with Sodima in Mexico for a period of thirteen years, unless the agreement is terminated by either party prior to December 31, 2014, in which case, the agreement will terminate after an additional 24-month period.

Through Sigma's distribution agreement with Oscar Mayer Foods, a division of Kraft Foods, Inc., Sigma has the right to distribute and market in Mexico, El Salvador, Costa Rica and Honduras certain products manufactured, marketed or distributed by Oscar Mayer®. The parties have agreed that the distribution agreement with Oscar Mayer® will expire on October 31, 2017.

Sigma also has a distribution agreement with Kraft Foods de México for the exclusive distribution of Philadelphia® brand products in small retailers throughout Mexico's largest cities (with certain exceptions for previous clients of Kraft Foods). This distribution agreement is in the process of being renewed.

Customers

Sigma distributes its products to more than 400,000 customer locations throughout the countries in which it operates.

Sigma has relationships of over 30 years with six of its top 10 customers, including its largest customer, Wal-Mart de México. During the year ended December 31, 2013, Sigma generated approximately 29% of its net sales from its 10 largest customers, with Wal-Mart de México accounting for approximately 12% of its net sales.

Raw Materials and Suppliers

Sigma acquires its primary raw materials, such as turkey thighs, poultry and pork legs from international suppliers, and milk from local suppliers.

Sigma's suppliers are leading companies, both in Mexico and internationally. These suppliers include companies such as Tyson Foods Inc., Carolina Turkeys Company and Alimentos SBF de Mexico. For its dairy products line, most of the raw materials, such as milk, fruit and additives, are purchased from suppliers in Mexico. Sigma's milk producers are diverse groups composed of over 200 local producers. Sigma's primary dairy products suppliers are Fonterra Limited, Schreiber Inc., Interfood PS International and Ecoval Dairy Trade.

Sales and Distribution Channels

Sigma's efficient distribution network is comprised of 41 plants, 136 distribution centers and over 6,000 vehicles, reaching more than 440,000 customer locations. Sigma's distribution network is designed for refrigerated products and assures product freshness at the time of delivery. The manufacturing and distribution facilities of Bar-S are strategically located in Oklahoma, which facilitate effective service of its national customer base.

Intellectual Property

Sigma has registered the "Sigma Alimentos" brand and its distinctive logo. Additionally, it has registered 750 brands and 165 commercial advertisements, and has 20 pending brands and four pending commercial advertisements in Mexico. Internationally, Sigma registered approximately 877 brands and 99 commercial advertisements, and have registrations pending for 52 brands. Sigma has 12 patents registered abroad and 49 pending patent applications (13 in Mexico and 36 abroad). Sigma has 10 registered industrial designs and seven pending applications in Mexico.

Facilities

Sigma maintains production facilities and operations in Mexico, the United States, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Peru, Nicaragua and Panama. Overall, Sigma owns 41 refrigerated-foods manufacturing plants and owns or leases 136 distribution centers.

The following table sets forth information on Sigma's distribution centers, plants in operation and product lines for the regions in which it operates.

Country of Operation	Distribution Centers	Plants in Operation	Production Lines
Mexico	100	26	Processed Meats, Dairy, Pre-cooked Meals, Beverages
United States	12	5	Processed Meats, Dairy
Costa Rica	9	5	Processed Meats, Dairy
Guatemala	2	0	-
Honduras	2	0	-
Nicaragua	1	0	-
El Salvador	1	1	Processed Meats
Dominican Republic	4	3	Processed Meats, Dairy
Peru	5	1	Processed Meats

The following chart lists the locations of Sigma's 41 manufacturing plants:

Product Line	Site(1)	Products Manufactured	Age (years)(2)	Square Footage
Processed Meats	Xalostoc, Mexico	Ham, hot dogs, and processed meats	60	86,197
	Atitalaquia, Mexico		20	98,996
	Monterrey facility 1, Mexico		30	25,327
	Monterrey facility 2, Mexico		13	23,142
	San Nicolás de los Garza, Mexico		20	25,457
	Guadalajara facility 1, Mexico		50	31,474
	Guadalajara facility 2, Mexico		31	112,009
	Guadalajara facility 3, Mexico		12	25,295
	Hermosillo, Mexico		7	14,521
	Chihuahua, Mexico		60	25,489
	San Luis Potosi, Mexico		30	35,758
	Estado de Mexico facility 1, Mexico		22	60,235
	Estado de Mexico facility 2, Mexico		24	18,266
	Distrito Federal, Mexico		15	18,718
	Mérida, Mexico		12	51,742
	Costa Rica		31	66,951
	El Salvador		29	35,844
	Dominican Republic		31	105,863
	Peru		40	50,709
	Seminole, Oklahoma, United States		5	111,503
	Altus, Oklahoma, United States		22	190,995
	Clinton, Oklahoma, United States		54	119,996
	Lawton, Oklahoma, United States		18	83,000
Dairy Products	Jalisco facility 1, Mexico	Yogurt, cheese	19	226,139
	Jalisco facility 2, Mexico	Cheese	14	21,162
	Nuevo León facility 1, Mexico	Cheese, others	40	97,241
	Nuevo León facility 2, Mexico	Cheese	41	16,146
	Coahuila facility 1, Mexico	Cheese, others	35	73,840
	Coahuila facility 2, Mexico	Cheese	34	59,524
	Estado de Mexico, Mexico	Cheese	13	32,346
	Guanajuato, Mexico	Cheese, others	36	87,812
	Costa Rica facility 1	Cheese	17	29,364
	Costa Rica facility 2	Yogurt	5	26,372
	Costa Rica facility 3	Cheese, others	23	22,733
	Costa Rica facility 4	Cheese, others	11	8,611
	Dominican Republic	Cheese	14	38,787
	Dominican Republic	Yogurt	14	18,304
	Darlington, Wisconsin	Cheese, others	15	49,998
Pre-cooked Foods	Nuevo León, Mexico	Refrigerated	16	132,450
	Hidalgo, Mexico	Pre-cooked foods	9	70,967
Beverages	Jalisco, Mexico	Coffee	9	12,917

(1) All the manufacturing plants above are owned by us and are insured as we consider necessary. Our facilities listed above are free of liens.
(2) Age reflects the date on which the manufacturing plant initiated operations.

Nemak

Overview

Nemak is the world's largest independent manufacturer of high-tech aluminum components for the automotive industry in terms of revenue and production capacity. Its main products include cylinder heads, engine blocks, transmission and other components, which Nemak provides primarily as a direct, or "Tier One," supplier to OEMs.

Nemak's collaboration with customers in the early design and engineering phase of product development fosters strong customer loyalty and provides Nemak with a competitive advantage in securing new business. Nemak supplies more than 50 customers worldwide, including 10 major global manufacturing groups and their subsidiaries, such as BMW, Daimler, Fiat-Chrysler, Ford, GM, Hyundai-KIA, PSA, Renault-Nissan, Toyota and Volkswagen Group. We estimate that Nemak currently supplies over 130 engine and transmission components used in approximately 650 vehicle platforms that are currently in production or under development.

Nemak is 93.24% owned by Alfa and 6.76% owned by Ford, one of the largest automotive companies in the world. Nemak employs over 20,000 personnel and operates 35 manufacturing facilities in 15 different countries across the world.

Nemak operates through several companies, including (i) Nemak, S.A., (ii) Nemak USA Inc., (iii) J.L. French LLC, (iv) Nemak of Canada Corporation, (v) Nemak Dillingen GmbH, (vi) Nemak Wernigerode GmbH and (vii) STARCAM, s.r.o., a joint venture with Daimler, which owns 51% of the shares, among others.

Nemak generated consolidated net revenues of Ps. 56.3 billion (US$4.4 billion) and Adjusted EBITDA of Ps. 7.8 billion (US$613 million) for the year ended December 31, 2013. Nemak's total assets as of December 31, 2013 were Ps. 52.9 billion (US$4.0 billion). For the years ended December 31, 2011, 2012 and 2013, Nemak contributed 23.0%, 27.3% and 31.9%, respectively, to our consolidated Adjusted EBITDA and 24.4%, 25.7% and 27.7%, respectively, to our consolidated revenue.

Key Products

Nemak's products consist of aluminum casting components for use in internal combustion engine and transmission applications for automotive vehicles. These products include cylinder heads, engine blocks, transmission components and other components. Based on Nemak's production volumes, we estimate that total equivalent volume distribution by product in 2013 was 51% for heads, 33% for blocks, 14% for transmissions components and 2% for other components.

Cylinder Heads

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

Engine Blocks

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

Transmission Components

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

Other Components

Other aluminum components that Nemak produces include bedplates, oil pans, front covers, housings, and covers among others. Bedplates are placed below the engine block to house the crankshaft; oil pans are attached to the bottom of the crankcase and collect the oil below the engine; front covers are used to house the timing chain which connects the crankshaft to the camshaft; and housings and covers are parts that are used to protect specific parts or systems of the vehicle. Structural components are elements of the body and chassis, including but not limited to: pillar, shock towers, door frames, cross members, engine cradles, control arms, and longitudinal members.

Casting Technologies

Nemak is the only aluminum engine components manufacturer with capabilities in all of the following aluminum casting technologies:

Gravity Semi-Permanent Mold (GSPM)

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

ROTACAST™

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

HPDC

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

Sand Package

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

LPDC

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

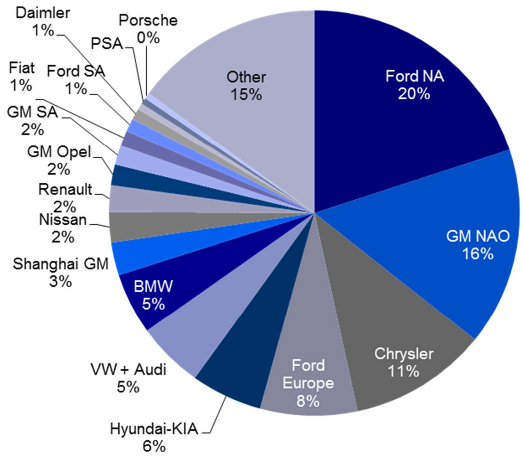
Lost Foam

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

Customers

Nemak's customer base is diversified and includes many of the major global OEMs. Nemak's supply relationships are typically sole source and extend over an engine program's life, which is generally from six to eight years. The chart below shows Nemak's equivalent volume distribution by customer in 2013.

Nemak Equivalent Volume Distribution by Customer in 2013



Material Source and Supply

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

Research and Development

Nemak has a strong research and development strategy with six product development centers throughout the world, each specializing in a particular casting technology: Monterrey (GSPM, LPDC), Canada (Cosworth), Dillingen (CPS), Wernigerode (GSPM), Linz (ROTACASTTM) and Poland (HPDC). All of the product development centers focus on the development of commercially viable casting technologies and on the improvement of existing ones.

Intellectual Property

Nemak owns over 70 U.S. and foreign patents, patent applications, licenses and trademarks, as well as more than 200 scientific publications. Nemak sells many of its products under a number of registered trademarks, which we believe are widely recognized in the sales channels Nemak serves. We do not believe that any single patent, trademark or trade name is material to Nemak's business as a whole.

Facilities

Nemak has 35 production plants at 22 sites in 15 countries, as shown in the table below.

Site (Location)	Region	Plants	Capabilities
Monterrey (Monterrey, Nuevo Leon, Mexico)	North America	6	Heads, Blocks
Saltillo (Ramos Arizpe, Coahuila, Mexico) [2]	North America	2	Heads, Blocks
Monclova (Monclova, Coahuila, Mexico) [3]	North America	2	Heads, Blocks
Tennessee (Dickson, Tennessee, U.S.) [3]	North America	1	Heads
Alabama (Sylacauga, Alabama, U.S.) [3]	North America	2	Blocks
Wisconsin (Sheboygan, Wisconsin, U.S.) [4]	North America	2	Blocks, Trans.
Kentucky (Glasgow, Kentucky, U.S.) [4]	North America	1	Trans., Others [9]

Site (Location)	Region	Plants	Capabilities
Canada (Windsor, Ontario, Canada) [3]	North America	1	Blocks
Brazil (Betim, Minas Gerais, Brazil) [3]	South America	2	Heads, Others [9]
Argentina (San Agustin, Argentina)	South America	1	Heads, Others [9]
Dillingen (Dillingen, Saarland, Germany) [5]	Europe	2	Heads, Blocks
Czech Republic (Most, Czech Republic)	Europe	1	Heads
Györ (Györ, Győr-Moson-Sopron, Hungary) [5]	Europe	1	Heads
Linz (Linz, Oberösterreich, Austria) [5]	Europe	1	Heads
Slovakia (Ziär, Banská Bystrica Region, Slovakia) [6]	Europe	1	Heads, Others [9]
Wernigerode(Wernigerode, Saxony-Anhalt, Germany) [6]	Europe	2	Heads, Others [9]
Poland (Bielsko-Biala, Silesian Voivodeship, Poland) [3]	Europe	2	Heads., Others [9]
Spain (Etxebarria, Bizkaia, Spain) [3]	Europe	1	Trans, Others [9]
Russia (Ulyanovsk, Russia) *(under construction)* [7]	Europe	1	Heads, Blocks
Nanjing (Nanjing, Jiangsu, China)	Asia	1	Heads, Blocks
India (Chennai, India)	Asia	1	Heads, Blocks
Chongqing (Chongqing, China) *(under construction)* [8]	Asia	1	Heads, Blocks

(1) Production capacity for the first nine months of 2010 of main products by site.
(2) This plant was acquired by Nemak from Grupo Industrial Saltillo (GISSA) in May 2007.
(3) These plants were acquired by Nemak from Teksid in June 2007.
(4) These plants were acquired by Nemak from J.L. French in June 2012.
(5) These plants were acquired by Nemak from Norsk Hydro ASA in February 2007.
(6) These plants were acquired by Nemak from Rautenbach in March 2005.
(7) Construction will begin in 2014 and the plant is scheduled to become operational by the end of 2015.
(8) This plant began construction in 2012 and will become fully operational by the first quarter of 2014.
(9) "Others" means other aluminum components.

Alestra

Overview

Alestra is a leading provider of ICT services in Mexico. Alestra focuses on multinational corporations, large and mid-sized businesses and institutional customers in Mexico. Throughout its extensive fiber optic and wireless network, Alestra offers Value Added Services, as well as domestic and international long-distance telephony services. In recent years, Alestra has refocused its business strategy, giving more emphasis to the Value Added Services segment of its business, such as unified communications and collaboration, network security, managed networks, cloud services, data center and managed IT services.

Alestra has an extensive fiber optic network with approximately 18,000 kilometers that interconnects Mexico's largest cities, approximately 5,000 kilometers of which it owns directly and approximately 13,000 kilometers of which it utilizes through an irrevocable right of use agreement. In addition, Alestra directly owns over 3,200 kilometers of additional network in metropolitan areas, as well as wireless point-to-point and point-to-multipoint connections used mainly to service corporate customers.

Alestra is 100% owned by Alfa and employs its employees through its subsidiaries, Servicios Alestra, S.A. de C.V. and Ingeniería de Soluciones Alestra, S. A. de C. V.

Alestra generated consolidated net sales of Ps. 5.0 billion (US$388 million) and Adjusted EBITDA of Ps. 2.2 billion (US$170 million) for the year ended December 31, 2013. Alestra's total assets as of December 31, 2013 were Ps. 8.3 billion (US$638 million). For the years ended December 31, 2011, 2012 and 2013, Alestra contributed

7.8%, 7.4% and 8.8%, respectively, to our consolidated Adjusted EBITDA and 2.0%, 2.3% and 2.4%, respectively, to our consolidated revenue.

Key Operations

Alestra's ICT services are grouped into six main managed services portfolios, (i) connectivity, (ii) IT cloud services and data center, (iii) collaboration solutions, (iv) information security, (v) solutions for industry (vertical markets) and (vi) small business solutions.

Connectivity

These services provide organizations with the widest portfolio of connectivity services, from a simple Internet access connection to a managed VPN.

Alestra's network services include:

- *VPN Solutions*. Alestra offers VPN services to facilitate highly reliable and secure connectivity for voice, data and video communications between the headquarters and the branch offices of our customers. VPN uses an optimized public data network with advanced technologies such as multi-protocol label switching ("MPLS") to ensure quality, performance, security and integrity with regards to the information being carried over the network.

- *Ethernet Solutions.* This service provides connectivity between two or more sites with high bandwidth capabilities and the Ethernet technology advantages of high speed, reliability and time reduction for provisioning and changing bandwidth capacity. Alestra offers this service in over 50 cities in Mexico.

- *LAN and Wireless LAN Managed Solutions.* The LAN and Wireless LAN become crucial factors to ensure proper quality and end user experience, as more end user technological applications become "IP-enabled" and since all communications use, and sometimes contend for, the same network capacity and resources.

- *Managed Router Solutions.* At its customers' option, Alestra can provide the devices needed to receive its network solutions such as VPN, Internet or Ethernet services at the customers' premises. The solution provides an "end-to-end" connectivity service given that the devices have been previously configured to ensure that all network functionalities operate as intended. Alestra is responsible for deploying, controling and operating the devices and networks.

- *Dedicated Internet*: Our customers can choose a bandwidth level that meets their requirements. Bandwidth levels are scalable, starting at 2 Mbps to 1 Gbps.

- *Domestic and North American High Capacity Private Lines (E3/T3 to STM1).* This service allows customers to set up high speed dedicated circuits between two or more of the customer's offices in Mexico or between two or more of the customer's offices in Mexico and the U.S. to satisfy their communication and transmission needs for large volumes of data.

IT Cloud Services and Data Center

In 2007, following global trends, Alestra started to develop its strategy and portfolio of IT cloud services, which are services provided from Alestra's data center infrastructure rather than requiring deployed equipment or infrastructure within the customers' offices. This strategy allows Alestra to take advantage of economies of scale and to provide the enterprise market with access to the most advanced technologies at competitive prices. Cloud services are provided for a monthly fee and Alestra is responsible for investments and operational costs of the infrastructure, the licensing of applications, operations and maintenance. Alestra's managed data center services provide the security, resilience and environmental integrity expected for the applications and data required to run a business.

Collaboration Solutions

Video Bridge. A public service that provides video conferences to subscribers in their own conference room, in either high definition or standard definition, to establish multiple sessions with other rooms subscribed to our service. Alestra also provides conference rooms to those clients who require one.

IP Communications. Alestra's IP communications service is delivered on a high-speed network that integrates data, voice, and video. Businesses can realize significant cost savings with the reduction of toll, long-distance, and maintenance charges. The complexities of network performance are managed and monitored by Alestra's technicians 24 hours a day to allow businesses to focus on their core competencies and strategic requirements.

Web and Video Collaboration. This service is a collected set of tools that allows two or more users to interact, meet, share information and collaborate over the internet or over a VPN in real time.

Hosted and Dedicated Contact Center Solution. With a mix of dedicated and hosted (shared) technological platforms, Alestra has released a suite of solutions for large contact centers, including voice, data and specialized applications, such as interactive voice response, predicting dialing, recording and automatic overload. The flexible platform also offers some other typical functions from the Alestra data center, such as telemarketing, customer care, billing and collection. This platform provides contact centers that, due to the smaller number of agents employed, do not invest in a specialized platform and, therefore, do not have access to the same technological resources as those offered in large contact centers under a subscription model. The Alestra suite offers suitable solutions for enterprises from 30 agents to large contact centers with 400 agents or more.

Managed Videoconference and Telepresence Solutions. This service provides the end user with high definition videoconferencing equipment, managed by Alestra, connected to a managed VPN or internet, enabling an end-to-end seamless solution. In addition, Alestra offers a public videoconference bridge on a subscription basis, allowing the customer to connect several videoconference rooms during a single session (multisite videoconferencing) and providing capabilities to allow the customer to connect to videoconference systems externally with, for example, their customers or suppliers.

Voice Services

Smart Mobility. This service consists of a virtual private network fixed-mobile which allows an employee to communicate between any fixed device provided by Alestra and/or any mobile device provided by Telefónica with an abbreviated number of four digits, reducing costs.

Local Services. Alestra's local service offers the enterprise market a direct connection to the public switched telephone network ("PSTN"), enabling local, cellular, long distance or operator-assisted calls. Service is available in 35 cities. Local service revenues consist of a fixed monthly rate that includes the rent of the access facilities and a number logged to the PSTN, and additional charges per call on calls to fixed local numbers and per minute on calls to mobile phones. There are several alternative local services depending on the customer's needs.

Long Distance. Alestra's basic service (*Servicio Alestra de Larga Distancia*) provides a telephone connection that enables enterprise, small business and retail customers to place domestic and international long distance calls to every country and region in the world. This service covers both sent-paid and collect calls to certain countries and destinations. Alestra also provides international switched transit services, which is traffic that does not terminate in its network, to other international carriers. As part of Alestra's service to its domestic and international long distance customers, it offers advanced voice services, like call screening, authorization codes, geographic, voice menus, prompts, call-forwarding, etc.

Information Security

Alestra has an information security division with the goal of protecting its network and customers from growing information technology threats and complying with new local regulations related to information security. This division has developed several processes that for each of Alestra's services, implement security controls to protect the integrity, confidentiality and availability of those services.

Managed Security

Alestra offers a wide range of managed IT security services to organizations of all sizes. Our IT security services provide protection across the network, safeguarding the perimeter, critical internal assets, data and remote users. Alestra primarily offers managed firewall, IPS, content filtering and UTM.

Alestra SOC (Security Operation Center) delivers real-time monitoring, correlation and expert analysis of security activity across enterprise customers. This service improves the effectiveness of customer's security infrastructure by actively analyzing the logs and alerts from network devices in real time.

Solutions for Industry (Vertical Markets)

These services integrate several technologies designed to satisfy customer specific needs for specific industries (vertical markets) by integrating network services with different applications and adding mobility. Alestra's portfolio of vertical solutions includes applications such as Learning Management Systems and Virtual Classrooms for the education segment and Electronic Medical Record and Radiology Information Systems for the health care industry.

Small Businesses Solutions

These services aim to provide micro and small enterprises, by means of accessible and innovative offers, with necessary tools that will allow them to have access to technology intended for large enterprises without requiring any sizeable investments in infrastructure.

Pricing and Promotions

Alestra's pricing for the services it offers varies depending on customer needs. Its business pricing strategy is based on voice, data and internet bundled offers. For the IT cloud services, its pricing strategy is designed to allow important savings to the customer in the total cost of ownership over a three-to-five year period. Advanced IT services, such as mission critical solutions and full IT, are priced in bundled offers in conjunction with the telecom services offered from a single contact point. The commercial programs are tailored to offer value added business solutions through telecommunications and IT-integrated services according to the customers' needs. In addition, for the small businesses and consumer services segment, there are several plans for Alestra's local and long distance services (including -800 numbers and PBX features), and for our internet services.

For enterprise clients, Alestra's pricing strategy is not focused on individual fees for traditional services, such as local and internet, but rather on creating integrated solutions whereby individual components are not decision drivers. In our experience, we have found that customers are willing to pay a premium for increased simplicity in their operations, capital expenditure savings and seamless service quality under a single vendor like Alestra.

Market Overview and Competition

Even though the SCT has granted a substantial number of concessions relating to Value Added Services, a small group of competitors remains dominant in this area. Along with Alestra, this group includes Telmex, Axtel and Televisa, through its subsidiary Bestel. According to the firm Pyramid Research, Telmex is the leader of this group due to its broad commercial coverage and network infrastructure.

Telmex dominates the broadband access market with 9.2 million subscribers, from an estimated of 17.1 million total broadband access subscribers, at the end of 2013, according to Business Monitor International. With respect to data and IP networks, we have increased our market share since 2007 as a result of our robust service portfolio in managed services. Alestra competes primarily with Telmex in the corporate and medium business segment. With respect to hosting services, Alestra's main competitors are Telmex, Triaria and Kio Networks. With respect to long distance services, the market has declined since it opened to competition due to the substitution for mobile and VoIP services. The market leaders in long distance services are Telmex and Telcel, due to the dominant market share of both in their respective markets, as measured in lines. In 2008, cable operators entered the Mexican local service market. Their services are based on triple-play services (VoIP, Internet and Pay TV) and they aim to protect their current video customer base in the consumer sub-segment. Major cable operators continue to consolidate in this segment. Regarding wireless access, additional availability of spectrum is required to increase competition in this area, and we expect that the SCT will allocate spectrum in the months ahead.

Regulatory Framework

On June 11, 2013, a constitutional amendement in the telecommunications sector was enacted, aimed at fostering competition in the concentrated telecommunications and media markets and strengthening the regulatory bodies.

The reform could potentially benefit companies such as Alestra in several key aspects including: (i) the creation of a wholesale broadband network for fixed and mobile access, which may enhance Alestra's portfolio of services; (ii) an active regulator which could provide greater regulatory certainty by penalizing anticompetitive practices; (iii) an asymmetric regulation which could compensate for carrier dominance; (iv) a digital policy which could lead to higher growth in IT services for the government sector; (v) the creation of specialized telecommunications and anti-trust courts as well as the imposition of limits to telecommunications injunctive relief within administrative procedures; and (vi) the dissolution of Cofetel and the creation of Ifetel as the sole telecommunications, radio and television broadcasting and antitrust authority.

On September 23, 2013, the recently created Ifetel issued its internal rules, making use of the existing administrative infrastructure of its predecssor Cofetel but implementing modifications included in the constitutional amendment. A set of secondary laws are expected to be promulgated by the end of the first quarter of 2014.

Telecommunications services in Mexico are governed, particularly, by the Federal Telecommunications Law, certain rules promulgated under the Federal Telecommunications Law and international trade agreements entered into by Mexico and the World Trade Organization (together, the "Telecommunications Regulations"), as long as such regulations are in compliance with the constitutional amendment referred to above. The Telecommunications Regulations define the regulatory structure applicable nationwide to the telecommunications infrastructure and the supply of telecommunications services. They govern, among other things, applications to install, maintain and operate telecommunications networks, the establishment of technical standards for the provision of telecommunications services, and the granting, revocation and modification of concessions and permits.

Concessions

Telecommunications Public Network Concessions

Alestra obtained its telecommunications public network concession on December 6, 1995. Through this concession, Alestra is able to provide long distance telephone service. Through a later amendment, Alestra has been able to provide local services in Mexico City, Monterrey and Guadalajara since May 30, 2000, which was later expanded to other local service areas throughout the country. In accordance with the Federal Telecommunications Law, the term of Alestra's telecommunications public network concession is 30 years. The term of Alestra's concession may be extended for a period equivalent to the initial term for which it was originally granted.

Wireless Concessions

Alestra has wireless concessions in the 7, 10.5, 15, and 23 GHz bands to provide point-to-point connectivity nationwide and point-to-multipoint connectivity in Mexico City, Guadalajara and Monterrey and their surrounding regions. Alestra uses these wireless concessions principally to provide dedicated "last mile" broadband connections to its enterprise clients.

Concession Maintenance Requirements

Alestra's telecommunications public network concession and its wireless concessions will be immediately terminated pursuant to the Federal Telecommunications Law upon (i) expiration of their terms, (ii) Alestra's resignation, (iii) their revocation, (iv) a governmental taking or (v) Alestra's liquidation or Mexican bankruptcy/liquidation (*quiebra*).

Alestra's telecommunications public network concession and its wireless concessions may also be revoked for the following reasons: (i) on public interest grounds; (ii) for national security reasons; (iii) for the introduction of new technologies; (iv) to solve interference problems; and (v) to fulfill international agreements and treaties subscribed to by the Mexican federal government.

In addition, the Federal Telecommunications Law provides that Alestra's telecommunications public network concession and our wireless concessions may be revoked by the SCT prior to the end of their terms under certain circumstances, including by (i) having abstained from exercising rights granted under the concessions for a longer period of 180 calendar days, (ii) unauthorized or unjustified interruption of services, (iii) taking of any action that impairs the rights of other concessionaires or permit holders (iv) failing to comply with the obligations or conditions specified in the telecommunications public network concession or wireless concessions, (v) refusing to interconnect other concessionaries or permit holders, (vi) a change of nationality and (vii) assigning, charging or transferring the concession or permits, or the rights conferred thereunder, unless permitted by the applicable law, among others.

Sales and Distribution

Alestra maintains 22 independent sales offices throughout Mexico, including the key cities of Mexico City, Monterrey and Guadalajara. For the small businesses and consumer services segment, Alestra uses a focused telemarketing effort.

Property, Plants and Equipment

As of December 31, 2013, Alestra has invested more than Ps. 11 billion (US$ 848 million) in its technologically advanced fiber-optic network. Construction of the original design for its long haul network was completed in 1997. Alestra's average network availability in 2013 was 100% for its backbone, 99.9992% for last-mile solutions based on fiber optic equipment and 99.9992% for last mile solutions based on digital microwave transmission equipment. Alestra's network is regularly upgraded and extended using state-of the-art technology. The network was constructed and is operated in accordance with international reliability, redundancy and restoration standards. The key components of the network include:

- approximately 18,000 route kilometers of long-haul and intra-city network, mostly with Lucent True Wave fiber-optic underground inter-city facilities, approximately 5,000 kilometers of which Alestra owns directly and approximately 13,000 kilometers of which it utilizes through an irrevocable right of use agreement;
- over 3,200 directly owned route kilometers of metropolitan area fiber-optic facilities;
- two dense wave division multiplexing ultra-high-capacity optical transmission systems, capable of transmitting 40 Gbps and 400 Gbps respectively, these may be easily updated to support 800 Gbps;
- eight Lucent digital voice switches, plus one Lucent digital voice switch which is used for testing purposes;
- a next generation VoIP network based on Sonus Softswitch and gateways to provide local and long distance services, the largest network of its type in Latin America;
- Broadsoft platform for consumer VoIP services and enterprise hosted IPPBX services;
- Cisco CRS carrier class routers for MPLS backbone supporting IP and MPLS services;
- Cisco ASR routers, "carrier-class" Cisco routers used for data services and internet connection, and an MPLS core for VPN services; and
- Cisco Ethernet and Carrier Ethernet metropolitan rings for LAN services, including transparent, national, point-to-point and point-to-multipoint.

Alestra has over 3,000 agreements in place with highways, railroads and utilities companies that provide it with rights-of-way throughout Mexico. Alestra's network consists of both public and private rights-of-way in toll roads, Mexican federal and state public roads, railroads, municipalities, over power companies' *Comisión Federal de Electricidad* (Mexico's Federal Electricity Commission, or the CFE) poles and in specific private lands.

Newpek

Overview

Newpek is our energy company dedicated to generating value from energy initiatives, primarily in the oil and gas value chain. Newpek's operations in the upstream sector involve: (i) exploration and development of natural gas and hydrocarbons, primarily in the United States and, to a lesser extent, in Mexico and (ii) oil and gas services in Mexico.

Since 2006, through Newpek, we have developed E&P capabilities primarily in the United States. Alongside Pioneer Natural Resources and Reliance, Newpek has invested in developing the Eagle Ford Shale oil and gas reservoir in South Texas. As of December 31, 2013, Newpek held a working interest in 371 producing wells in the Eagle Ford Shale prospect, exploiting mainly wet gas (natural gas plus condensates) and shale oil, as well as in 40 wells that produce dry gas in the Edwards formation. Additionally, in 2013 Newpek further expanded its operating capabilities through two acquisitions. The first acquisition consists of approximately 90,000 acres in Kansas where Newpek plans to explore and exploit shallow conventional and non-conventional oil formations together with a highly recognized local drilling company. The second acquisition is a portfolio of approximately 150,000 acres where Newpek plans to explore and exploit conventional and non-conventional oil formations in Texas, Oklahoma and Colorado. As of January 1, 2014, Newpek's 1P (proved) reserves totaled over 21.5 MMBOE and its 2P (proved plus probable) reserves totaled over 61.3 MMBOE.

During 2013, Newpek increased its focus in the upstream sector by establishing key operations in Mexico through Alfasid. Furthermore, during the second quarter of 2013, Newpek formed the Petroalfa joint venture with Petrofac, a leading provider of oil field services to the international oil and gas industry, entering into the oil and gas field services market in Mexico.

Newpek is 100% owned by Alfa. As of December 31, 2013, Newpek had interests in over 400 wells in production, primarily in the Eagle Ford Shale reservoir.

Newpek operates through several companies, including Newpek, LLC and Petroalfa Servicios Integrados de Energía, S.A.P.I. de C.V.

Newpek generated consolidated net sales of Ps. 1.7 billion (US$134 million) and Adjusted EBITDA of Ps. 1.2 billion (US$91 million) for the year ended December 31, 2013. Newpek's total assets as of December 31, 2013 were Ps. 4.0 billion (US$302 million). For the years ended December 31, 2011, 2012 and 2013, Newpek contributed 1.9%, 3.6% and 4.8%, respectively, to our consolidated Adjusted EBITDA and 0.3%, 0.6% and 0.8%, respectively, to our consolidated revenue.

Operations

Newpek's subsidiaries involved in the oil and gas industry have operations in the E&P and the oil and gas field services segments, as described in the table below:

<table>
<tr><th>Industry Segment</th><th>Geography</th><th>Resource</th><th>Plays / Areas</th><th>Acres (k)</th><th>Working Interest[(1)] (%)</th></tr>
<tr><td rowspan="5">E&P</td><td rowspan="5">United States</td><td rowspan="5">• Unconventional (shale)
• Conventional</td><td>Eagle Ford / Wilcox - Edwards</td><td>200</td><td>8.6 / 20</td></tr>
<tr><td>North Texas</td><td>90</td><td>50</td></tr>
<tr><td>Oklahoma</td><td>3 / 33</td><td>50 / 100</td></tr>
<tr><td>Colorado</td><td>24</td><td>100</td></tr>
<tr><td>Kansas</td><td>90</td><td>62.5</td></tr>
</table>

(1) Working interest held by Newpek. A working interest is granted by the owner of a mineral interest, entitling the holder to a share of production from the property. The owner of such interest bears all costs of developing and operating the property.

Industry Segment	Geography	Representative Activities	Typical End Users[(1)]	JV Partner	Newpek ownership (%)
Oil and gas field services	Mexico	• Drilling and well services • Operation and maintenance • Engineering • Technical Support • Training	• PEMEX • Petrofac • MPG • Diavaz • Baker Hughes	Petrofac	50

(1) Mix of current customers and non-customers of Newpek.

Assets

United States

Newpek owns mineral rights ranging from 8.65% at the Eagle Ford Shale to up to 20% at some of the other formations in which Newpek has mineral rights, in areas extending over approximately 200,000 acres of surface at different depths in the state of Texas. Most of these mineral rights have been retained for production and the rest will be retained during 2014, to the extent that production of such wells proves to be economical. This acreage is located in the counties of La Salle, McMullen, Atascosa, Live Oak, Karnes, Bee, DeWitt and Lavaca in the southern part of Texas. Newpek has drilled more than 420 wells in these counties, of which 371 were in production at the end of 2013 and the remainder were waiting for some right-of-way permits. Newpek owns about 20% of the mineral rights on all existing formations between the base of the Edwards formation and the surface, with the exception of the Eagle Ford formation, from which it sold 45% of the rights to Reliance Industries of India, retaining 8.65% of the rights. In Lavaca County, Newpek holds 20% of all formations.

Newpek also owns mineral rights in conventional and non-conventional resources in approximately 90,000 acres in the state of Kansas. Newpek holds a 62.5% working interest with a local company and continues its development according to plan. During 2013, the first seismic studies and interpretations were performed confirming the presence of recoverable hydrocarbons, as well as an opportunity to extract them at different formations, whose depth is significantly less than that of the Eagle Ford. A more recent acquisition concentrated in the north of Texas, Oklahoma and Colorado during the end of 2013 adds around 150,000 acres to Newpek's assets. In the north of Texas, Newpek holds around 90,000 acres of mineral rights with an operating working interest of 50%. In Oklahoma, Newpek has two assets, one comprising approximately 33,000 acres with a working interest of 100% and another of approximately 3,000 acres with a 50% working interest with another company. Finally, in Colorado, Newpek holds approximately 24,000 acres with a working interest of 100%. During 2014, seismic and interpretation activities will take place to determine the best drilling locations.

A major part of Newpek's production passes through facilities known as points of delivery ("PODs") where a basic treatment is performed so it will further arrive to the central gathering points ("CGPs") where a stabilization treatment, phase separation and conditioning of the products takes place before client delivery. The POD facilities are part of the development of the Eagle Ford Shale that Newpek has invested in together with Pioneer Natural Resources and Reliance and thus the costs are prorated proportionally to the working interests. CGPs are not part of the Eagle Ford Shale development and Newpek has no investment in them. Dry gas production will pass along amine plants where the gas is conditioned for its final sale. Newpek has three amine plants where the dry gas is treated.

Newpek's 1P (proved) reserves as of January 1, 2014, totaled over 21.5 MMBOE. Newpek's 2P (proved plus probable) reserves as of January 1, 2014 totaled over 61.3 MMBOE. As of January 1, 2014, Newpek did not have any audited 3P (proved plus probable plus possible) reserves. However, according to internal estimates, Newpek's 3P reserves exceed 71.5 MMBOE taking into account the assets it acquired in 2013.

Mexico

Through Petroalfa, which is based in the city of Villahermosa in the state of Tabasco in Mexico, Newpek owns a variety of equipment that enables it to deliver its oil and gas services to its customers.

Oil and Gas Industry

United States

North American oil prices have been fairly consistent during the past three years despite the significant increase in United States oil production from unconventional shale plays. The growth in North American oil production has been offset by reduced oil imports, keeping supply and demand fairly balanced. Continued oil production growth in the United States from unconventional shale plays is expected to outpace the decline in oil imports and increase oil price volatility. The growth of unconventional shale drilling has also substantially increased the supply of NGLs, resulting in a significant decline in NGL component prices as the supply of such products has grown. While more export facilities have been built and NGL exports are increasing, the overall United States demand for NGL products has not kept pace with the remaining supply of such products. Consequently, prices for NGL products have generally declined over the past three years. North American gas prices have remained volatile and they trended lower from 2009 through 2012, but increased steadily throughout 2013. The decline in North American gas prices was primarily a result of significant discoveries of gas and associated gas reserves in United States gas, oil and liquid-rich shale plays, combined with the warmer than normal recent winters, which resulted in gas storage levels being at historically high levels, and minimal economic demand growth in the United States. The increases in gas prices during 2013 were primarily related to reduced drilling activity in gas shale plays and demand increases in the latter part of the year as a result of colder weather.

Oil prices continue to be primarily driven by world supply and demand. However, recent increases in United States oil, NGL and gas production volumes from the Permian Basin, Eagle Ford, Bakken and Marcellus areas have been met with lower demand, higher storage levels and pipeline, gas plant and NGL fractionation infrastructure capacity limitations, which has led to a reduction in United States NYMEX oil, NGL and gas prices compared to international prices for similar commodities, including Brent oil prices.

Since 2010, the economies in the United States and certain other countries have continued to stabilize with resulting improvements in industrial demand and consumer confidence. However, other economies, such as those of certain European and Asian nations, continue to face economic struggles or slowing economic growth. While the outlook for a continued worldwide economic recovery remains cautiously optimistic, it is still uncertain. As a result, the sustainability of the recovery in worldwide demand for energy is difficult to predict. As a result, Newpek believes it is likely that commodity prices will continue to be volatile during 2014.

Significant factors that will affect 2014 commodity prices include:

- the ongoing effect of economic stimulus initiatives;
- fiscal challenges facing the United States federal government and potential changes to the tax laws in the United States;
- continuing economic struggles in European and Asian nations;
- political and economic developments in North Africa and the Middle East;
- demand from Asian and European markets;
- the extent to which members of the Organization of Petroleum Exporting Countries ("OPEC") and other oil exporting nations are able to manage oil supply through export quotas;
- the capacity of United States refiners to absorb increasing domestic supplies of oil and condensate;
- potential export regulatory changes in the United States;

- the supply and demand fundamentals for NGLs in the United States and the pace at which export capacity grows; and
- overall North American gas supply and demand fundamentals, including refilling gas storage, that is anticipated to be lower than normal at the end of the winter draw season.

Mexico

Mexico's oil and gas industry is controlled by government-owned Pemex. We believe Mexico's E&P industry has a high growth potential, fueled in part by a greater role from the private sector due to recent legal reforms. Only approximately 25% of the technically recoverable resources have been extracted in Mexico. 3P reserves are estimated at 44 MMMBOE and prospective resources amount to 115 MMMBOE. Approximately 80% of the remaining resources are unconventional, mainly located in the Chicontepec shale and offshore regions, which Pemex has not successfully developed as it has centered on recovering shallow water resources. The IEA estimates that Mexico has the fourth largest reserves in shale gas, with 681 TCF. Pemex has identified more than 200 shale exploration prospects in five provinces: Chihuahua, Sabinas, Burro Picachos, Burgos, and Tampico-Misantla. Wells drilled by Pemex confirm the extension of the Eagle Ford play into Mexico, with significant wet gas resources. The following table shows the 3P reserves and prospective resources in Mexico.

Type	**3P Reserves** (MMMBOE)	**Prospective resources** (MMMBOE)
Onshore	7	8
Shallow water	19	20
Chicontepec/Shale	17	60
Deep water	1	27
Total	**44**	**115**

Cantarell, one of the world's largest offshore oil fields, reached its peak production in 2003 at 2.2 MMBOED, but has been on a continuous decline since. To compensate for the ongoing decline of the Cantarell and other regions, a significant increase in unconventional production is expected. Unconventional resources currently represent an economic and technological challenge to Pemex. Chicontepec and shale resources would require the use of fracking, horizontal drilling, and a supply chain that we believe has yet to be established in Mexico. Offshore drilling would require new platforms and ships. These complexities are likely to increase the Mexican market for oilfield services.

Pemex has developed other projects to offset the depletion of Cantarell. Current oil regulations in Mexico allow Pemex to execute CIEPs with third parties that offer incentives to those who obtain the best results, be it through incorporation of state-of-the-art technology, greater efficiencies and lower costs, or other factors. CIEPs are intended to generate greater value through profitable and competitive mechanisms in mature oilfields, Chicontepec and offshore E&P. CIEPs have been designed to attract companies that have the capacity and cost structure to exploit an oilfield's resources effectively and efficiently. CIEP contracts consider a risk-reward balance based on the materiality of the blocks and technological challenge of reservoirs.

Under CIEP contracts, Pemex retains ownership of the hydrocarbons extracted by contractors. The contractor invests, executes and delivers production, and Pemex pays cash upon the delivery of production. Investment in the fields is predetermined in relation to undeveloped 2P reserves, and the contractor has the right to use all infrastructures in place. A bidding process for these fields takes place among contractors who establish a fee per barrel of oil produced as well as an additional work commitment.

Marketing of Production

Newpek markets its products from its Eagle Ford and Edwards assets through Pioneer Natural Resources. We believe all methods used by Pioneer Natural Resources to market the products are consistent with the industry's best practices. Crude oil, NGL and natural gas prices are negotiated based on common factors considered by the industry, such as index prices, contract or spot, price regulations, well-to-pipeline distance, product quality and supply and demand conditions. Pioneer Natural Resources markets itself to numerous buyers. Among its main buyers are Enterprise Products Partners L.P., Gulfmark Energy Inc., LyondellBasell and BASF. Given that the volume is not highly concentrated among buyers, the loss of any particular buyer would not adversely impact Newpek's product sales. In the south of Texas, in addition to Enterprise Products Partners L.P., COPANO and DCP are Newpek's primary buyers. Newpek has identified marketing partners for when production from the new acquisitions begins, but negotiations are still ongoing.

Competition

The oil and gas industry is highly competitive. A large number of companies, including major integrated and other independent companies, and individuals engage in the exploration for, and the development of, oil and gas properties. There is also a high degree of competition for oil and gas properties suitable for development or exploration. Acquisitions of oil and gas properties have been an important element of Newpek's growth. Newpek intends to continue acquiring oil and gas properties that complement its operations, provide exploration and development opportunities and potentially provide superior returns on investment. The principal competitive factors in the acquisition of oil and gas properties include the staff and data necessary to identify and evaluate such properties and the financial resources necessary to acquire and develop the properties. Some of Newpek's competitors are substantially larger and have financial and other resources greater than those of Newpek.

In addition, Mexico is unique due to the legal and regulatory constraints relating to the exploration and development of oil and gas fields. By means of the recently approved energy reform, private investment from local and international companies is expected, thereby changing the business landscape in Mexico. Currently, competition in Mexico is driven primarily by integrated services, where international companies like Schlumberger, Weatherford, Baker Hughes and Halliburton dominate and provide services to Pemex.

Health, Safety and Environmental

Newpek's operations are subject to stringent and complex federal, state and local laws and regulations governing environmental protection, worker health and safety, and the discharge of materials into the environment. Numerous governmental entities, including the EPA and analogous state agencies have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions to achieve and maintain compliance and imposing sanctions, including administrative, civil and criminal penalties, for any failure to comply.

These laws and regulations may, among other things:

- require the acquisition of various permits before drilling or other regulated activity commences;
- enjoin some or all of the operations of facilities deemed in noncompliance with permits;
- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with oil and gas drilling, production and transportation activities;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas;
- impose specific criteria addressing worker protection;
- require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells; and

- impose substantial liabilities for pollution resulting from operations.

These laws and regulations may also restrict the rate of oil and gas production below the rate that would otherwise be possible. The regulatory burden on the oil and gas industry increases the cost of doing business in the industry and consequently affects profitability. Additionally, the U.S. Congress, state legislatures and federal and state regulatory agencies frequently revise environmental laws and regulations, and the trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. Any changes that result in more stringent and costly drilling, completion, construction or water management activities, or waste handling, disposal and cleanup requirements for the oil and gas industry could have a significant effect on Newpek's capital and operating costs.

Newpek's integrated services division is committed to safety. Its code of conduct outlines Newpek's commitment to: (i) comply with and uphold all applicable laws and regulations; (ii) provide a safe working environment; (iii) protect the health of its employees, its contractors and all who come into contact with Newpek; and (v) minimize its impact on the environment.

Principal Acquisitions and Joint Ventures

In 2013, Newpek completed two major acquisitions and one joint venture. The first acquisition consists of approximately 90,000 acres in Kansas, where it will explore and exploit conventional and unconventional shallow oil formations along with a local company. The second acquisition was a portfolio of approximately 150,000 acres in Texas, Oklahoma and Colorado where it will explore and exploit conventional and unconventional formations. These acquisitions, along with the recruitment of technical staff with extensive experience in the industry, strengthen the operational capacities and capabilities of Newpek. Newpek and Petrofac signed a joint venture agreement to form Petroalfa, which will provide integrated energy services in Mexico to the oil and gas industry. We believe Petroalfa further strengthens Newpek's strategy to become a major contender in the oil and gas industry in Mexico by leveraging its experience in the United States and partnering with industry leaders.

Alfasid

We also conduct our E&P operations in Mexico through our subsidiary Alfasid. During the first quarter of 2013, through a partnership between Alfasid and MPG, the San Andrés and Tierra Blanca fields were transfered by Pemex to Apfasid's operating companies. Alfasid operates through two companies, which are a partnership with MPG: Petrolíferos Tierra Blanca, S.A. de C.V. and Oleorey, S.A. de C.V.

With respect to Alfasid's subsidiaries involved in the oil and gas industry, these entities have operations in the following segments:

Industry Segment	Geography	Resource	Plays / Areas	Acres (k)	Alfasid's ownership
E&P	Mexico	• Mature Oil Fields	San Andrés	52	50% + 1 share
			Tierra Blanca	88	50% + 1 share

Assets

The San Andrés block is located in the southern part of the Poza Rica-Altamira Production Asset, 35 kilometers southeast of Poza Rica, Veracruz. Geologically, it is located southeast of the Tampico – Misantla play. The main field is San Andrés. Of the 356 wells that have been drilled by Pemex prior to acquisition by Alfasid, 50 were in operation, 250 have been closed and 56 plugged. Crude oil is light, with an API density of 27 – 32°. The deposit's pressure varies between 217 and 255 Kg/cm2.

The Tampico – Misantla play is located in the eastern part of México and extends from the southern parts of Tamaulipas to central Veracruz. Likewise, it covers eastern parts of San Luis Potosí and Hidalgo, and northern areas of Puebla.

The table below shows the main characteristics of the San Andrés block according to Pemex:

Area	52 acres	
Type of oil	27 – 32 ° API	
Fields	San Andrés Santa Lucía Remolino Hallazgo	
Production	Oil	1.4 MBD
	Gas	4.6 MMCFD
Reserves January 1, 2011	1P	6.1 MMBOE
	2P	11 MMBOE
	3P	31 MMBOE
Prospective Resources	100 MMBOE	
Original Volume	Oil	1,425.7 MMB
	Gas	1,727.2 MMCF
Cumulative Production	Oil	419.9 MMB
	Gas	378.8 MMCF

The Tierra Blanca block is located in the central part of "Faja de Oro Terrestre," in the Poza Rica-Altamira Production Asset. The main fields are: (i) Tierra Blanca-Chapopote Núñez; (ii) Cerro Viejo; (iii) Vara Alta; (iv) Potrero del Llano-Horcones; (v) Temapache, Alazán; and (vi) the northern part of the Álamo-San Isidro field. Geologically, it is located inside the Tampico-Misantla play.

Of the 380 wells that have been drilled by Pemex prior to acquisition by Alfasid, 49 were in operation, 44 have been closed and 287 plugged. Crude oil is heavy, with an API density of 15 – 27°. The deposit's pressure varies between 66 and 76 Kg/cm2.

The table below shows the main characteristics of the Tierra Blanca block according to Pemex:

Area	88 acres	
Type of oil	15 – 27 ° API	
Fields	Tierra Blanca Álamo Alazán Cerro Viejo Potrero Horcones Temapache Vara Alta	
Production	Oil	1.8 MBD
	Gas	1.2 MMCFD

Reserves January 1, 2011	1P	5.4 MMBOE
	2P	6.4 MMBOE
	3P	6.4 MMBOE
Prospective Resources	36.5 MMBOE	
Original Volume	Oil	952.8 MMB
	Gas	532.1 MMCF
Cumulative Production	Oil	272.9 MMB
	Gas	148.6 MMCF

Marketing of Production

Oil and gas production that comes from the San Andrés and Tierra Blanca fields is delivered to PEP at a pre-conferred point. Therefore, marketing is done by PEP at a national level. Alfasid does not commercialize production in Mexico, however it delivers production to PEP, which in turn pays Alfasid the tariff per barrel established in its contracts.

Health, Safety and Environemtal

In Mexico's oil and gas E&P operations, Alfasid complies with PEP's health, safety and environmental obligations which require Alfasid to, among other things:

- coordinate the execution of its services in line with industry best practices, with safety, health and environmental guidelines, as well as with any terms and conditions of contracts and applicable laws;
- obtain in a timely manner any permits required by any governmental and environmental authority to provide the services;
- abandon any well in accordance with industry best practices to avoid any contamination, environmental hazards or other potential damages to hydrocarbon deposits;
- make sure that any discovered hydrocarbons are not spilled or wasted in any form; and
- avoid any damage to hydrocarbon formations and to water basins according to industry best practices.

Through its CIEP contracts and alongside its partner MPG, Alfasid is required to comply with all obligations, commitments and environmental conditions in the applicable laws and industry best practices. It is also responsible for any damage or environmental hazard occurring on any mature fields it acquires. With respect to any hazard, Alfasid intends to take all necessary measures to remediate and decontaminate the area and to make sure future contamination is avoided.

Governmental Regulation

Alfa and its main subsidiaries are subject to various laws and regulations. Alfa is incorporated as a publicly traded corporation with variable capital (*sociedad anónima bursátil de capital variable*). Alfa and its Mexican subsidiaries are subject to the General Law of Commercial Companies (*Ley General de Sociedades Mercantiles*), the Commercial Code (*Código de Comercio*) and the applicable laws of Mexico. In addition, Alfa and certain of its subsidiaries are regulated by both the Mexican Securities Market Law (*Ley del Mercado de Valores*) and by regulations issued by the CNBV, as public companies.

Alfa and its subsidiaries are subject to Mexican environmental laws and regulations, as well as the various environmental laws and regulations of the states and municipalities where their operations are located. See "—Environmental Matters."

In connection with the protection of trademarks and patents, among others, Alfa and its subsidiaries are governed by the Industrial Property Law of Mexico (*Ley de la Propiedad Industrial*), the Federal Intellectual Property Law (*Ley Federal del Derecho de Autor*) and their respective regulations. Outside of Mexico, Alfa and its subsidiaries are governed by the applicable intellectual property laws corresponding to each country in which it has registered trademarks and patents. Alfa has registered trademarks and patents in several of the jurisdictions where its subsidiaries are engaged in business.

Alfa and its Mexican subsidiaries are also subject to (i) the Identification and Prevention of Transactions with Illegal Funds (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*), regarding activities carried out by Alfa and its Mexican subsidiaries identified as vulnerable activities (*actividades vulnerables*); (ii) the Federal Law for Protection of Personal Data held by Private Persons (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), regarding the management of personal data; (iii) the Federal Antibribery Law in Public Procurement (*Ley Federal Anticorrupción en Contrataciones Públicas*), regarding operations involving public procurement in Mexico; and (iv) Mexico's Bankruptcy Law (*Ley de Concursos Mercantiles*) in the event of bankruptcy or reorganization.

The subsidiaries of Alfa that act as employers are subject to the Federal Labor Law of Mexico (*Ley Federal del Trabajo*).

Sigma is also subject to regulations in Mexico, the United States and the other jurisdictions in which it operates, regarding the composition of products, packaging, labeling, advertising and product safety.

Alestra is also subject to the Federal Telecommunications Law.

Newpek is subject to federal, state and local laws and regulations governing environmental protection, worker health and safety and the discharge of materials into the environment. Numerous governmental entities, including the EPA and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them. This often requires difficult and costly actions to achieve and maintain compliance and can lead to the imposition of sanctions, including administrative, civil and criminal penalties, for any failure to comply.

The commercial activities carried out by our subsidiaries are also subject to supervision by the *Procuraduría Federal del Consumidor* (the Office of the Federal Prosecutor for the Consumer, or PROFECO), an administrative agency responsible for promoting and protecting the rights and interests of consumers, in order to ensure fairness and legal certainty in commercial relations between suppliers and consumers, in accordance with federal consumer protection laws and regulations.

Environmental Regulations

Mexico

Our Mexican operations are subject to Mexican federal, state and municipal laws and regulations relating to the protection of the environment. The primary federal environmental law is the Mexican Federal Law of Ecological Balance and Environmental Protection (*Ley General de Equilibrio Ecológico y Protección al Ambiente*) pursuant to which regulations have been promulgated concerning the impact to water, air and soil, natural resource protection and environmental risk. Additionally, certain other laws apply to our operations. The General Law for Prevention and Integral Management of Residues (*Ley General para la Prevención y Gestión Integral de los Residuos*), amended in 2006, 2007 and 2012, and the rules promulgated thereunder (*Reglamento de la Ley General para la Prevención y Gestión Integral de los Residuos*), amended in 2006, have produced a major change in regulations over the generation, handling, transportation, storage and final disposal of hazardous wastes and environmental passives, as well as imports and exports of hazardous wastes. Also, the National Water Law (*Ley de Aguas Nacionales*) amended in 2008, 2011 and 2012, and the rules promulgated thereunder, which govern the prevention and control of water pollution, have recently been amended. In both cases, we have implemented the necessary actions to comply with the laws as amended.

The Mexican federal authority in charge of overseeing compliance with the federal environmental laws is SEMARNAT. An agency of SEMARNAT, the PROFEPA, has the authority to supervise the application of, and enforce, Mexican federal environmental laws. As part of its enforcement powers, PROFEPA can bring civil, administrative and criminal proceedings against companies and individuals that violate environmental laws, and it has the power to impose fines and close facilities not in compliance with federal environmental laws through the Inspection and Surveillance Department. As part of its enforcement powers, PROFEPA can issue sanctions that include, among others, monetary fines, the revocation of authorizations, concessions, licenses, permits or registries, administrative arrests, seizure of contaminating equipment and, in certain cases, temporary or permanent closure of facilities. Furthermore, in special situations or certain areas where federal jurisdiction does not exist, the state and municipal authorities can regulate and enforce certain environmental regulations, as long as they are consistent with federal law. PROFEPA permits compliance with the environmental laws through a voluntary program entitled "Clean Industry" (*Industria Limpia*). Under this program, we are audited by certified environmental auditors and any deficiencies found in the audit are then scheduled for correction pursuant to an action plan. When the corrective actions are completed the plant is awarded with the "Clean Industry Certificate" which is renewed every two years after the corresponding audit. All of our chemical plants, which are classified as "high risks activities" by SEMARNAT, are included in the Clean Industry Program and have been certified pursuant to this program several times.

We believe we are in compliance with environmental laws in Mexico applicable to our operations as well as with the international environmental requirements pertaining to our exports and imports. In addition, upon the acquisition or integration of new businesses, we ensure such entities are in legal compliance and have implemented environmental and safety practices in accordance with our internal policies and standards.

United States

Our U.S. operations are subject to U.S. federal, state and local laws and regulations relating to the protection of the environment. The U.S. federal authority in charge of overseeing compliance with the federal environmental laws is the EPA. The regulations cover all types of environmental control including air, water, waste and chemical management. As part of its enforcement powers, the EPA can bring civil, administrative and criminal proceedings against companies and individuals that violate environmental laws and has the power to close facilities not in compliance with such laws. The EPA delegates these enforcement powers to the state and municipal authorities in most cases. States can also pass their own laws as long as they are at least as stringent as those of the federal government.

We believe we are in compliance, in all material respects, with U.S. federal and state environmental laws and regulations applicable to our operations. Our U.S. facilities are subject to external audits generally once every three years by a third party environmental consultant in order to validate our internal environmental programs and procedures. We also conduct mixed audits with both internal and external personnel participating.

Although we cannot make any assurances, we do not believe that continued compliance with U.S. environmental laws and regulations applicable to our operations will have a material adverse effect on our financial position or results of operations. We may, however, incur amounts greater than currently estimated due to changes in existing laws and regulations and other factors beyond our control.

Safety and Quality Control

Mexico

Our Mexican operations are subject to Mexican federal and state laws and regulations relating to the protection of our employees and contractors. We believe we are in compliance with all such laws and regulations. We are committed to promoting the health and safety of our workers and others involved in or affected by our operations. We have developed and implemented an integrated health and safety management system. As part of this system, each of our material Mexican facilities is equipped with a permit administration system, an accident prevention program, a comprehensive emergency response program with emergency equipment and trained safety crews, and a risk analysis and management program. Regular external audits are conducted of the effectiveness of our internal health and safety practices, and we follow any recommendations that arise from such audits. We have been in compliance in all material respects with such audits in the past. In addition, we are committed to protecting the environment and the health and safety of the communities where we operate. Accordingly, we collaborate with local governments, advocacy organizations and industry and public interest groups to promote a culture of continuous improvement in environment, safety and health.

All of our Mexican facilities have strong quality systems in place and a majority are ISO certified.

United States

Our U.S. operations are subject to U.S. federal and state laws and regulations relating to the protection of our employees and contractors. The U.S. federal authority in charge of overseeing compliance with the federal occupational safety laws is the U.S. Occupational Health and Safety Administration ("OHSA"). The regulations cover all types of occupational exposure, such as chemical, heat, fall protection, scaffolding and moving and lifting equipment. As part of its enforcement powers, OHSA can bring civil, administrative and criminal proceedings against companies and individuals that violate occupational and health laws and has the power to close facilities not in compliance with such laws. OHSA also delegates these enforcement powers to the state and municipal authorities in most cases. States can also pass their own laws as long as they are at least as stringent as those of the federal government.

We believe we are in compliance, in all material respects, with the federal and state occupational safety laws applicable to our operations. We routinely conduct internal occupational safety audits to validate our safety programs and procedures.

All of our U.S. facilities have strong quality systems in place and a majority are ISO 9001 certified.

Insurance

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

Our all-risk policy insures assets and protects us against business interruptions caused by hurricanes and other weather conditions, earthquakes, equipment malfunctions and other catastrophic events. Our transportation policies provide coverage for all import and export merchandise, such as raw materials, inventories and products, whether shipped by air, land and/or sea. We also maintain general liability policies that provide coverage for damage to third parties and insure properties, products and individuals, including our directors and officers. In addition, each subsidiary maintains other insurance policies as necessary to comply with local regulations or specific needs, such as commercial auto, workers compensation, environmental liability and employee practices.

We believe that our insurance coverage is reasonable in amount and consistent with industry standards for those companies operating in the regions in which we operate and we do not anticipate having any difficulties in renewing any of our insurance policies.

Employees

As of December 31, 2013, we employed 61,085 employees, of whom 42.8% were represented by labor unions and 57.2% were non-union managerial employees. Some of our employees in Mexico, Argentina, Austria, Argentina and certain other countries belong to labor unions. Under Mexican law, collective bargaining agreements with trade unions are renegotiated on an annual basis with respect to wages and every two years with respect to wages and all other benefits. Our negotiations with labor unions are conducted at the subsidiary level. In general, we believe that we have a strong relationship with our workforce and various trade unions.

Mexican employers are required to pay PTU to their employees in an aggregate amount equal to 10% of the employer's taxable income (calculated in accordance with the applicable provisions of the Mexican Income Tax

Law without reference to dividends, inflation adjustments or tax loss carry forwards, among other items). Employers are liable for PTU regardless of agreed compensation and benefits. It is uncertain how the Mexican authorities will interpret recent amendments to the LFT, and other existing applicable legislation, such as the Mexican Income Tax Law on matters related to the payment of PTU. Some of our employees in Mexico are employed by a services company, and we currently pay labor benefits based on the taxable income of the employee's direct employer (our services company) without considering our taxable income or that of any other company within our group. As a result of the recent amendments to the LFT, we could potentially be considered an employer of the employees of our services companies, and as such could be required to pay an increased PTU taking into account the taxable income of a company other than the employees' direct employer. See "Risk Factors—Risks Related to Our Company— Any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business, financial condition, results of operations and prospects."

The following table shows the number of employees at each of our business units as of December 31, 2011, 2012 and 2013:

	Number of Employees		
	As of December 31,		
	2011	2012	2013
Alpek	4,497	4,670	4,508
Sigma	29,226	29,022	29,562
Nemak	18,004	20,099	20,724
Alestra	1,669	1,748	1,860
Newpek	5	5	20
Other segments[(1)]	3,577	4,303	4,411
Total employees	56,978	59,847	61,085

(1) Includes other operating and services subsidiaries.

The following table shows the number of employees by geographic location as of December 31, 2011, 2012 and 2013:

	Number of Employees		
	As of December 31,		
	2011	2012	2013
Mexico	41,515	42,908	43,588
United States	4.524	6,243	6,135
Asia	481	472	631
Europe	4,461	4,718	5,201
Other[(1)]	5,997	5,506	5,530
Total employees	56,978	59,847	61,085

(1) Includes Argentina, Brazil, Canada, Central America and Peru.

Legal Proceedings

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

MANAGEMENT

Our board of directors is responsible for the management of our business. Our board of directors is comprised of a number of permanent and alternate members, as determined from time to time at the shareholders' meeting. Directors serve in their positions for a term of one year and may be re-elected at each annual general shareholders' meeting.

Our current board of directors was appointed at the general ordinary shareholders' meeting held on February 27, 2014. The address for each of our directors and executive officers is Ave. Gómez Morín No. 1111 Sur, Col. Carrizalejo, San Pedro Garza García, Nuevo León, 66254 México.

Our Board of Directors

The following table sets forth our current directors and their alternates, as appointed by our shareholders:

Name	Age
Armando Garza Sada (3, C)	57
Álvaro Fernández Garza (3, C)	46
José Calderón Rojas (2, A)	59
Enrique Castillo Sánchez Mejorada (1, A)	57
Francisco Javier Fernández Carbajal (1, C)	58
Claudio X. González Laporte (1, B)	79
Ricardo Guajardo Touché (1, B)	65
David Martínez Guzmán (1, C)	56
Adrián Sada González (1, B)	69
Federico Toussaint Elosúa (1, A)	57
Guillermo F. Vogel Hinojosa (1, C)	63

(1) Independent Board Member.
(2) Independent Proprietary Board Member
(3) Related Proprietary Board Member
(A) Audit Committee
(B) Corporate Practices Committee
(C) Planning and Finance Committee

Armando Garza Sada. Mr. Garza is the Chairman of the Board of Directors of Nemak and the Chairman of the Board of Directors of Alfa. He joined Alfa in 1978. Prior to his current position, he was Vice Chairman of the Board and Senior Vice President of Development of Alfa as well as President of Versax and President of Sigma. He was also Vice President of Corporate Planning and President of Polioles and Selther. Mr. Garza Sada is member of the Boards of FEMSA, Frisa, Grupo Financiero Banorte, Lamosa, Liverpool, Proeza, the *Instituto Tecnológico y de Estudios Superiores de Monterrey* ("ITESM") and Stanford University. He has been chairman of the Nuevo Leon State Manufacturing Industry Chamber (CAINTRA) and Private Sector Industrial and Economic Council (CEESP). He has a degree from the Massachusetts Institute of Technology and an MBA from the Stanford Graduate School of Business.

Álvaro Fernández Garza. Mr. Fernández is the President of Alfa. He joined Alfa in 1991. Prior to his current position, he was President of Sigma and held multiple executive positions at Sigma. He is a member of the boards of Vitro, Cydsa and Universidad de Monterrey, and is the chairman of the Nuevo Leon State Manufacturing Industry Chamber (CAINTRA). He earned a degree in Economics from Notre Dame University, a Master's degree from ITESM and an MBA from Georgetown University.

José Calderón Rojas. Mr. Calderón is Chairman of the Board and Chief Executive Officer of Franca Industrias, S.A. de C.V. and Franca Servicios, S.A. de C.V. He is a member of the Boards of FEMSA and BBVA Bancomer (Regional Board) and the President of Asociación Amigos del Museo del Obispado, A.C. He has been a board member since 2005.

Enrique Castillo Sánchez Mejorada. Mr. Castillo is Managing Partner of Ventura Capital Privado, S.A. de C.V. He is a member of the Boards of Maxcom Telecomunicaciones, Southern Copper Corporation, Grupo Herdez, Organización Cultiba, Médica Sur and Grupo Aeroportuario del Pacífico. He is an alternate Board member of Grupo Financiero Banorte and Grupo Gigante. He has been a board member since 2010.

Francisco Javier Fernández Carbajal. Mr. Fernández is Chairman of the Board of Primero Fianzas, S.A. de C.V. He is the President of the Planning and Finance Committee. He is a member of the Boards of Visa Inc., FEMSA, CEMEX and Fresnillo PLC. He has been a board member since 2010.

Claudio X. González Laporte. Mr. González is Chairman of the Board of Kimberly Clark de México, S.A.B. de C.V. He is a member of the Boards of Fondo México, Grupo Carso, Grupo Financiero Inbursa, Grupo México, Grupo Televisa and Bolsa Mexicana de Valores. He is a consultant for Capital Group and President of Consejo Mexicano de Hombres de Negocio. He has been a board member since 1987.

Ricardo Guajardo Touché. Mr. Guajardo is a member of the Boards of Liverpool, Grupo Aeroportuario del Sureste, Grupo Bimbo, FEMSA, Coca-Cola FEMSA, Grupo Coppel and ITESM. He has been a board member since 2000.

David Martínez Guzmán. Mr. Martínez is Managing Director Fintech Advisory Limited (London, UK). He is a member of the Board of Vitro. He has been a board member since 2010.

Adrián Sada González. Mr. Sada is Chairman of the Board of Vitro, S.A.B. de C.V. he is the President of the Corporate Practices Committee. He is a member of the Boards of Gruma, Cydsa and Consejo Mexicano de Hombres de Negocios. He has been a board member since 1994.

Federico Toussaint Elosúa. Mr. Toussaint is Chairman of the Board and Chief Executive Officer of Grupo Lamosa, S.A.B. de C.V. He is the President of the Audit Committee. He is a member of the Boards of Xignux, Grupo Iconn, Universidad de Monterrey, Centro Roberto Garza Sada, Fibra Inn, *Banco de México* (Regional Board), President of Centro de Competitividad de México and a Board member of Consejo Mexicano de Hombres de Negocios. He has been a board member since 2008.

Guillermo F. Vogel Hinojosa. Mr. Vogel is Chairman of the Board of Grupo Collado, S.A.B. de C.V., Vice Chairman of the Board of Tenaris, S.A. de C.V. and Vice Chairman of the Board of Estilo y Vanidad, S.A. de C.V. He is a member of the Boards of Corporación Mexicana de Inversiones de Capital, Universidad Panamericana-IPADE, Fondo Nacional de Infraestructura, Corporación San Luis, Innovare and Eximpro. He has been a board member since 2008.

Our Audit and Corporate Practices Committees

The presidents of both our Audit and Corporate Practices Committees were appointed at the general ordinary shareholders' meeting held on February 27, 2014. The members of each committee are as follows:

- Audit Committee: Federico Toussaint Elosúa (President), José Calderón Rojas and Enrique Castillo Sánchez Mejorada, all of whom are independent directors pursuant to Article 26 of the Mexican Securities Market Law (*Ley del Mercado de Valores*, or "LMV").

- Corporate Practices Committee: Adrián Sada González (President), Claudio X. González Laporte and Ricardo Guajardo Touché, all of whom are independent directors pursuant to Article 26 of the LMV.

Our Main Executive Officers

The following table lists the names, ages, positions and years of service of our main executive officers:

Name	Age	Position	Years with Alfa
Armando Garza Sada	56	Chairman of the Board	35
Álvaro Fernández Garza	45	President	22
José de Jesús Valdez Simancas	60	President, Alpek and Newpek	37

Armando Tamez Martínez	58	President, Nemak	29
Mario H. Páez González	63	President, Sigma	39
Rolando Zubirán Shetler	61	President, Alestra	15
Alejandro M. Elizondo Barragán	60	Senior Vice President, Development	38
Manuel Rivera Garza	65	Senior Vice President, Development	37
Carlos Jiménez Barrrera	58	Senior Vice President, Legal, Internal Auditing and Corporate Affairs	35
Ramón A. Leal Chapa	44	Chief Financial Officer	5
Paulino J. Rodríguez Mendivil	62	Senior Vice President, Human Capital	10

Certain information with respect to our executive officers that has not been disclosed in "Our Board of Directors," above is set out below:

Armando Garza Sada. See "—Board of Directors."

Álvaro Fernández Garza. See "—Board of Directors."

José de Jesús Valdez Simancas. Mr. Valdez is the President of Alpek and Newpek. He joined Alfa in 1976. He has been Chairman of the Board of Directors of Mexico's National Chemical Industry Association (*Asociación Nacional de la Industria Química*), President of the Energy commission for Mexico's Confederation of Industrial Chambers (*Confederación de Cámaras Industriales de los Estados Unidos Mexicanos*), and President of Nuevo Leon's Industry Chamber (*Cámara de la Industria de Transformación de Nuevo León*). At Alpek, he has served as the Chief Operating Officer of the PP, EPS and chemical businesses, as well as Chief Operating Officer of Petrocel. He holds a Bachelor's degree in mechanical engineering and a Master's degree in Business Administration from the Instituto Tecnológico y de Estudios Superiores de Monterrey ("ITESM") and a Master's degree in industrial engineering from Stanford University.

Armando Tamez Martínez. Mr. Tamez is the current President of Nemak. During his time at Nemak he has been responsible for several areas including: Commercial, Planning, Product Development, and Engineering and Capital Goods Purchasing, among others. He also served as Nemak's main customer liaison in Canada and United States for five years during the 1980s. After occupying the COO office from 2009 to 2010, he was appointed President of the company. Mr. Tamez holds a BS in Industrial Engineering from ITESM and a Master's degree in Administration and Engineering from the George Washington University.

Mario Páez González. Mr. Páez joined Alfa in 1974 and after serving as Alfa's Chief Financial Officer for a period of one year, he returned in March 2010 to his former position as Chief Executive Officer of Sigma, Alfa's food division. Mr. Páez has also served as CEO of Total Home S.A. de C.V. and Empaques de Carton Titan, S.A. de C.V. Mr. Páez holds a Master's degree in Business Administration degrees from Tulane University and Instituto Tecnológico y de Estudios Superiores de Monterrey ("ITESM"), and a Bachelor's Degree in public accounting from ITESM.

Rolando Zubirán Shetler. Mr. Zubirán is the current President of Alestra. He joined Alfa in 1999. Prior to his present position he was President of Ericsson Argentina. He also served as CEO of Matec, a company of the Ericsson Group in Brazil and in Sistemas Ericsson México. Mr. Zubirán graduated in Engineering from UNAM. He has a Master's degree in Operations Research from the University of Southern California and a Ph.D. in Management from Universidad Autónoma de Nuevo León.

Alejandro Elizondo Barragán. Mr. Elizondo is Senior Vice President of Business Development. He joined Alfa in 1976. Prior to his current position, he was President of Alpek. He also served as Senior Vice President of Finance of Alfa and President of Hylsamex. Currently, he is a Board member of Embotelladoras Arca and Banco Regional de Monterrey. He studied Mechanical and Electrical Engineering at ITESM, and earned an MBA from Harvard Business School.

Manuel Rivera Garza. Mr. Rivera started his professional career at Alfa in 1975, where he has had different positions including Corporate Planning Director. He held the position of CEO of Nemak from 1993 to February 1, 2013. He graduated from ITESM with degrees in Mechanical & Electrical Engineering and Industrial Engineering.

He has an Industrial Engineering Master's degree from Stanford University. He will continue supporting Alfa as Senior Vice President of Business Development.

Carlos Jiménez Barrera. Mr. Jimenez is the Secretary of the Board of Directors and Senior Vice President, Legal and Corporate Affairs, of Alfa. He joined Alfa in 1976. Prior to his current position, he was Legal Vice President of Alfa. He was also Legal Vice President of Corporate Affairs of Alfa, Legal Vice President of Hylsamex. He is a graduate of the School of Law at the Universidad de Monterrey and has a Master's degree from the New York University School of Law.

Ramón Alberto Leal Chapa. Mr. Leal is the Chief Financial Officer of Alfa. He joined Alfa in 2009. Prior to his present position he was the Treasurer of Alfa. He held various positions at Vitro, including Vice President of Strategic Planning, Mergers and Acquisitions, and Vice President of Corporate Financing and Strategic Projects. Prior to this, he held executive positions at Pulsar, Vector and Violy & Partners in New York. Mr. Leal is also a member of the Boards of Grupo Financiero Banorte, the University of Monterrey and the Finance Committee of Proeza. He studied Public Accounting at the University of Monterrey, received a Master's degree in Operations Management at ITESM and earned an MBA from Harvard Business School.

Paulino J. Rodríguez Mendivil. Mr. Rodríguez is the Senior Vice President of Human Capital of Alfa. He joined Alfa in 2004. Prior to his current position, he served in various positions at Sigma Alimentos, including Vice President of Human Resources, Vice President of Key Sales Accounts and Vice President of Institutional Sales. He studied Industrial and Systems Engineering and obtained a Master's in Energy Technology from the University of the Basque Country, Spain. He also graduated from the School of Naval Academy officers in Spain and attended several graduate courses at the University of California at Berkeley, IPADE and ITESM.

Compensation of Senior Officers

For the years ended December 31, 2013 and 2012, wages and benefits received by top officials of the company were Ps. 741 million and Ps. 603 million, respectively, comprising base salary and legal benefits, supplemented by a variable compensation program primarily based on the results of Alfa and the market value of our shares.

Share Compensation Plan

We provide certain of our and our subsidiaries' senior executives with a compensation plan based on the market value of our shares. The conditions for granting these compensation plans to the eligible executives include, among other conditions, compliance with certain metrics such as profit levels and remaining employed with us for up to five years. Our board of directors has appointed a technical committee to manage the plan and review the estimated disbursements under the plan at the end of the year. Our compensation plan is subject to the discretion of our senior management.

Share Ownership

See "Principal Shareholders" for a description of the current ownership of our common stock by directors and executive officers.

PRINCIPAL SHAREHOLDERS

Alfa is a public company and its shares are registered with the RNV, maintained by the CNBV, and listed on the BMV under the trading symbol "ALFAA." Alfa's shares are also quoted on the Latibex, the exchange market for Latin American issuers on the Madrid Stock Exchange under the trading symbol "XALFA."

Certain members of our board of directors and members of their extended families currently control approximately 45% of all of our outstanding shares. Accordingly, it is likely that certain of the current directors and the members of their extended families will, if acting together, be able to elect a majority of the members of Alfa's board of directors and determine the outcome of other actions requiring shareholder approval. Although they have no formal agreement to do so, in the past, members of such families generally have acted together with respect to the election of members of Alfa's board of directors and other actions requiring shareholder approval.

Those certain members of the board of directors and the members of their extended families referred to herein are: Margarita Garza Sada; Armando Garza Sada; heirs of José Calderón Ayala; heirs of Dionisio Garza Sada; Fernando Barragán Villarreal; and heirs of Lorenzo Garza Sepúlveda.

There is no single person (corporate or individual), that holds or controls more than 10% of the equity securities issued by us, exercises a significant influence, controls us or has the power to control us.

RELATED PARTY TRANSACTIONS

Related Party Transactions

From time to time, we may enter into transactions with parties that have relationships with our officers, directors or entities in which we have an ownership interest. It is our policy to conduct all of these transactions on an arm's-length basis and, in accordance with the LMV, to have these transactions approved by both the Audit and Corporate Practices Committees, subject to certain exceptions, such as related party transactions that (i) by reason of their economic value, can be considered non-material for us and our affiliates, (ii) are carried out in the ordinary course of business and on an arm's-length basis and (iii) are carried out with employees on terms that are substantially the same as the terms of transactions carried out with non-related third parties or as a result of general employee-related contractual obligations.

Amounts representing related party transactions for 2011, 2012 and 2013 are as follows:

	For the Year Ended December 31,			
	2011	2012	2013	2013[1]
	(Ps.)	(Ps.)	(Ps.)	(US$)
		(*in millions*)		
Income:				
Sales of goods and services	16,180	17,556	20,478	1,604
Expense:				
Purchase of goods and services	17,440	15,260	16,014	1,254

Services Provided to Affiliates

In the ordinary course of our business, we provide administrative and corporate services to our operating affiliates through us and several subsidiaries, including, among others, Alliax, S.A. de C.V. and Alfa Corporativo, S.A. de C.V. The administrative and support services we provide to our affiliates, among others, are: government and institutional lobbying, human resources planning, financial and treasury planning, legal and tax advice, strategic planning, investor relations and communications. These services are provided on market terms.

Some of our affiliates provide certain services to us such as corporate and administrative services. As required under IFRS, these transactions are valued on an arm's-length basis.

Affiliate Outstanding Balances

As of December 31, 2011, 2012 and 2013 the balances with related parties were as follows:

	Nature of the transaction	December 31,		
		2011	2012	2013
			(*in millions of Pesos*)	
Receivables:				
Affiliates and services	Sales of products	2,258	1,645	1,355
Shareholders with significant influence over subsidiaries	Services rendering	-	85	185
Payable:				
Affiliates	Purchase of raw materials	208	357	266

Balances payable to related parties at December 31, 2013 are payable in 2014 and do not bear interest.

DESCRIPTION OF THE NOTES

We will issue US$1,000,000,000 in aggregate principal amount of notes, consisting of two series of notes (each, a "series"): US$500,000,000 aggregate principal amount of 5.250% Senior Notes due 2024 (the "2024 Notes") and US$500,000,000 aggregate principal amount of 6.875% Senior Notes due 2044 (the "2044 Notes" and, together with the 2024 Notes, the "notes"). We will issue the 2024 Notes under an indenture (the "2024 Notes Indenture") to be entered into by and among the Company (as defined below), The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the 2024 Notes Indenture), paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg transfer agent and Luxembourg paying agent. We will issue the 2044 Notes under an indenture (the "2044 Notes Indenture" and, together with the 2024 Notes Indenture, the "indentures") to be entered into by and among the Company, The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the 2044 Notes Indenture), paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg transfer agent and Luxembourg paying agent. Copies of the indentures, including the form of notes, are available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum. The trustee or any other paying agent, as applicable, will also act as transfer agent and registrar if we issue certificates for the notes in definitive registered form.

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

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

- "we," "us," "our," "the Company" or "Alfa," we mean Alfa, S.A.B. de C.V. (parent company only) and not our Subsidiaries; and
- the "notes," we mean the notes offered pursuant to this offering memorandum and, unless the context otherwise requires, any additional notes, as described below in "—General."

General

The notes:

- will be our senior unsecured obligations (junior to certain obligations that are preferred by statute and/or Mexican laws, such as tax and labor claims);
- the 2024 Notes will initially be limited to an aggregate principal amount of US$500,000,000 and the 2044 Notes will initially be limited to an aggregate principal amount of US$500,000,000;
- will mature at 100% of their principal amount then outstanding on March 25, 2024 (with respect to the 2024 Notes) and March 25, 2044 (with respect to the 2044 Notes);
- will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;
- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances; and
- will not be guaranteed by any direct or indirect Subsidiary and as a result will be structurally subordinated to all existing and future indebtedness and other obligations of our Subsidiaries.

We will initially issue an aggregate of US$1,000,000,000 of notes, but may, subject to the limitations set forth under "—Covenants," issue an unlimited principal amount of the 2024 Notes under the 2024 Notes Indenture and an unlimited principal amount of the 2044 Notes under the 2044 Notes Indenture. We may, without your consent, issue additional 2024 Notes or additional 2044 Notes (together, the "additional notes") in one or more transactions, which have substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as the 2024 Notes or the 2044 Notes, respectively, issued on the issue date. Such additional notes may be issued in one or more series and with the same or different CUSIP numbers; *provided*, *however*, that unless such additional notes are issued under a separate CUSIP number, either such additional notes are part of the same "issue" for U.S. federal income tax purposes or are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes. Any additional notes of a series will be consolidated and form a single class with the other notes of such series issued on the issue date, so that, among other things, holders of any additional notes of any series will have the right to vote together with holders of such series of notes issued on the issue date as one class.

Interest on the notes:

- will accrue at the rate of 5.250% per annum (with respect to the 2024 Notes) and 6.875% per annum (with respect to the 2044 Notes);
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash, semi-annually in arrears on March 25 and September 25 of each year, commencing on September 25, 2014;
- will be payable to the persons in whose name the notes are registered at the close of business on the March 10 and September 10 immediately preceding each interest payment date; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest, including any Additional Amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, we will maintain a paying agent in Luxembourg.

Ranking of notes

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

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

None of our Subsidiaries will have any obligations with respect to the notes. As a result, the notes will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of our Subsidiaries.

As of December 31, 2013, we and our Subsidiaries had total consolidated indebtedness of Ps. 57,454 million (US$4,394 million), Ps. 55,238 million (US$4,224 million) of which was indebtedness of our Subsidiaries to which the notes will be structurally subordinated. As of December 31, 2013, on an unconsolidated basis the Company had Ps. 2,216 million (US$169 million) of outstanding indebtedness, of which none was secured indebtedness.

Payments

We will make all payments on the notes exclusively in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

We will make payments of principal and interest on the notes to the trustee (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the paying agents or to the holders. Initially, the trustee will act as registrar, transfer agent and paying agent for the notes.

We will make payments of principal upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. We will pay interest on the notes to the persons in whose name the notes are registered at the close of business on the fifteenth day immediately preceding the due date for payment. Payments of principal and interest in respect of each global note will be paid by wire transfer of immediately available funds to DTC. Payments of principal and interest in respect of any certificated notes will be made by U.S. dollar check drawn on a bank in the City of New York and mailed to the holder of such note at its registered address. Upon application by the holder of at least US$1.0 million in aggregate principal amount of a series of notes to the specified office of the trustee or any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in The City of New York.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional amounts." No commissions or expenses will be charged to the holders in respect of such payments.

We shall, to the extent permitted by law, use commercially reasonable efforts to maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48 EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000, or any law implementing or complying with or introduced in order to conform to, such Directive.

Subject to any applicable abandoned property law, the trustee and the paying agents will pay to us upon our request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to us for payment as our general creditors. After the return of such monies by the trustee or the paying agents to us, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Form, denomination and title

The notes will be in registered form without coupons attached in amounts of US$200,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes.

Title to the notes will pass by registration in the register. The registered holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no person will be liable for so treating the holder.

Redemption

No sinking fund is provided for the notes.

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

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

Optional make-whole redemption

The 2024 Notes will be redeemable as a whole or in part, at our option at any time, at a redemption price, as calculated by the Company, equal to the greater of (i) 100% of the then-outstanding principal amount of the 2024 Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 37.5 basis points, plus accrued interest thereon to the date of redemption and any Additional Amounts payable with respect thereto.

The 2044 Notes will be redeemable as a whole or in part, at our option at any time, at a redemption price, as calculated by the Company, equal to the greater of (i) 100% of the then-outstanding principal amount of the 2044 Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus accrued interest thereon to the date of redemption and any Additional Amounts payable with respect thereto.

Optional redemption without a make-whole premium

We may redeem the 2024 Notes in whole or in part, any time and from time to time, beginning on the date that is three months prior to the scheduled maturity of the 2024 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the 2024 Notes being redeemed to the date of redemption.

We may redeem the 2044 Notes in whole or in part, any time and from time to time, beginning on the date that is six months prior to the scheduled maturity of the 2044 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2044 Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the 2044 Notes being redeemed to the date of redemption.

Optional redemption upon tax event

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

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

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

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

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

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

(b) all governmental approvals necessary for us to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Change of control triggering event

Upon the occurrence of a Change of Control Triggering Event, the holders of an affected series of notes will have the right to require us to purchase all or a portion of such holders' notes (in integral multiples of US$1,000) pursuant to a Change of Control Offer (as defined below) at a purchase price equal to 101% of the then-outstanding principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, including any Additional Amounts payable with respect thereto (the "Change of Control Payment" and the date of such purchase, the "Change of Control Payment Date"), in accordance with the procedures set forth below. If the date of purchase is on a date that is after a record date and on or prior to the corresponding interest payment date, we will pay such interest to the holder of record on the corresponding record date, which may or may not be the same person to whom we will pay the purchase price.

Within 30 days following the consummation of any transaction constituting a Change of Control Triggering Event, we will send, by first-class mail, a notice to each holder of an affected series of notes with a copy to the trustee (the "Change of Control Offer") and publish the notice in a newspaper having a general circulation in Mexico, the United States of America and, as long as such series of notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market and the rules of such exchange so require, in Luxembourg. Our failure to give notice in the manner described herein will not affect the rights of the holders to require us to purchase the affected series of notes. The notice of the Change of Control Offer will state, among other things:

(a) that a Change of Control Triggering Event has occurred and that such holder has the right to require us to purchase such holder's notes of an affected series at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date);

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

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

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

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

By 11:00 a.m. (New York time) on the business day prior to the Change of Control Payment Date, we will deposit with the trustee or a paying agent funds in an amount equal to the Change of Control Payment in respect of all notes or portion thereof so tendered.

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

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

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

If only a portion of a note is purchased pursuant to a Change of Control Offer, a new note in a principal amount equal to the portion not purchased will be issued in the name of the holder of such note upon cancellation of the original note, or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate. The minimum amount of such new note will be US$200,000.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of the affected series of notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

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

Open market purchases

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

Transfer of notes

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

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

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

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

Additional amounts

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

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

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

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

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

(e) any withholding or deduction imposed on a payment to or for the benefit of an individual that is required to be made pursuant to European Council Directive 2003/48 EC or any other Directive on the taxation of savings implementing the conclusion of the ECOFIN council meeting on November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive;

(f) any tax, assessment or other governmental charge which would have been avoided by a holder presenting the relevant note (if presentation is required) or requesting that such payment be made to another paying agent in a member state of the European Union;

(g) any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments on the note;

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

(i) any combination of the above.

The limitations on our obligations to pay Additional Amounts set forth in clause (c) above shall not apply if (i) the provision of information, documentation or other evidence described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder of a note, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulations (including temporary or proposed regulations) and administrative practice, or (ii) Article 166, Section II, paragraph (a) of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) (or a substitute or equivalent provision) is in effect, unless (A) the provision of the information, documentation or other evidence described in such clause (c) above is expressly required by the applicable Mexican laws and regulations in order to apply Article 166, Section II, paragraph (a) of the Mexican Income Tax Law (or substitute or equivalent provision), (B) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican laws and regulations on our own through reasonable diligence and (C) we otherwise would meet the requirements for application of the applicable Mexican laws and regulations.

In addition, such clause (c) above does not require, and shall not be construed to require, that any holder, including any non-Mexican pension fund, retirement fund, tax-exempt organization or financial institution, register, to the extent applicable with the Tax Management Service (*Servicio de Administración Tributaria*) or the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) to establish eligibility for an exemption from, or a reduction of, Mexican withholding taxes, or take any other action different from providing periodic information thereto.

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

We will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, a certified copy thereof) evidencing any payment of taxes in respect of which we have paid any Additional Amounts. Copies of such documentation will be made available to the holders of the affected series of notes or the paying agents, as applicable, upon request therefor.

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

Covenants

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

Limitation on liens

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

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

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

(c) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; *provided* that the lenders of such Debt expressly agree to limit their collateral in respect of such Debt to assets (including Capital Stock of the project entity) and/or revenues of such project; and *provided*, *further*, that the Lien is incurred before, or within 180 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets owned by us or any Subsidiary;

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

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

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

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

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

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

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

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

(l) any Lien which secures any Hedging Obligations;

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

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

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

Limitation on sale and leaseback transactions

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

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

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

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

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

Limitation on consolidation, merger or transfer of assets

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

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

(b) the resulting, surviving or transferee person (if not the Company), if not organized and existing under the laws of Mexico and the United States of America, any State thereof or the District of Columbia, undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal and interest as may be necessary in order that every payment made in respect of the notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the notes, subject to the same exceptions set forth under "—Additional amounts" but replacing existing references in such clause to Mexico with references to such other country;

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

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

These restrictions will not apply to transactions between us and any of our Subsidiaries or between any of our Subsidiaries.

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

Reporting requirements

We will provide the trustee and, upon request, the holders of the notes, with the following reports:

(a) an English language version in electronic format of our annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 135 days after the close of each fiscal year;

(b) an English language version in electronic format of our unaudited consolidated quarterly financial statements prepared in accordance with IAS 34, promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of each fiscal year);

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

(d) so long as we are not subject to Section 13 or Section 15(d) of the Exchange Act and exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon request, to any holder and any prospective purchaser of the notes, the information required pursuant to Rule 144A(d)(4) under the Securities Act.

We will maintain a public website or, at our option, a non-public website or other electronic distribution system to which the beneficial owners of the notes, prospective investors and security analysts will be given access and on which the reports and information referred to in clauses (a), (b), (c) and (d) above are posted.

Simultaneously with the delivery of each set of financial statements referred to in clause (a) above, we will provide the trustee with an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which we are taking or propose to take with respect thereto. Upon any of our directors or executive officers becoming aware of the existence of a Default or Event of Default or any event by reason of which payments of either principal or interest on the notes are prohibited, we will provide the trustee with an officers' certificate setting forth the details thereof and the action we are taking or propose to take with respect thereto.

In addition, so long as the notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we will make available the information specified in the foregoing clauses (a), (b) and (c) at the specified office of the paying agent in Luxembourg.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any covenant in the indentures (as to which the trustee is entitled to rely exclusively on officers' certificates).

Events of default

An "Event of Default" under a series notes will occur if:

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

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

(c) we fail to comply with any of the covenants described under "—Covenants—Limitation on liens," "—Limitation on consolidation, merger or transfer of assets," and such failure continues for 30 days after the notice specified below;

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

(e) we or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by us or any such Significant Subsidiary (or the payment of which is guaranteed by us or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indentures (*provided* that for purposes of this clause (e), Debt will not be deemed to include any Non-Recourse Debt), which default (i) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (ii) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US$100 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(f) one or more final judgments or decrees for the payment of money of US$100 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against us or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (i) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (ii) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed; or

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

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

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default with respect to the notes unless either (i) an authorized officer of the trustee with direct responsibility for the applicable indenture has actual knowledge of such Default or Event of Default or any cure of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by us or any holder in the manner specified in the applicable indenture.

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

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

Defeasance

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

Satisfaction and Discharge

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

(a) either:

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

(ii) all notes under such indenture not theretofor delivered to the trustee for cancellation (i) have become due and payable or will become due and payable within one year or (ii) are to be called for redemption within one year under irrevocable arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at our expense, and, in each case, we have irrevocably deposited or caused to be deposited with the trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire indebtedness on such notes not theretofor delivered to the trustee for cancellation, for principal of, premium, if any, and interest on such notes to the date of deposit (in the case of notes that have become due and payable) or to the maturity or redemption date, as the case may be, together with irrevocable instructions from us directing the trustee to apply such funds to the payment;

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

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

Amendment, supplement, waiver

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

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

(b) reduce the principal, or extend the Stated Maturity, of any note;

(c) reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;

(d) change the currency for, or place of payment of, principal or interest on any note;

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

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

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

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

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

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

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

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

(b) to comply with the covenant described under "—Covenants—Limitation on consolidation, merger or transfer of assets";

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

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

(e) to surrender any right conferred upon us;

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

(g) to provide for the issuance of additional notes; or

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

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

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the registrar's records. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market and the rules of such exchange so require, publication of such notice to the holders of the notes will be in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Notices may also be published on the website of the Luxembourg Stock Exchange www.bourse.lu. Neither the failure to give any notice to a particular holder of the notes, nor any defect in a notice given to a particular holder of the notes, will affect the sufficiency of any notice given to another holder of the notes.

Prescription

Under New York's statute of limitations, any legal action upon the notes in respect of interest or principal must be commenced within six years after the payment thereof is due. Thereafter any such legal action on the notes will become generally unenforceable.

Trustee

The Bank of New York Mellon is the trustee under the indentures. Its address is 101 Barclay Street, Floor 7E, New York, New York, 10286.

Except during the continuance of an Event of Default, the trustee will perform only such duties as are specifically set forth in the indentures. During the existence of an Event of Default of which a responsible officer of the trustee has actual knowledge, the trustee will exercise such rights and powers vested in it by the indentures, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The trustee may resign at any time by so notifying the Company. In addition, the holders of a majority in aggregate principal amount of the notes then outstanding may remove the trustee by so notifying the trustee and may appoint a successor trustee. The Company will remove the trustee if (1) the trustee is no longer eligible; (2) the trustee is adjudged bankrupt or insolvent; (3) a receiver or other public officer takes charge of the trustee or its property; or (4) the trustee otherwise becomes incapable of acting under an indenture.

If the trustee resigns, is removed by the Company or by the holders of a majority in aggregate principal amount of the notes then outstanding and such holders do not reasonably promptly appoint a successor trustee, or if a vacancy exists in the office of trustee for any reason, the Company will promptly appoint a successor trustee. The successor trustee will give notice of its succession to the holders of the notes and, as long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, the successor trustee will also publish notice as described under "— Notices."

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

Governing law and submission to jurisdiction

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

Each of the parties to the indentures will irrevocably submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York and to the courts of its own corporate domicile in respect of actions brought against it as a defendant for purposes of all legal actions and proceedings instituted in connection with the notes and the indentures. We have appointed CT Corporation System at 111 Eighth Avenue, New York, New York 10011, as our authorized agent upon which process may be served in any such action.

Currency indemnity

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

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

Certain definitions

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

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

"Advance Transaction" means an advance from a financial institution involving either (i) a foreign exchange contract or (ii) an export contract.

"Attributable Value" means as to any particular lease under which the Company or any Subsidiary is at any time liable as lessee and any date as of which the amount thereof is to be determined, the total net obligation of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended) discounted from the respective due dates thereof to such date at a rate per annum equivalent to the interest rate inherent in such lease (as determined in good faith by the Company in accordance with generally accepted financial practice).

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

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means, with respect to any person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

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

(1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) (other than the Principal Stockholders (as defined below)) becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the Voting Stock of the Company, unless, as a result of such transaction, the ultimate direct or indirect ownership of the Company is substantially the same immediately after such transaction as it was immediately prior to such transaction;

(2) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, determined on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) other than the Principal Stockholders (as defined below) of the Company, to the Company or any of its Subsidiaries, whether or not otherwise in compliance with the indentures; or

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

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (i)(A) the Company becomes a wholly-owned Subsidiary of a holding company and (B) the holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction, (ii) pursuant to a transaction in which the shares of the Company's Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction or (iii) the "person" or "group" referenced in clause (1) or (2) of the preceding sentence previously became the beneficial owner of the Company's Voting Stock so as to have constituted a Change of Control in respect of which a Change of Control Offer was made (or otherwise would have required a Change of Control Offer in the absence of the waiver of such requirement by the holders of the notes).

"Change of Control Triggering Event" means the occurrence of a Change of Control that results in a Ratings Decline.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the series of notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such series of notes.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, as determined by the Company, or (B) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

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

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

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

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

(b) all Capital Lease Obligations of such person;

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

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

(e) all Hedging Obligations;

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

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

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

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

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

"guarantee" means any obligation of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person, including an *aval* (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided*, *however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

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

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

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

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

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

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

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time, or any financial reporting standards required for public companies by the Mexican *Comisión Nacional Bancaria y de Valores*.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Intangible Assets" means, with respect to the Company and its Subsidiaries, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their carrying value at the end of each fiscal year, and all other items which would be treated as intangibles on the balance sheet of the issuer and its Subsidiaries (except unamortized debt discount and expense), according to IFRS.

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

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

"Mexico" means the United Mexican States.

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

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

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Principal Stockholders" means each of the persons who is either (i) a person listed in the 2013 annual report prepared by the Company and filed with the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) in the section describing equity participations, (ii) a director of the Company on the date hereof or (iii) a member of the immediate family of any such director (and for this purpose, "immediate family" shall mean any parent, child or sibling of any of the persons referred to in section (i) of this definition).

"Ratings Decline" means that at any time within 90 days (which period shall be extended so long as the rating of the notes of a series is under publicly announced consideration for possible downgrade by Moody's, S&P or Fitch (or any rating agency) or a substitute or successor of any thereof) after the date of public notice of a Change of Control, of an arrangement that could result in a Change of Control, or of the Company's intention or that of any other person to effect a Change of Control, the then-applicable rating of such notes is decreased by either Moody's, S&P or Fitch (or any other rating agency) or a substitute or successor of any thereof; *provided* that any such rating decline is in whole or in part in connection with a Change of Control.

"Reference Treasury Dealer" means each of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, or their respective affiliates or successors which are primary U.S. Government securities dealers, and no less than three other leading primary U.S. Government securities dealers in The City of New York reasonably designated by the Company; *provided*, *however*, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"Relevant Jurisdiction" means Mexico or any other jurisdiction in which the Company is organized or resident for tax purposes or through or from which payment on a series of notes is made.

"S&P" means Standard and Poor's Rating Services, or any successor thereto.

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

"Specified Property" means, as of any date of determination, any real and tangible property owned by us or any Subsidiary that constitutes all or any part of any manufacturing facility and processing facility, and is used in the ordinary course of its business, the gross book value (without duplication of any depreciation reserves) of which real or tangible property exceeds US$50,000,000.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

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

"Treasury Rate" means, with respect to any redemption date, the rate per annum, as determined by an Independent Investment Banker, to be equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Voting Stock" means, with respect to any Person, securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

BOOK-ENTRY, DELIVERY AND FORM

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A notes"). Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S notes"). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A global notes"). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes").

The global notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "restricted period"), beneficial interests in the Regulation S global notes may be held only through Euroclear and Clearstream (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A global note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the "participants") and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants"). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the Rule 144A global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indentures for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indentures. Under the terms of the indentures, the Issuer and the Trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer, nor the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the Trustee. Neither the Issuer nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form ("certificated notes") if:

(1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the global notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;

(2) The Issuer, at its option, notifies the Trustee in writing that it has elected to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the indentures. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the Trustee a written certificate (in the form provided in each indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in each indenture) to the effect that the notes are being transferred to a person:

    (A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

    (B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

    (C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in each indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons ("non-U.S. purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms "offshore transactions," "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);

(2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) It shall not resell or otherwise transfer any of such notes except:

- to us or any of our subsidiaries;
- pursuant to a registration statement which has been declared effective under the Securities Act;
- within the United States to a QIB in compliance with Rule 144A under the Securities Act;
- outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
- pursuant to another available exemption from the registration requirements of the Securities Act;

(4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;

(5) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise determined by us:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE

BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2(A)(V) ABOVE, THE COMPANY, UPON NOTICE TO THE TRUSTEE, RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

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(6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day "distribution compliance period" within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. global note, and that each Regulation S global note will contain a legend to substantially the following effect:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

(7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;

(8) It acknowledges that we will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with; and

(9) It acknowledges that we, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify us, the trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment

discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

TAXATION

General

The following summary contains a description of the material United States and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are non-resident of Mexico for tax purposes.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the Tax Treaty, all of which are subject to change. This summary does not purport to be a comprehensive description of all the U.S. or Mexican federal income tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States.

Prospective investors should consult their own tax advisors as to the Mexican and United States tax consequences of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign (non-Mexican and non-U.S.), state, municipal or local tax laws.

Mexico has also entered into or is negotiating several double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are not residents of Mexico, for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico to which income under the notes is attributable; for purposes of this summary, each such holder is referred to as a foreign holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and regulations in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not constitute tax advice and does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes. In particular, this summary does not describe any tax consequences arising under the laws of any state, municipality or taxing jurisdiction other than certain federal laws of Mexico.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is deemed as a non-resident of Mexico for tax purposes and a foreign holder for purposes of this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are described in the Mexican Tax Code (*Código Fiscal de la Federación*). An individual is a resident of Mexico for tax purposes, if he/she established his/her home in Mexico. When the individual in question has a home in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests is located in Mexican territory. This will be deemed to occur if (i) more than 50.0% of the aggregate income realized by such individual in the calendar year is from a Mexican source, or (ii) the principal center of his/her professional activities is located in

Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered Mexican residents for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed a resident of Mexico for tax purposes, any and all income attributable to that permanent establishment of such resident will be subject to Mexican income taxes, in accordance with applicable tax laws.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount, which is deemed to be interest) made by us to foreign holders, will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the General Regulations Applicable to Issuers and Other Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*);

- the notes, as expected, are placed outside of Mexico through banks or brokerage houses, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes the United States); and

- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria* or "SAT"), fifteen business days after the placement of the notes, certain information regarding such placement and this offering memorandum.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher. If the effective beneficiaries, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of the interest paid under the notes (i) are persons who own, directly or indirectly, individually or with related parties, 10% of our voting stock or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned, directly or indirectly, jointly or severally, by persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes may increase to the maximum applicable rate according to the law (currently 35%). For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;

- both persons have common interests; or

- a third party has an interest in the business or assets of both persons.

As of the date of this offering memorandum, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under the Mexican Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments under the notes at a 4.9% rate.

Payments of interest on the notes made by us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;

- such income is exempt from taxes in its country of residence; and
- such fund provides information to the SAT in accordance with rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested to, subject to specified exceptions and limitations, provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments under the notes made by us to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in such law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of the Notes—Additional Amounts."

Payments of Principal

Under Mexican Income Tax Law, payments of principal on the notes made by us to foreign holders will not be subject to any Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law, the payment of the make-whole amounts as a result of the optional redemption of the notes, as provided in "Description of Notes—Redemption—Optional make-whole redemption" will be subject to the Mexican taxes as described above with respect to interest payments.

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the purchase, ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issuer registration or similar taxes or duties payable by foreign holders of the notes with respect to the notes.

U.S. Federal Income Tax Considerations

To ensure compliance with Internal Revenue Service ("IRS") Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code of 1986, as amended (the "Code"); (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The following is a general summary of certain U.S. federal income tax consequences of the ownership and disposition of the notes. This summary is limited to holders of the notes that purchase the notes at the original issuance, at their "issue price" (as defined below) and who hold the notes as capital assets (within the meaning of the Code). This summary is based upon provisions of the Code and U.S. Treasury regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder or to certain types of holders subject to special treatment, such as persons subject to certain U.S. federal income tax laws regarding expatriates, dealers in securities or foreign currency, financial institutions, insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, partnerships, pass-through entities or persons that hold the notes through partnerships or pass through entities, "U.S. Holders" (as defined below) whose functional currency is not the U.S. Dollar, or persons who hold the notes as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment. In addition, this summary does not address alternative minimum tax consequences or the indirect effects on holders of interests in a holder of the notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

Each investor should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of the ownership and disposition of the notes.

As used in this section, the term "U.S. Holder" means a beneficial owner of the notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if (A) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A "Non-U.S. Holder" is a beneficial owner of the notes that is neither a U.S. Holder nor a partnership (or entity treated as such for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that acquires or holds the notes should consult its own tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you regarding ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

U.S. Holders

The following summary applies to you if you are a holder of notes that is a U.S. Holder.

Contingent Payment Debt Obligations

Certain debt instruments that provide for one or more contingent payments are subject to U.S. Treasury regulations governing contingent payment debt instruments. A payment is not treated as a contingent payment under these regulations if, as of the issue date of the debt instrument, the likelihood that such payment will be made is remote and/or the payments are incidental. In certain circumstances as set forth in the Description of the Notes, we may redeem the notes in advance of their stated maturity, in which case we may pay amounts on the notes that are in excess of the stated interest or principal of the notes. We intend to take the position that the possibility that any such payment will be made is remote and/or the payments are incidental and therefore the notes are not subject to the rules governing contingent debt instruments. Our determination that these contingencies are remote and/or incidental is binding on you unless you disclose your contrary position to the IRS in the manner that is required by applicable U.S. Treasury regulations. Our determination is not, however, binding on the IRS. It is possible that the IRS might take a different position from that described above, in which case the timing, character and amount of taxable income in respect of the notes may differ adversely from that described herein. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments.

Stated Interest

The amount of stated interest payments on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. The notes will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes if their stated redemption price at maturity exceeds their "issue price" by more than a de minimis amount. The "issue price" of a note generally is the first price at which a substantial amount of the issue of which the note is a part is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers. The "stated redemption price at maturity" is generally defined as the sum of all payments provided by the note other than "qualified stated interest," which is stated interest that is unconditionally payable in cash or property (other than debt instruments issued by us) at least annually at a single fixed interest rate over the entire term of the note. If a note is treated as issued with more than a de minimis amount of OID, you will be required, regardless of your tax accounting method, to include in ordinary income a portion of the OID for each day during each taxable year in which you held the note, determined by using a constant yield-to-maturity method that reflects compounding interest. In addition to interest on the notes, you will be required to include in income any Additional Amounts and any tax withheld from the interest payments you receive, even if you do not in fact receive this withheld tax. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including Mexican taxes withheld, if any, from the interest payments and any Additional Amounts) on a note generally will be considered foreign source income and generally should constitute "passive category income." You may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange and Retirement of Notes

Your adjusted tax basis in a note will, in general, be your cost for that note increased by any OID previously included in gross income, if applicable, and reduced (but not below zero) by payments, if any, you have previously received (other than payments of qualified stated interest) on such note. Unless a non-recognition provision of U.S. federal income tax law applies, upon the sale, exchange, retirement or other disposition of a note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other disposition (i.e. the sum of cash plus the fair market value of all other property received, including any make-whole amount, but less an amount equal to any accrued interest that you did not previously include in income, which will be taxable as ordinary interest income) and the adjusted tax basis of the note. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period for such note is more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. Holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Such gain or loss will be treated as U.S. source income or loss for foreign tax credit purposes, unless the applicable provisions in the Tax Treaty provide otherwise. Accordingly, if Mexican tax is imposed on the sale or other disposition of the notes, such tax generally will not be available as a credit for you against U.S. federal income tax unless you have other income treated as derived from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Medicare Contribution Tax on Unearned Income

Certain U.S. Holders who are individuals, estates or trusts are subject to an additional 3.8% tax on, among other things, interest on the notes and capital gain from the sale or other taxable disposition of the notes. U.S. Holders should consult their tax advisors regarding the effect, if any, of the Medicare tax on their ownership and disposition of the notes.

Non-U.S. Holders

The following summary applies to you if you are a holder of notes that is a Non-U.S. Holder.

The interest income that you derive with respect to the notes (including the amount of any Mexican taxes withheld, if any, and any Additional Amounts) generally will be exempt from United States federal income taxes, including United States withholding tax on payments of interest (other than as described below under "–Information Reporting and Backup Withholding"), unless such income is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

If you are a Non-U.S. Holder, any gain you realize on a sale of the notes generally will be exempt from United States federal income tax, including United States withholding tax, unless:

- your gain is effectively connected with your conduct of a trade or business in the United States (and, if required by applicable tax treaty, are attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).; or

- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments we make to a U.S. Holder and the proceeds from a sale of a note paid to a U.S. Holder unless such U.S. Holder is an "exempt recipient" (such as a corporation). To avoid the imposition of backup withholding, a U.S. Holder should (i) provide its taxpayer identification number, (ii) certify that it is not subject to backup withholding, and (iii) otherwise comply with the applicable requirements of the backup withholding rules. Although Non-U.S. Holders generally are exempt from backup withholding and information reporting, a Non-U.S. Holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder's United States federal income tax liability, provided the required information is furnished to the IRS.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC are acting as initial purchasers.

Subject to the terms and conditions stated in the purchase agreement among us and the initial purchasers, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the principal amount of the notes set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount		
	2024 Notes	2044 Notes	Total
Credit Suisse Securities (USA) LLC	US$125,000,000	US$125,000,000	US$250,000,000
Goldman, Sachs & Co.	125,000,000	125,000,000	250,000,000
J.P. Morgan Securities LLC	125,000,000	125,000,000	250,000,000
Morgan Stanley & Co. LLC	125,000,000	125,000,000	250,000,000
Total	US$500,000,000	US$500,000,000	US$1,000,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed. The initial purchasers may offer and sell notes through certain of their affiliates.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described under "Transfer Restrictions."

Further, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

The notes will constitute a new issue of securities with no established trading market. Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF Market. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

We have agreed that for a period of 30 days after the date of this offering memorandum, we will not without first obtaining the prior written consent of the initial purchasers, directly or indirectly, sell, offer, announce the offering of, or file any registration statement under the Securities Act in respect of, any of our U.S. Dollar-denominated debt securities offered or sold in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The initial purchasers and their affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which it received or will receive customary fees and expenses.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Selling Restrictions

United Kingdom

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") there shall be no offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 PD Amending Directive to the extent implemented, except that, with effect from and including the Relevant Implementation Date, an offer of notes may be made to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than (i) 100 natural or legal persons per Relevant Member State (other than qualified investors as defined in the Prospectus Directive) or (ii) if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the relevant bookrunning manager for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive or Article 3(2) of the 2010 PD Amending Directive to the extent implemented.

For the purposes of this provision, the expression an "offer of the notes to the public," in relation to any note in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Brazil

The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*, or CVM (Securities Commission). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

The notes may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Law 18.045 and regulations from the *Superintendencia de Valores y Seguros*). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the notes.

Colombia

The notes will not be authorized by the *Superintendencia Financiera de Colombia* (Colombian Superintendency of Finance) and will not be registered under the *Registro Nacional de Valores y Emisores* (Colombian National Registry of Securities and Issuers), and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and therefore may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the notes may be sold to Mexican institutional and accredited investors pursuant to the private placement exemption set forth under Article 8 of the Mexican Securities Market Law.

Peru

The notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*).

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. The notes have not been offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase. This offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes, pursuant to an offer made under Section 275 of the SFA except:

  (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interests in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a

foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

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

(3) where the transfer is by operation of law.

Hong Kong

The notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 622) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"), and the notes have not, directly or indirectly, been offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

We are a company organized under the laws of Mexico. Most of our directors, executive officers and controlling persons named herein are non-residents of the United States and substantially all of the assets of such non-resident persons and a significant portion of all of our assets are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have appointed CT Corporation System at 111 Eighth Avenue, New York, New York 10011, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering.

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

LISTING AND GENERAL INFORMATION

Clearing Systems

The notes have been accepted for clearance and settlement throughout Euroclear and Clearstream. In addition, application has been made to have the notes accepted for trading in book-entry form by DTC. For the Rule 144A notes, the ISIN numbers are US015398AB62 for the 2024 Notes and US015398AC46 for the 2044 Notes, and the CUSIP numbers are 015398 AB6 for the 2024 Notes and 015398 AC4 for the 2044 Notes, and the Common Code numbers are 105019564 for the 2024 Notes and 105046391 for the 2044 Notes. For the Regulation S notes, the ISIN numbers are USP0156PAB50 for the 2024 Notes and USP0156PAC34 for the 2044 Notes, and the CUSIP numbers are P0156P AB5 for the 2024 Notes and P0156P AC3 for the 2044 Notes, and and the Common Code numbers are 104979076 for the 2024 Notes and 105013566 for the 2044 Notes.

Listing

Application has been made to the Luxembourg Stock Exchange, for the notes to be listed on the Official List and traded on the Euro MTF Market. Copies of our by-laws, each indenture, as may be amended or supplemented from time to time, our published annual audited consolidated financial statements and any published interim unaudited consolidated financial statements will be available at our expense at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, transfer agent and paying agent, as such addresses are set forth in this offering memorandum. We do not publish non-consolidated financial statements. To the best of our knowledge, the auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as any of the notes are listed on the Luxembourg Stock Exchange.

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

Authorization

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

On January 28, 2014, our board of directors authorized the issuance of the notes.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in our and our subsidiaries' financial position or prospects taken as a whole since December 31, 2013.

Litigation

Except as disclosed in this offering memorandum, we have not been involved in any litigation, administrative proceedings or arbitration proceedings relating to claims or amounts that are material in the context of this offering and we are not aware that any such litigation, administrative proceeding or arbitration is pending or threatened.

Description of the Issuer

Alfa, S.A.B. de C.V. is a holding company organized as a *sociedad anónima bursátil de capital variable* (a publicly traded variable capital corporation) under the laws of Mexico and incorporated on March 13, 1967 by means of a public deed number 6,463, before Mr. Fernando Arechavaleta Palafox, Notary Public number 27 of the city of Monterrey, Nuevo León and registered with the Public Registry of Commerce (*Registro Público de Comercio*) of that same city in the electronic commercial file number 6996*9. Our registered office and principal administrative establishment is located at Ave. Gómez Morín 1111 Sur, Col. Carrizalejo, San Pedro Garza García, 66254, Nuevo León, Mexico.

The shares representing our capital stock are Series "A" shares, which may only be acquired or subscribed by Mexican persons or entities divided in two classes (a) "Class I" shares, integrated by the total amount of shares that constitute the fixed minimum capital stock not subject to withdrawal and (b) "Class II" shares, integrated by the total amount of shares that, when issued, will constitute the variable capital stock with withdrawal right.

Our capital stock is variable, and our fixed minimum capital stock not subject to withdrawal is Ps. 216,672,000, represented by 5,200,000,000 Class I of the Series "A" shares, without par value, fully subscribed and paid shares. Wehave not issued any Class II Series "A" shares.

We may issue unsubscribed shares that integrate the fixed and/or variable portion of our capital stock, which shall be kept in our treasury to be delivered as the subscription thereof is made, providing in all events to our shareholders the right to subscribe for the new shares in proportion to the number of shares held by them, upon the terms of Article 9 of our current by-laws. We may also issue unsubscribed shares, for public offer, pursuant to the applicable legal standards, in which case, the preferential right to subscribe in the terms of Article 132 of the General Law of Commercial Companies will not be applicable.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Paul Hastings LLP, our United States counsel, and for the initial purchasers by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for the initial purchasers by Ritch, Mueller, Heather y Nicolau, S.C., Mexican counsel to the initial purchasers.

INDEPENDENT ACCOUNTANTS

The audited consolidated financial statements as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013, together with the notes thereto, included in this offering memorandum have been audited by PricewaterhouseCoopers, S.C., independent accountants, as stated in their report appearing herein.

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Alfa, S. A. B. de C. V. and subsidiaries

Consolidated Financial Statements

December 31, 2013 and 2012

Alfa, S. A. B. de C. V. and subsidiaries
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Report of the Independent Auditors

Monterrey, N. L., January 29, 2014

To the Shareholders' Meeting of Alfa, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Alfa, S. A. B. de C. V and subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2013, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alfa, S. A. B. de C. V. and its subsidiaries as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years ended December 31, 2013, 2012 and 2011, in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers, S. C.

Alberto Cano Charles
Audit Partner

Alfa, S. A. B. de C. V. and subsidiaries

Consolidated statements of financial position

December 31, 2013 and 2012

(Millions of Mexican pesos)

	Note	December 31, 2013	December 31, 2012 (Restructured *)
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	6	Ps 11,902	Ps 13,661
Restricted cash and cash equivalents	7	364	577
Customers and other accounts receivable, net	8	23,564	21,903
Inventories	9	22,692	21,728
Derivative financial instruments	10	86	129
Other assets	11	1,043	976
Total current assets		59,651	58,974
NON-CURRENT ASSETS:			
Property, plant and equipment, net	12	73,974	74,244
Goodwill and intangible assets, net	13	23,906	18,732
Deferred income tax	18	1,211	1,062
Investments accounted for using the equity method and others	14	6,648	1,213
Total non-current assets		105,739	95,251
Total assets		Ps165,390	Ps154,225
Liabilities and Stockholders' equity			
CURRENT LIABILITIES:			
Current debt	17	Ps 10,522	Ps 4,598
Suppliers and other accounts payable	16	30,252	27,562
Income tax payable	3.m	481	535
Derivative financial instruments	10	78	378
Provisions	19	833	—
Other liabilities	20	534	559
Total short-term liabilities		42,700	33,632
NON-CURRENT LIABILITIES:			
Non-current debt	17	46,932	47,175
Derivative financial instruments	10	337	587
Provisions	19	543	716
Deferred income tax	18	3,534	3,373
Deferred income tax from tax consolidation	18	3,785	4,473
Employees' benefits	21	1,891	2,690
Other liabilities	20	499	435
Total non-current liabilities		57,521	59,449
Total liabilities		100,221	93,081
STOCKHOLDERS' EQUITY:			
Controlling interest:			
Capital stock	22	210	211
Retained earnings	22	55,643	52,106
Other reserves	22	588	92
Total controlling interest		56,441	52,409
Non-controlling interest		8,728	8,735
Total stockholders' equity		65,169	61,144
Total liabilities and stockholders' equity		Ps165,390	Ps154,225

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The accompanying notes are an integral part of these consolidated financial statements.

Álvaro Fernández Garza
President

Ramón A. Leal Chapa
Chief Financial Officer

Alfa, S. A. B. de C. V. and subsidiaries
Consolidated statements of income
For the years ended December 31, 2013, 2012 and 2011

(Millions of Mexican pesos)

	Note	2013	2012 (Restructured*)	2011
Revenue	3.u and 32	Ps 203,456	Ps 200,167	Ps 182,967
Cost of sales	25	(166,829)	(164,599)	(151,491)
Gross profit		36,627	35,568	31,476
Selling expenses	25	(11,142)	(10,845)	(9,885)
Administrative expenses	25	(9,189)	(8,369)	(7,844)
Other revenues (expenses), net	26	210	(49)	(1,075)
Operating profit before non-recurring items		16,506	16,305	12,672
Non-recurring items	27	(2,421)	367	—
Operating profit		14,085	16,672	12,672
Financial income, including foreign exchange gain of Ps16 and Ps962 in 2013 and 2012, respectively	28	286	1,681	606
Financial costs, including foreign exchange loss of Ps365 in 2013	28	(4,343)	(4,412)	(5,364)
Financial costs, net		(4,057)	(2,731)	(4,758)
Share of losses of investments accounted for using the equity method	14	(41)	—	(31)
Profit before income tax		9,987	13,941	7,883
Income tax expense	30	(3,192)	(3,390)	(2,551)
Net consolidated profit		Ps 6,795	Ps 10,551	Ps 5,332
Profit attributable to:				
Controlling interest		Ps 5,926	Ps 9,361	Ps 4,748
Non-controlling interest		869	1,190	584
		Ps 6,795	Ps 10,551	Ps 5,332
Earnings per basic and diluted share, in pesos		Ps 1.15	Ps 1.81	Ps 0.98
Weighted average of outstanding shares (thousands of shares)		5,143,886	5,170,650	5,333,166

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The accompanying notes are an integral part of these consolidated financial statements.

Álvaro Fernández Garza
President

Ramón A. Leal Chapa
Chief Financial Officer

Alfa, S. A. B. de C. V. and subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2013, 2012 and 2011

(Millions of Mexican pesos)

	Note	2013	2012 (Restructured*)	2011
Net consolidated profit		Ps6,795	Ps10,551	Ps5,332
Other comprehensive income (loss) for the year, net of tax:				
Items not to be reclassified to income statement				
Remeasurement of obligations for employees' benefits	20	734	(306)	(248)
Items to be reclassified to income statement				
Effect of derivative financial instruments designated as cash flow hedges	10	234	87	(354)
Effect of translation of foreign entities	21	456	(2,887)	3,492
Total other comprehensive income (loss) for the year		1,424	(3,106)	2,890
Total comprehensive income for the year		Ps8,219	Ps 7,445	Ps8,222
Attributable to:				
Controlling interest		Ps7,740	Ps 6,332	Ps7,176
Non-controlling interest		479	1,113	1,046
Total comprehensive income for the year		Ps8,219	Ps 7,445	Ps8,222

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The accompanying notes are an integral part of these consolidated financial statements.

Álvaro Fernández Garza
President

Ramón A. Leal Chapa
Chief Financial Officer

Alfa, S. A. B. de C. V. and subsidiaries

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2013, 2012 and 2011

(Millions of Mexican pesos)

	Note	Capital Stock	Retained earnings	Other reserves	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2011		Ps227	Ps38,716	Ps 137	Ps39,080	Ps 5,403	Ps44,483
Transactions with shareholders:							
Dividends declared by Alfa	21	—	(1,133)	—	(1,133)	—	(1,133)
Repurchase of own shares	21	(10)	(2,255)	—	(2,265)	—	(2,265)
Dividends from subsidiaries to non-controlling interest	3.b	—	—	—	—	(462)	(462)
Changes in the non-controlling interest	3.b	—	836	—	836	(1,416)	(580)
		(10)	(2,552)	—	(2,562)	(1,878)	(4,440)
Net profit		—	4,748	—	4,748	584	5,332
Total other comprehensive income for the year		—	(250)	2,678	2,428	462	2,890
Comprehensive income		—	4,498	2,678	7,176	1,046	8,222
Balances at December 31, 2011		217	40,662	2,815	43,694	4,571	48,265
Transactions with shareholders:							
Dividends declared by Alfa	21	—	(1,348)	—	(1,348)	—	(1,348)
Repurchase of own shares	21	(6)	(1,068)	—	(1,074)	—	(1,074)
Dividends from subsidiaries to non-controlling interest	3.b	—	—	—	—	(790)	(790)
Changes in the non-controlling interest	3.b	—	4,805	—	4,805	3,841	8,646
		(6)	2,389	—	2,383	3,051	5,434
Net profit (Restructured*)		—	9,361	—	9,361	1,190	10,551
Total other comprehensive income for the year		—	(306)	(2,723)	(3,029)	(77)	(3,106)
Comprehensive income (Restructured*)		—	9,055	(2,723)	6,332	1,113	7,445
Balances at December 31, 2012 (Restructured*)		211	52,106	92	52,409	8,735	61,144
Transactions with shareholders:							
Dividends declared by Alfa	21	—	(3,529)	—	(3,529)	—	(3,529)
Repurchase of own shares	21	(1)	(98)	—	(99)	—	(99)
Dividends from subsidiaries to non-controlling interest	3.b	—	—	—	—	(1,612)	(1,612)
Changes in the non-controlling interest	2.n	—	—	—	—	1,133	1,133
		(1)	(3,627)	—	(3,628)	(479)	(4,107)
Net profit		—	5,926		5,926	869	6,795
Total other comprehensive income for the year		—	1,318	496	1,814	(390)	1,424
Comprehensive income		—	7,244	496	7,740	479	8,219
Effects from adoption of new accounting policies	3.x	—	(80)	—	(80)	(7)	(87)
Balances at December 31, 2013		Ps210	Ps55,643	Ps 588	Ps56,441	Ps 8,728	Ps65,169

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The accompanying notes are an integral part of these consolidated financial statements.

Álvaro Fernández Garza
President

Ramón A. Leal Chapa
Chief Financial Officer

Alfa, S. A. B. de C. V. and subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2013, 2012 and 2011

(Millions of Mexican pesos)

	Note	2013	2012 (Restructured *)	2011
Cash flows from operating activities				
Profit before income tax		Ps 9,987	Ps 13,941	Ps 7,883
Depreciation and amortization	12	7,932	7,962	6,915
Impairment of long-lived assets	25	2,518	270	503
Costs associated with seniority premiums and pension plan		93	(206)	(220)
Loss on sale of property, plant and equipment	25	(1)	(37)	5
Effect of changes in fair value of derivative financial instruments		50	(497)	412
Foreign exchange, net		365	(739)	672
Other non-operating expenses and finance products, net		2,808	3,799	1,548
Increase in customers and other accounts receivable		(1,131)	(103)	(882)
Increase in inventory		(584)	(1,419)	(3,438)
Increase (decrease) in suppliers and other accounts payable		2,104	(379)	3,309
Income tax paid		(4,383)	(1,605)	(1,898)
Net cash generated from operating activities		19,758	20,987	14,809
Cash flows from investing activities				
Interest received		267	315	149
Acquisition of property, plant and equipment	12	(7,763)	(7,318)	(6,179)
Purchases of intangible assets	13	(4,435)	(1,414)	(594)
Business acquisitions	2	(7,116)	(2,401)	(9,266)
Restricted cash	6	474	(278)	571
Dividends received		43	58	16
Other assets		(373)	(1,063)	(108)
Net cash used in investing activities		(18,903)	(12,101)	(15,411)
Cash flows from financing activities				
Proceeds from borrowings or debt	16	38,247	22,076	28,794
Payments of borrowings or debt	16	(33,329)	(26,454)	(19,927)
Interest paid		(3,631)	(3,796)	(3,745)
Dividends paid by Alfa, S. A. B. de C. V.		(3,510)	(1,348)	(1,131)
Dividends paid to the non-controlling interest	3.b	(1,612)	(790)	(522)
Repurchase of shares	22	(99)	(1,074)	(2,265)
Changes in the non-controlling interest	2.n	1,133	8,646	(407)
Other		137	(145)	134
Cash (used in) generated from financing activities		(2,664)	(2,885)	931
Net increase in cash and cash equivalents		(1,809)	6,001	329
Exchange losses (gains) on cash and cash equivalents		50	(594)	785
Cash and cash equivalents at beginning of year		13,661	8,254	7,140
Cash and cash equivalents at end of year		Ps 11,902	Ps 13,661	Ps 8,254

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The accompanying notes are an integral part of these consolidated financial statements.

Álvaro Fernández Garza
President

Ramón A. Leal Chapa
Chief Financial Officer

Note 1 - ALFA companies' activities

The financial statements presented herein have been prepared to be used in Alfa's debt offering. These financial statements include 3 years of the consolidated statements of income and the respective notes relating to the additional year.

Alfa, S.A.B. de C.V. and subsidiaries ("ALFA" or "the Company"), is a Mexican company controlling five business groups with the following activities: Alpek, engaged in the production of petrochemicals and synthetic fibers; Sigma, a refrigerated food producer; Nemak, engaged in the manufacture of high-tech aluminum auto parts; Alestra, in the telecommunications sector, and Newpek, a natural gas and hydrocarbons company.

ALFA has an outstanding competitive position globally in the auto parts segment as a producer of aluminum engine heads and blocks, as well as in the manufacture of PTA (raw material for the manufacture of polyester), and is a leader in the Mexican market for refrigerated foods. ALFA operates industrial production and distribution centers mainly in Mexico, the United States (U.S.), Canada, Germany, Slovakia, the Czech Republic, Costa Rica, the Dominican Republic, El Salvador, Argentina, Peru, Austria, Brazil, China, Hungary, Spain, India and Poland. The company markets its products in over 40 countries worldwide and employs over 60,000 people.

ALFA's shares are traded on the Mexican Stock Exchange, S. A. B. de C. V., and Latibex, the Latin American market of the Madrid Stock Exchange.

ALFA is located in Avenida Gómez Morín Avenue Sur No. 1111, Col. Carrizalejo, San Pedro Garza García, Nuevo León, México.

In the following notes to the financial statements references to pesos or "Ps", mean millions of Mexican pesos. References to "US$" or dollars, mean millions of dollars from the United States. References to "€", it means millions of euros.

Note 2 - Acquisitions and other significant events

2013

a) Nemak debt refinancing

In December 2013, Nemak concluded the refinancing of its bank debt, which was authorized by the Board of Directors. This process included the bank debt of the main current contracts of Tenedora Nemak with Banks: "The Senior Unsecured Syndicated Loan Agreement", held in August 2011 and the "Senior Unsecured Loan Agreement" in June 2012. This refinancing process involved expenses incurred by the company of Ps51 that were recorded in the statement of financial position and will be amortized during the life of the loan.

b) Acquisition of Campofrío

On November 13, 2013, Sigma signed purchase agreements with certain important stockholders of Campofrío Food Group, S. A. (Campofrío), a public company in Spain, through which it acquired 44.5% of that company's capital stock, all in the form of ordinary shares.

This acquisition, in accordance with the applicable regulations in Spain, obligated Sigma to request authorization from the Spanish National Stock Market Commission ("Commission" or "CNMV" Spanish acronym) to make a public offer to acquire the remaining shares of Campofrío, since its shares are traded on the stock markets of both Madrid and Barcelona. This request was submitted on November 14, 2013, at an offering price of 6.80 euros per share.

Subsequently, 0n December 23, 2013, before the Commission had authorized the offer to the remaining shareholders, Sigma reached an agreement with another shareholder owning 36.99% of Campofrío's capital stock, under which that shareholder joined Sigma in making the proposed offer. As a result of this agreement the request filed with the Commission, as well as the related notifications and approval requests filed with the competition authorities, have had to be amended. In addition, among other effects, the agreement contemplates that the other shareholder will remain as a shareholder of Campofrío with the same percentage shareholding as previously, and also contemplates an increase in the offer share price to 6.90 euros per share.

At December 31, 2013, the public offer had not yet been authorized by the Commission, nor had approval of the acquisition been given by the competition authorities. Consequently, at December 31, 2013 Sigma had not yet finalized its offer for the remaining outstanding shares.

As mentioned in Note 34, in addition to continuing with the process of preparing the purchase offer, which in accordance with Spanish law must be launched when authorization is received from the Commission, Sigma has continued to acquire Campofrío shares after December 31, 2013 outside the scope of the proposed offer. At December 31, 2013 Sigma had increased its shareholding in Campofrío to 45% by making additional purchases outside the scope of the offer.

Campofrío is based in Madrid, Spain. Its principal activity is the manufacture and distribution of all kinds of sausages, processed meats and related products based on pork, beef and other food products. Campofrío operates in Spain and other countries such as France, Belgium, the Netherlands, Portugal, Germany, Italy, the United Kingdom, the United States of America and Romania.

Campofrío is strategic for ALFA and its acquisition would involve incorporating new operations and best industry practices into the group, as well as accessing other European markets.

Campofrío prepares its consolidated financial information in conformity with International Financial Reporting Standards (IFRS), which have been adopted by the European Union, as well as with the related Spanish regulations applicable to public companies. Campofrío is currently audited by another auditing firm in Spain. The latest audited financial information available to the public is the consolidated financial statements for the year 2012.

Management has carried out a study to determine whether Sigma has control of Campofrío in accordance with IFRS 10, "Consolidated Financial Statements". The study concluded that at the acquisition date and at December 31, 2013 Sigma had significant influence over Campofrío, but not control, and that the investment should be treated as an investment in an associated company which in management's opinion is material to the group and should therefore be accounted for by the equity method.

Campofrío reports its financial information to the public annually and quarterly. At the acquisition date and at December 31, 2013 the most recent interim financial information available publicly to investors is as of September 30, 2013. At December 31, 2013 the Company presents its investment in Campofrío at cost, including the consideration paid and the costs directly associated with the purchase of the investment. Due to the limited availability of financial information mentioned previously, it has not been possible to record the effects of the equity method since the acquisition date through to December 31, 2013, nor to determine the fair values of the net assets acquired and any resulting goodwill.

The book value of the investment in Campofrío at December 31, 2013 was Ps5,632, the fair value of the shares in Campofrío, owned by ALFA was Ps5,715 (6.90 euros per share).

The following is a summary of the balance sheet of Campofrío included in its interim financial information at September 30, 2013 (unaudited):

	Euros	Pesos
Cash and cash equivalents	€ 139	Ps 2,507
Other current assets (excluding cash)	571	10,300
Current assets	710	12,807
Non-current assets	1,511	27,257
Total assets	€2,221	Ps40,064
Financial liabilities (excluding accounts payable to suppliers)	€ 71	Ps 1,280
Other current liabilities	755	13,620
Total current liabilities	826	14,900
Financial liabilities	542	9,777
Other non-current liabilities	266	4,798
Total liabilities	1,634	29,475
Stockholders' equity	587	10,589
Total liabilities and stockholders' equity	€2,221	Ps40,064

At December 31, 2013, no information on revenues and expenses has been included, due to the limitation on the financial information.

There are no contingent liabilities related to this investment of Campofrío.

c) Issuance of debt of Nemak 144A

During February 2013, Nemak completed an issuance of debt obligations ("Senior Notes") in international markets for a nominal amount of US$500 (Ps6,538) maturing in 2023. Interests of Senior Notes will be payable semi-annually at a 5.5% annual rate (effective interest rate of 5.68%) as from September 2013. Nemak capitalized debt costs of Ps118. The proceeds of the issuance were used partially to settle the Syndicated bank loan. This payment resulted in an advance amortization of issuance expenses amounting Ps100.

d) Licenses

License IntegRex® technology license and signature of a supply agreement with M&G

During April 2013, Alpek, S.A.B. de C.V. (Alpek) through its subsidiary Grupo Petrotemex, S. A. de C. V. held a licensing agreement for IntegRex® PTA technology and another PTA-PET supply agreement with Grupo M&G ("M&G"). These agreements will allow M&G to use the IntegRex® PTA technology in the PTA-PET integrated plant to be constructed in Corpus Christi, Texas in the United States (the Plant). On the other hand, Alpek will pay US$350 to M&G during the construction of the Plant and will obtain supply rights of the Plant to 400 thousand tons of PET (manufactured with 336 thousand tons of PTA) a year. In accordance with the supply agreement, Alpek would supply raw materials for the manufacturing of its PTA-PET volume. It is estimated that the M&G plant in Corpus Christi will start operations in 2016.

License with Basell

The subsidiary Indelpro held in 2004, a contract with Basell Poliolefine Italia S.r.l. (a company of the Basell Group) in relation to engineering licenses, use of patents and technical information for the production of polypropylene, to start the construction of a second production line of polypropylene, therefore Indelpro on that date, made an initial required payment of US$9.5 to use such licenses, patents and technical information for building the production line of the products under these patents (called the second production line) which at June 30, 2013, the Company has estimated that it has an estimated remaining useful life of 21 years. This contract, which is valid for an indefinite period, provides annual royalty payments from July 2013 which would be determined based on 1.22% of the value of net sales. Until July 1, 2013 it was required to pay the royalties referred to in the preceding paragraph, based on 1.22% of net sales.

The royalty payments would last until Indelpro completed a total of US$11 as compensation, this amount was calculated as the net present value at the date the contract was signed (2004), using an annual discount rate of 8%, according to what was established in the contract. The contract also includes the option for Indelpro to pay in advance the maximum amount of royalties indicated above.

In relation to the above, April 26, 2013, Indelpro decided to prepay the maximum amount of royalties and determined that the total was US$21 (Ps258), equivalent to the value of US$11 updated by the rate previously mentioned, from the date of conclusion of the contract until the date of payment, as established in the contract, the amount paid to Basell Poliolefine Italy, S.r.l.

This amount was classified as an intangible asset for the company, because of the right to use the engineering licenses, patents and technical information and future economic benefits expected to be generated from this, by the entity. The company estimates and will amortized the asset over twenty years, since it is the remaining useful life of the production line of the polypropylene.

e) Acquisition of Corporación Monteverde, C. R. Sociedad Anónima (Monteverde)

On April 2, 2013, Sigma acquired all the representative shares of the capital stock of Monteverde, a company engaged in the preparation of cheese, yoghurt and meat processing in Costa Rica. The total consideration paid amounts to Ps112 (US$9). This amount was paid in cash. The business acquisition is included in the segment of Sigma, see Note 32.

At December 31, 2013, the Company is in the process of concluding the purchase price allocation of the fair values of acquired assets, since the necessary information is not available to determine definitive values. Such analysis will be concluded within a maximum period of twelve months since the acquisition date.

The assignment is as follows:

Current assets [(1)]	Ps 111
Property, machinery and equipment	120
Current liabilities [(2)]	(213)
Goodwill	94
Consideration paid	Ps 112

[(1)] Current assets consist of cash and cash equivalents of Ps4, accounts receivable of Ps32 and inventories of Ps65, recoverable taxes of Ps4, advance payments of Ps2 and other current assets of Ps4.

[(2)] Current liabilities consist of suppliers and accounts payable of Ps76, taxes payable of Ps2 and debt of Ps135.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps1 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of Monteverde included in the consolidated statement of income since the acquisition date up to December 31, 2013 amounted to Ps210 and a net loss of Ps54. If the acquisition had occurred on January 1, 2013, the revenues would have increased by Ps105 and the net profit would have decreased by approximately Ps27.

f) Acquisition of Comercial Norteamericana, S. de R.L. de C.V. (ComNor)

On May 31, 2013, Sigma acquired the total representative shares of the capital stock of ComNor, company dedicated to process and commercialize several types of meat. The company processes and commercializes beef, poultry and pork meat. This acquisition will allow Sigma to extend the product portfolio and to reinforce its market position in the Food service segment. ComNor is based in Monterrey, where it operates a plant certified by the United States Department of Agriculture (“USDA” English acronym). It also has another plant in Hermosillo, as well as eight distribution centers in Mexico City, Cancún, Hermosillo, Monterrey, Guadalajara, Los Cabos, Puerto Vallarta and León.

The total consideration paid amounts to Ps1,557 (US$120). This amount was paid in cash. The business acquisition is included in the segment of Sigma, see Note 32.

At December 31, 2013, the Company is in the process of concluding the purchase price allocation of the fair values of acquired assets, since the necessary information is not available to determine definitive values. Such analysis will be concluded within a maximum period of twelve months since the acquisition date.

The assignment is as follows:

Current assets [(1)]	Ps 590
Property, plant and equipment	267
Intangible assets (brands)	109
Current liabilities [(2)]	(88)
Employees’ benefits	(27)
Goodwill	705
Consideration paid	Ps1,556

(1) Current assets consist of cash and cash equivalents of Ps10, accounts receivable of Ps172 and inventories of Ps400, recoverable taxes of Ps6, and advance payments and other current assets of Ps2.
(2) Current liabilities consist of suppliers and accounts payable of Ps67, taxes payable of Ps1 and debt of Ps20.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps4 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of ComNor included in the consolidated statement of income since the acquisition date up to December 31, 2013 amounted to Ps1,037 and a net profit of Ps68. If the acquisition had occurred on January 1, 2013, the revenues would have increased by Ps741 and the net profit would have increased by approximately Ps39.

g) Acquisition of G Tel Comunicaciones SAPI (“G Tel”)

On August 19, 2013, Alestra acquired 100% of the shares of G Tel, a company that provides integrated voice, data and video solution services through an extensive service portfolio to medium and big companies.

G Tel has concessions issued by the Ministry of Communications and Transportation through the Federal Telecommunication Commission, to operate a public Telecommunications network and, consequently, offer services using point to multipoint technology in the 10,5 GHz frequency in the Northeast and Southeast of Mexico, using their own network.

The total consideration paid amounts to Ps49, this amount was paid in cash. The business acquisition is included in the segment of Alestra, see Note 32.

At December 31, 2013, the Company is in the process of concluding the purchase price allocation of the fair values of acquired assets, since the necessary information is not available to determine definitive values. Such analysis will be concluded within a maximum period of twelve months since the acquisition date.

The assignment at the moment of acquisition is as follows:

Current assets	Ps 25
Property, plant and equipment	28
Other assets	48
Financial liabilities	(341)
Other current liabilities	(7)
Goodwill	296
Consideration paid	Ps 49

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps2 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of GTel included in the consolidated statement of income since the acquisition date up to December 31, 2013 amounted to Ps105 and a net profit of Ps23. If the acquisition had occurred on January 1, 2013, the revenues would have increased by Ps284 and the net profit would have increased by approximately Ps7.

h) Closing of Cape Fear plants in North Carolina

In June 2013, Alpek announced the planned closure of all its operations at its Cape Fear plant, in Wilmington, North Carolina. The purpose of this closing was to improve cost competitively and distribute production to the most efficient plants in its productive network. The closing of operations took place in September 2013.

The Company communicated with authorities in North Carolina and committed to the dismantling and demolition of assets, as well as to the environmental remediation for damage caused before the plan operations began, for which the Company estimated costs of Ps487 and Ps372, respectively, (US$67) that were initially recognized as part of the assets of the plant of which Ps78 were incurred in 2013 and the remaining will be incurred during the following three years.

Additionally, other direct costs attributable to the closing, mainly for indemnity concepts for dismissal and cancellation of contracts, the Company estimated costs of Ps198 (US$16) incurring Ps117 in 2013.

As a result of this, the company recorded a provision for restructuring costs of Ps 1,057 (US$83), see Note 19.

The Company also performed impairment tests of assets associated to the plant and recorded a charge for impairment related to these assets for Ps 2,224 (US$173). The total impact on the net income of the Company for this restructuring event amounted to Ps1,501 (US$117), composed of Ps2,421 (US$189) for restructuring costs and impairment of assets, which were recorded as non-recurring items within the operating income less Ps920 (US$72) of deferred tax.

i) Issuance of debt of Alpek 144A

During August 2013, Alpek completed an issuance of debt obligations ("Senior Notes") in international markets for a nominal amount of US$300 (Ps3,923) maturing in 2023. The interest of the Senior Notes will be payable semi-annually at a 5.375% annual rate (effective interest rate of 5.479%) as from February 20, 2014. Alpek capitalized debt issuance costs of Ps31. The proceeds from the issuance were used to pay debt in advance and for general corporate purposes. This payment led to an advance amortization of issuance expenses amounting Ps4.

j) Co-investment agreement

On September 26, 2013, Alpek, through its subsidiary Grupo Petrotemex, S.A. de C.V. ("GPT"), signed a co-investment agreement with United Petrochemical Company ("UPC"), a subsidiary of JSFC System ("System"), for the construction of an integrated plant of purified terephthalic acid ("PTA")—polytherephthalate ("PET") in Ufa, Baskortostan, Russia. Under the terms of the agreement, two new entities will be created: "RusPET Holding B.V." ("JVC") and "RusPET Limited Liability Company" ("RusCo") and reserved matters of operations of the entities requiring approval by both shareholders.

On December 6, 2013 the incorporation by-laws of JVC were signed. The JVC issued initial capital of €8 of which UPC has 51% (represented by Class A ordinary shares) bought with a contribution of €4.1 and GPT has 49% (represented by Class B ordinary shares) bought with a contribution of €3.9.

In an analysis performed by management, it was assessed whether Alpek has control over JVC in accordance with IFRS 10 "Consolidated Financial Statements". The conclusion of such analysis on control indicates that at the date of acquisition and at December 31, 2013, Alpek has joint control and the investment should be treated as an investment in a joint venture, which in the opinion of management it is not material for the group; therefore, it is accounted for using the equity method.

At December 31, 2013, the Company presents its investment in JVC recorded at cost including the paid consideration. Since JVC operations have not started, the equity method has not been recorded since the acquisition date until December 31, 2013.

k) Construction of plant in Russia by Nemak

Nemak planned the construction of an aluminum auto parts plant for engines in Russia. The investment for its construction will be of approximately US$80 and it will supply aluminum heads and monoblocks for a new high technology engine to the Volkswagen group in Russia. The initial capacity of the plant will be of 600,000 equivalent units a year and will start production in 2015. At the date of issuance of these financial statements the company is in the process of signing the corresponding agreements.

2012

l) Issuance of debt of Alpek 144A

During November 2012, Alpek, S. A. B. de C. V., (Alpek) completed an issuance of debt obligations ("Senior Notes") for a nominal amount of US$650 (Ps8,477) maturing in 2022. The interest of the Senior Notes will be payable semi-annually at a 4.5% annual rate as from May 20, 2013.

m) Acquisition of J.L. French

During the second quarter of 2012, Nemak Exterior, S. L., a subsidiary of Tenedora Nemak, S. A. de C. V. (TNemak) acquired 100% of the capital stock of J.L. French Automotive Castings, Inc.("J.L. French"), company producing high-precision aluminum foundry pieces for the manufacturing of automotive components, with an emphasis on transmission parts. This transition has several significant advantages for TNemak, featuring the expansion to other high-added value aluminum components, as structural and suspension parts. The company operates 3 manufacturing plants in the USA, Spain and China. The business acquisition is included in the segment of Nemak, see Note 32.

The allocation of the acquisition price reported at December 31, 2012, was determined in accordance with IFRS and it was restructured during 2013 to show the restructured information obtained in accordance with events and circumstances at the acquisition date. The final allocation of the acquisition price is shown in US dollars since it is the functional and recording currency of the acquired subsidiary, the exchange rate at the transaction date was of Ps13.99 pesos per US dollar, additionally, Note 3.c shows the principal exchange rates used and in the translation processes.

The following shows the consideration paid and the final fair values of acquired assets and assumed liabilities:

	Previously reported	Adjustments to provisional fair value	Restructured
Current assets [(1)]	US$ 64	US$—	US$ 64
Property, plant and equipment	113	13	126
Intangible assets	1	—	1
Other assets	24	40	64
Current liabilities [(2)]	(6)	—	(6)
Labor obligations	(5)	—	(5)
Net acquired assets	191	53	244
Paid consideration	216	—	216
Goodwill	25	(25)	—
Bargain purchase gain [(3)]	—	(28)	(28)

(1) Current assets consist of cash and net working capital.
(2) Current liabilities consist of suppliers of US$1 and other accounts payable for US$5.
(3) This gain was presented in the consolidated statement of income as a non-recurring item.

The fair value of net acquired assets has been adjusted retrospectively. The consolidated financial statements of the Company at December 31, 2012 and for the year then ended, as well as the related notes, have been restructured to show the effects of these adjustments, considering the facts and circumstances at the date of acquisition. The aforementioned is due to the conclusion of the valuation from the recovery of deferred tax assets associated to operating losses and to the identification of future tax gains against which the deductible temporary differences may be used. This asset is presented as part of other assets.

The value of accounts receivable acquired approximates its fair value due to its short term maturity. It is estimated that acquired accounts receivable are recovered in the short term.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements. ALFA is not responsible for environmental liabilities except for those that may have their origin in or after the acquisition date.

The costs related to the acquisition amounts to Ps22 (US$1.7) and were recorded in the statement of income under the item of other expenses.

Revenues contributed for the J.L. French business in the consolidated statement of income since the acquisition date and up to December 31, 2012 amounted to Ps273 and a net profit of Ps4.

n) Initial Public offering (IPO) of capital of Alpek shares

i. During the months of April and May 2012, Alpek, S. A. de C. V. carried out an initial public offer (IPO) of shares in Mexico and a private offer of shares in international markets (together “Global Offering”) as follows:

- On April 26, 2012, Alpek, S. A. de C. V. issued 330,259,322 shares at a placement price of 27.50 pesos. The offer included an overallotment option of up to 49,038,898 shares. The amount initial offering was of Ps9,082.
- On May 8, 2012, the underwriters, both in Mexico, and abroad, exercised the agreed overallotment options. The amount of overallotments was Ps1,349, corresponding to 49,038,898 shares at a placement price of 27.50 pesos each.

As a result, the total funds ALFA obtained from the Global Offering amounted to Ps10,155, net of issuance costs of Ps276. Subsequent to the Global Offering, the capital subscribed and paid of Alpek, S. A. B. de C. V. (“Alpek”), is represented by a total of 2,118,163,635 Class I, Series A shares.

ii. Likewise, as part of the Global Offering, ALFA acquired additional shares of capital stock of Alpek, at 2013 and 2012 year ends, the balance amounts to Ps448 and Ps1,602, respectively.

iii. As a result of the foregoing, ALFA’s interest in the capital stock of Alpek was diluted from 100% to 85.48% at the 2012 year end and 82% at the 2013 year end and the monetary effects are shown in the item “changes in the non-controlling interest” in the statements of cash flows and of changes in stockholders’ equity.

o) Exploration and exploitation of hydrocarbons (PEMEX)

During June 2012, ALFA through a consortium between its subsidiary Alfasid del Norte, S. A. de C. V. (Alfasid), and another Mexican company called Monclova Pirineos Gas, S. A. de C. V. (MPG), won two tenders made by Petróleos Mexicanos, S.A. (PEMEX) through Pemex-Exploración y Producción (PEP) for the exploration and production of hydrocarbons in two mature oil fields located in San Andrés and Tierra Blanca, Veracruz, México.

Alfasid in association with MPG has created a couple of legal entities Petrolíferos Tierra Blanca, S. A. de C. V. (Petrolíferos) and Oleorey, S. A. de C. V. (Oleorey) with the objective of exploiting, developing and producing Hydrocarbons, the aforementioned through a“Service Contracts for the Exploitation, Development and Production of Hydrocarbons” entered into with PEP during August 2012 with a duration of 30 years. These contracts establish an Initial Minimum Program which have a value of US$24.1 and US$23.9 to be developed during the first two years from the signing of each contract. At December 31, 2013; Petrolíferos y Oleorey had issued bonds to guarantee the amount of the initial minimum program in each contract. In case of non-compliance PEP has the right to execute the guarantees previously mentioned.

p) Incorporation of a new entity.

In 2012, Alpek signed an agreement to invest approximately US$130, during the next two years, in a steam and electrical energy cogeneration project through its subsidiary Petrotemex. This cogeneration plant will generate about 95 megawatts of electricity and all the steam necessary to meet the requirements of the PTA and PET plants located in Cosoleacaque, Veracruz, Mexico. The cogeneration plant will also supply energy to other ALFA entities outside Cosoleacaque.

To implement this project, on January 31, 2012, Petrotemex and its subsidiary Dak Resinas Américas México, S. A. de C. V. (both subsidiaries of Alpek), formed a new company called Cogeneración de Energía Limpia de Cosoleacaque, S. A. de C. V. ("Cogeneradora"). The project will increase the competitiveness of the site, assuring supplies of cheap energy with low emissions.

Nota 3 - Summary of significant accounting policies:

The accompanying consolidated financial statements and notes were authorized for issuance on January 29, 2014, by officials with the legal power to sign the basic financial statements and accompanying notes.

The following are the most significant accounting policies followed by ALFA and its subsidiaries, which have been consistently applied in the preparation of their financial information in the years presented, unless otherwise specified:

a. Basis for preparation

The consolidated financial statements of ALFA, S. A. B. de C. V. and subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS include all International Accounting Standards ("IAS") in force and all related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC).

In accordance with the amendments to the Rules for Mexican Public Companies and Other Securities Market Participants, issued by the National Banking and Securities Commission (CNBV in Spanish) on January 27, 2009, the Company is required to prepare its financial statements as of 2012 using IFRS as its accounting policy framework.

The consolidated financial statements have been prepared on a historical cost basis, except for the cash flow hedges which are measured at fair value, and for the financial assets and liabilities at fair value through profit or loss with changes reflected in the statement of income and for financial assets available for sale.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

b. Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies of the entity. The Company controls an entity when it is exposed, or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. Where the Company's participation in subsidiaries is less than 100%, the share attributed to outside shareholders is reflected recorded as non-controlling interest.

Subsidiaries are consolidated in full from the date on which control is transferred to the Company and up to the date it loses that control.

The method of accounting used by the Company for business combinations is the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

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

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

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets and liabilities assured. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

Transactions and intercompany balances and unrealized gains on transactions between ALFA companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the accounting policies of subsidiaries have been changed where it was deemed necessary.

At December 31, 2013 and 2012, the principal subsidiaries of ALFA were:

	Country [1]	Percentage (%) of ownership [2] 2013	2012	Currency functional
Alpek (Petrochemicals and synthetic fibers)				
Alpek, S. A. B. de C. V. (Holding company)		82	85	Mexican peso
Grupo Petrotemex, S. A. de C. V.		100	100	US dollar
DAK Americas, L.L.C.	USA	100	100	US dollar
DAK Resinas Americas México, S. A. de C. V.		100	100	US dollar
DAK Americas Exterior, S. L. (Holding company)	Spain	100	100	Euro
DAK Americas Argentina, S. A.	Argentina	100	100	Argentine peso
Tereftalatos Mexicanos, S. A. de C. V.		91	91	US dollar
Akra Polyester, S. A. de C. V. [3]		93	93	Mexican peso
Indelpro, S. A. de C. V.		51	51	US dollar
Polioles, S. A. de C. V. [4]		50	50	US dollar
Unimor, S. A. de C. V. (Holding company)		100	100	Mexican peso
Univex, S. A.		100	100	Mexican peso

	Country [1]	Percentage (%) of ownership [2] 2013	2012	Currency functional
Sigma (Refrigerated food)				
Sigma Alimentos, S. A. de C. V. (Holding company)		100	100	Mexican peso
Alimentos Finos de Occidente, S. A. de C. V.		100	100	Mexican peso
Grupo Chen, S. de R. L. de C. V.		100	100	Mexican peso
Sigma Alimentos Lácteos, S. A. de C. V.		100	100	Mexican peso
Sigma Alimentos Centro, S. A. de C. V.		100	100	Mexican peso
Sigma Alimentos Noreste, S. A. de C. V.		100	100	Mexican peso
Sigma Alimentos Exterior, S. L. (Holding company)	Spain	100	100	Euro
Bar-S Foods Co.	USA	100	100	US dollar
Mexican Cheese Producers, Inc.	USA	100	100	US dollar
Braedt, S. A.	Peru	100	100	Nuevo sol
Corporación de Empresas Monteverde, S. A. [5]	Costa Rica	100		Colón
Comercial Norteamericana, S. de R.L. de C.V. [5]		100		Mexican peso
Nemak (Aluminum auto parts)				
Tenedora Nemak, S. A. de C. V. (Holding company)		93	93	US dollar
Nemak, S. A.		100	100	US dollar
Modellbau Schönheide GmbH	Germany	90	90	Euro
Corporativo Nemak, S. A. de C. V.		100	100	Mexican peso
Nemak Canadá, S. A. de C. V. (Holding company)		100	100	Mexican peso
Nemak of Canada Corporation	Canada	100	100	US dollar
Camen International Trading, Inc.	USA	100	100	US dollar
Nemak Europe GmbH (Holding company)	Germany	100	100	Euro
Nemak Exterior, S. L. (Holding company)	Spain	100	100	Euro
Nemak Dillingen GmbH	Germany	100	100	Euro
Nemak Wernigerode (GmbH)	Germany	100	100	Euro
Nemak Linz GmbH	Austria	100	100	Euro
Nemak Gyor Kft	Hungary	100	100	Euro
Nemak Poland Sp. z.o.o.	Poland	100	100	Euro
Nemak Nanjing Aluminum Foundry Co., Ltd.	China	100	100	Yuan
Nemak USA, Inc.	USA	100	100	US dollar
Nemak Alumínio do Brasil Ltda.	Brazil	100	100	Real
Nemak Argentina, S. R. L.	Argentina	100	100	Argentine peso
Nemak Slovakia, S.r.o.	Slovakia	100	100	Euro
Nemak Czech Republic, S.r.o.	Czech Republic	100	100	Euro
Nemak Aluminum Castings India Private, Ltd.	India	100	100	Rupee
Nemak Automotive Castings, Inc., formerly J.L. French [6]	USA	100	100	US dollar
Alestra (Telecommunications)				
Alestra, S. de R. L. de C. V.		100	100	Mexican peso
G Tel Comunicación, SAPI de C.V. [5]		100		Mexican peso

	Country [1]	Percentage (%) of ownership [2] 2013	2012	Currency functional
Newpek (Natural gas and hydrocarbons)				
Alfa Energía Exterior, S.L. (Holding company)	Spain	100	100	Euro
Newpek, L. L. C.	USA	100	100	US dollar
Alfasid del Norte, S. A. de C. V.		100	100	Mexican peso
Other companies				
Colombin Bel, S. A. de C. V.		100	100	US dollar
Terza, S. A. de C. V.		51	51	Mexican peso
Alfa Corporativo, S. A. de C. V.		100	100	Mexican peso

(1) Companies incorporated in Mexico, except those indicated.
(2) Ownership percentage that ALFA has in the holding companies of each business group and ownership percentage that such holding companies have in the companies integrating the groups. Ownership percentages and the right to vote are one and the same.
(3) On September 1, 2012, Productora de Tereftalatos de Altamira, S. A. de C. V. was merged into Akra Polyester, S. A. de C. V. (Akra). After the merger ALFA owns 93.35% of shares of Akra and BP Amoco Chemical Company the remaining 6.65%.
(4) The Company owns 50% plus one share.
(5) Companies acquired in 2013, see comments in Note 2 paragraphs, e., f., and g.
(6) Companies acquired in 2012, see comments in Note 2 paragraph m.

At December 2013 and 2012, there are no significant restrictions for investment in shares of subsidiary companies mentioned above.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, i.e., an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control the dilution effect is recognized in income. During 2012 the company recognized the dilution effect on of its equity in its subsidiary Alpek, as explained in note 2.n.

iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured at fair value, and the change in the carrying amount is recognized in the income statement. The fair value is the initial carrying value for the purposes of accounting for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This implies that the amounts recognized in the comprehensive income are reclassified to income for the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate.

Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the comprehensive income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the income statement and its share in the other comprehensive income of associates is recognized as other comprehensive income. The cumulative movements after acquisition are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes it in "share of profit/loss of associates recognized by the equity method" in the income statement.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company´s equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment and the book value of the investment is recognized in the income statement.

v. Joint arrangements

Joint arrangements are those where there is joint control since the decisions over relevant activities require the unanimous consent of each one of the parties sharing control.

Investments in joint arrangements are classified in accordance with the contractual rights and obligations of each investor such as: joint operations or joint ventures. When the Company holds the right over assets and obligations for related assets under a joint arrangement, this is classified as a joint operation. When the company holds rights over net assets of the joint arrangement, this is classified as a joint venture. The Company has assessed the nature of its joint arrangements and classified them as joint ventures. Joint ventures are accounted for by using the equity method applied to an investment in associates.

c. Foreign currency translation

i. Functional and presentation currency

The amounts included in the financial statements of each of the Company's subsidiaries and associates should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). In the case of Alfa, S.A.B. de C.V., the functional currency is determined to be the Mexican peso. The consolidated financial statements are presented in Mexican pesos, which is the Company's presentation currency.

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are re-measured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the income statement, except for those which are deferred in comprehensive income and qualify as cash flow hedges.

Changes in the fair value of securities or monetary financial assets denominated in foreign currency classified as available for sale are divided between fluctuations resulting from changes in the amortized cost of such securities and other changes in value. Subsequently, currency fluctuations are recognized in income and changes in the carrying amount arising from any other circumstances are recognized as part of comprehensive income.

Translation differences on non-monetary assets, such as investments classified as available for sale, are included in other comprehensive income.

iii. Consolidation of subsidiaries with a functional currency different from the presentation currency

Incorporation of subsidiaries whose functional currency is different from their recording currency.

The financial statements of foreign subsidiaries, having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rates.

b. To the historical balances of monetary assets and liabilities and shareholders' equity translated into the functional currency the movements that occurred during the period were added, which were translated at historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.

c. The income, costs and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rate of the date they were accrued and recognized in the income statement, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items was used.

d. The differences in exchange arising in the translation from the recording currency to the functional currency were recognized as income or expense in the income statement in the period they arose.

Incorporation of subsidiaries whose functional currency is different from their presentation currency.

The results and financial position of all ALFA entities (none of which is in a hyperinflationary environment) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date;

b) The stockholders' equity of each balance sheet presented is translated at historical rates.

c) Income and expenses for each income statement are translated at average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and

d) All the resulting exchange differences are recognized in comprehensive income.

The goodwill and adjustments to fair value arising at the date of acquisition of a foreign operation so as to measure them at fair value, are recognized as assets and liabilities of the foreign entity and translated at the exchange rate at the closing date. Exchange differences arising are recognized in equity.

Listed below are the principal exchange rates in the various translation processes:

		Local currency to Mexican pesos			
		Closing exchange rate at December 31,		Average exchange rate at December 31,	
Country	Currency functional	2013	2012	2013	2012
Canada	Canadian dollar	12.31	13.08	12.33	13.10
USA	US dollar	13.08	13.01	13.00	13.02
Brazil	Brazilian Real	5.53	6.35	5.57	6.26
Argentina	Argentine peso	2.01	2.65	2.07	2.67
Peru	Nuevo sol	4.68	5.10	4.68	5.07
Czech Republic	Euro	18.02	17.21	17.91	17.08
Germany	Euro	18.02	17.21	17.91	17.08
Austria	Euro	18.02	17.21	17.91	17.08
Hungary	Euro	18.02	17.21	17.91	17.08
Poland	Euro	18.02	17.21	17.91	17.08
Slovakia	Euro	18.02	17.21	17.91	17.08
Spain	Euro	18.02	17.21	17.91	17.08
China	RenMinBi Yuan	1.69	2.09	2.15	2.09
India	Indian Rupee	0.21	0.24	0.21	0.24

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value. Bank overdrafts are presented as loans as a part of the current liabilities.

e. Restricted cash and cash equivalents

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the statement of financial position and are excluded from cash and cash equivalents in the statement cash flows.

f. Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are written off in full when the right to receive the related cash flows expires or is transferred and the Company has also transferred substantially all risks and rewards of ownership, as well as control of the financial asset.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Gains or losses from changes in fair value of these assets are presented in the income statement as incurred.

ii. Loans and receivables

The receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are measured initially at fair value plus directly attributable transaction costs and subsequently at amortized cost, using the effective interest method. When circumstances occur that indicate that the amounts receivable will not be collected at the amounts originally agreed or will be collected in a different period, the receivables are impaired.

iii. Maturity investments

If the Company intends and has the demonstrable ability to hold debt securities to maturity, they are classified as held to maturity. Assets in this category are classified as current assets if expected to be settled within the next 12 months, otherwise they are classified as non-current. Initially they are recognized at fair value plus any directly attributable transaction costs, and subsequently they are valued at amortized cost using the effective interest method. Investments held to maturity are recognized or derecognized on the day they are transferred to or by the Company. At December 31, 2013 and 2012, the Company had no such investments.

iv. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless their maturity is less than 12 months or management intends to dispose of the investment within the next 12 months after the balance sheet date.

Financial assets available for sale are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these assets are carried at fair value (unless they cannot be measured by their value in an active market and the value is not reliable, in which case they will be recognized at cost less impairment).

Gains or losses arising from changes in fair value of monetary and non-monetary instruments are recognized directly in the consolidated statement of comprehensive income in the period in which they occur.

When instruments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if expected to be settled within the next 12 months, otherwise they are classified as non-current.

Trade payables are obligations to pay for goods or services that have been acquired or received from suppliers in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the funds received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

Offsetting financial assets and liabilities

Assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial instruments

a) Financial assets carried at amortized cost

The Company assesses at the end of each year whether there is objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and provided that the loss event (or events) has an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

Aspects evaluated by the Company to determine whether there is objective evidence of impairment are:

- Significant financial difficulty of the issuer or debtor.
- Breach of contract, such as late payments of interest or principal
- Granting a concession to the issuer or debtor, by the Company, as a result of financial difficulties of the issuer or debtor and that would not otherwise be considered.
- There is a likelihood that the issuer or debtor will enter bankruptcy or other financial reorganization.
- Disappearance of an active market for that financial asset due to financial difficulties.
- Verifiable information indicates that there is a measurable decrease in the estimated future cash flows related to a group of financial assets after initial recognition, although the decrease cannot yet be identified with the individual financial assets of the Company, including:
  - (i) Adverse changes in the payment status of borrowers in the group of assets
  - (ii) National or local conditions that correlate with breaches of noncompliance by the issuers of the asset group

Based on the items listed above, the Company assesses whether there is objective evidence of impairment. Subsequently, for the category of loans and receivables, when impairment exists, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced by that amount, which is recognized in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Alternatively, the Company could determine the impairment of the asset given its fair value determined on the basis of a current observable market price.

If in the subsequent years, the impairment loss decreases and the decrease can be related objectively to an event occurring after the date on which such impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the loss impairment is recognized in the income statement.

b) Financial assets available for sale

In the case of debt financial instruments, the Company also uses the above-listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant or prolonged reduction in its fair value below its cost is also considered objective evidence of impairment.

Subsequently, in the case of financial assets available for sale, an impairment loss determined by computing the difference between the acquisition cost and the current fair value of the asset, less any impairment loss previously recognized, is reclassified from the other comprehensive income accounts and recorded in the income statement. Impairment losses recognized in the income statement related to equity financial instruments are not reversed through the income statement. Impairment losses recognized in the income statement related to financial debt instruments could be reversed in subsequent years, if the fair value of the asset is increased as a result of a subsequent event.

g. Derivative financial instruments and hedging activities

All derivative financial instruments are identified and classified as fair value hedging hedges or cash flow hedges, for trading or the hedging of market risks and are recognized in the balance sheet as assets and/or liabilities at fair value and similarly measured subsequently at fair value. The fair value is determined based on recognized market prices and its fair value is determined using valuation techniques accepted in the financial sector.

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of derivative financial instruments are recognized in finance income or expense, except for changes in the fair value of cash flow hedges, in which case such changes are recognized in equity. Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedging relationship, characteristics, accounting recognition and how the effectiveness is to be measured.

Fair value hedges

Changes in the fair value of derivative financial instruments are recorded in the income statement. The change in fair value hedges and the change in the primary position attributable to the hedged risk are recorded in the income statement in the same line item as the hedged position. At December 31, 2013 and 2012, the Company has no derivative financial instruments classified as fair value hedges.

Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive income, within stockholders' equity and is reclassified to profit or loss when the hedged position affects these. The ineffective portion is immediately recorded in income.

Net investment hedge

Net investment hedge in a foreign business is recorded similarly to cash flow hedges. Any gain or loss of the related hedged instrument with the effective portion of the hedge is recorded in comprehensive income. The gain or loss of the ineffective portion is recorded in the statement of income. Accumulated gains and losses in equity are recorded in the statement of income when partially the foreign operation is partially disposed of or sold. At December 31, 2013 and 2012, the Company has no derivative financial instruments classified as net investment hedges.

Suspension of hedge accounting

The Company suspends the hedges accounting when the derivative has expired, has been sold, is cancelled or exercised, when it does not reach high effectiveness to offset the changes in the fair value or the cash flow of the hedged item, or when the Company decides to cancel the hedges designation.

On suspending hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged amount for which the effective interest rate method is used, is amortized to income over the period to maturity. In the case of cash flow hedges, the amounts accumulated in equity as a part of comprehensive income remain in equity until the time when the effects of the forecasted transaction affect income. In the event the forecasted transaction is not likely to occur, the income or loss accumulated in comprehensive income are immediately recognized in the income statement. When the hedge of a forecasted transaction appears satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are transferred proportionally to the income statement, to the extent the forecasted transaction impacts it.

The fair value of derivative financial instruments reflected in the financial statements of the Company, is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and future expectations at the respective balance sheet date.

h. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from equity corresponding to raw material purchases that qualify as cash flow hedges.

i. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. The costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flows to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the income statement during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The average useful lives of assets families are as follows:

Buildings and construction	33 to 50 years
Machinery and equipment	10 to 14 years
Transportation equipment	4 to 8 years
Telecommunications network	3 to 33 years
Furniture and laboratory equipment and information technology	6 to 10 years
Tooling and spare parts	3 to 20 years
Leasehold improvements	3 to 20 years
Other assets	3 to 20 years

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction requires a substantial period (nine months or more), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the income statement in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the income statement.

j. Leasing

The classification of leases as finance or operating depends on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) are recognized in the income statement based on the straight-line method over the lease period.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the beginning of the lease, at the lower of the fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, in order to discount the minimum lease payments to present value, the interest rate implicit in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct costs of the leases are added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations are included in non-current debt, net of finance charges. The interest element of the finance cost is charged to the income for the year during the period of the lease, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

k. Intangible assets

Intangible assets are recognized in the balance sheet when they meet the following conditions: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i) Indefinite useful life. – These intangible assets are not amortized and are subject to annual impairment assessment. To date, no factors have been identified limiting the life of these intangible assets.

ii) Finite useful life. – These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

Development costs	5 to 20 years
Exploration costs (1)	
Trademarks	40 years
Customer relationships	15 to 17 years
Software and licenses	3 to 11 years
Intellectual property rights	20 to 25 years
Other (patents, concessions, non-compete agreements, etc.)	5 to 20 years

(1) Exploration costs are depreciated based on the unit-of-production method based on proven reserves of hydrocarbons.

a) Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's equity in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Development costs

Research costs are recognized in income as incurred. Expenditures on development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained and the Company intends also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income by the straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

c) Exploration costs

The Company uses the successful efforts method of accounting for its oil and gas properties. Under this method, all costs associated with productive and non-productive wells are capitalized while non-productive and geological exploration costs are recognized in the income statement as incurred. Net capitalized costs of unproved reserves are reclassified to proven reserves when they are found. The costs of operating the wells and field equipment are recognized in the income statement as incurred.

d) Intangible assets acquired in a business combination

When an intangible asset is acquired in a business combination it is recognized at fair value at the acquisition date. Subsequently, such assets are as follows: trademarks, customer relations, intellectual property rights, no-competition agreements, among others, are carried at cost less accumulated depreciation and accumulated impairment losses.

l. <u>Impairment of non-financial assets</u>

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which separately identifiable cash flows exist (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m. <u>Income tax</u>

The amount of income taxes in the income statement represents the sum of the current and deferred income taxes.

The Company and its subsidiaries in Mexico consolidate their results for the purposes of Income Tax.

The deferred income taxes are determined in each subsidiary by the asset and liability method, applying the rate established by legislation enacted or substantially enacted at the balance sheet date wherever ALFA and its subsidiaries operate and generate taxable income. The applicable rates are applied to the total of the temporary differences resulting from comparing the accounting and tax bases of assets and liabilities in accordance with the years in which the deferred asset tax is realized or the deferred liability tax is expected to be settled, considering, when applicable, any tax loss carry forwards expected to be that are considered to be recoverable. The effect of a change in tax rates is recognized in the income of the period in which the rate change is enacted.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by ALFA and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists and when the taxes are levied by the same tax authority.

n. Employee benefits

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. The contributions are recognized as employee benefit expense when they are due.

Defined benefit plans:

A defined benefit plan is a plan which specifies the amount of the pension an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates in conformity with the IAS 19 that are denominated in the currency in which the benefits will be paid, and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in stockholders' equity in other items of the comprehensive income in the year they occur.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the income statement.

ii. Post-employment medical, benefits

The Company provides medical benefits to retired employees after termination of employment. The right to access these benefits usually depends on the employee´s having worked until retirement age and completing a minimum of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or when an employee accepts voluntary termination of employment in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Any benefits to be paid more than 12 months after the balance sheet date are discounted to their present value.

iv. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. ALFA recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

v. Employee participation in profits and bonuses

The Company recognizes a liability and an expense for bonuses and employee participation in profits when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

o. Provisions

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation and the amount can be reasonably estimated.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

p. Share-based payments

The Company's compensation plans are based on the market value of its shares in favor of certain senior executives of the Company and its subsidiaries. The conditions for granting such compensation to the eligible executives include among other things, compliance with certain metrics such as the level of profit achieved, remaining in the Company for up to 5 years, etc. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment plan is always subject to the discretion of the senior management of ALFA. Adjustments to this estimate are charged or credited to the income statement.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included under other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as compensation expense in the income statement.

q. Treasury shares

The Shareholders' Meeting periodically authorizes a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is charged to stockholders' equity at purchase price: a portion to capital stock at its modified historical value, and the balance to retained earnings. These amounts are stated at their historical value.

r. Capital stock

ALFA's common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a deduction from the consideration received, net of tax. The capital stock includes the effect of inflation recognized up to December 31, 1997.

s. Comprehensive income

Comprehensive income is composed of net income plus other capital reserves, net of taxes, which comprise the effects of the translation of foreign subsidiaries, the effects of derivative financial instruments for cash flow hedging, actuarial gains or losses, the effects of changes in the fair value of financial instruments available for sale, the equity in other items of comprehensive income of associates, and other items specifically required to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions.

t. Segment reporting

Segment information is presented consistently with the internal reporting provided to the chief executive who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

u. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenue is shown net of estimated customer returns, rebates and similar discounts and after eliminating intercompany sales.

The Company grants discounts and incentives to customers, which are recognized as a deduction from income or as selling expenses depending on their nature. These programs include customer discounts for sales of products based on: i) sales volume (usually recognized as a reduction of revenue) and ii) promotions in retail products (usually recognized as selling expenses).

Revenue from the sale of goods and products are recognized when all and each of the following conditions are met:

- The risks and rewards of ownership have been transferred
- The amount of revenue can be reliably measured

- It is likely that future economic benefits will flow to the Company
- The company retains no involvement associated with ownership nor effective control of the sold goods
- The costs incurred or to be incurred in respect of the transaction can be measured reasonably.

In the Alestra segment, revenues from services are recognized as follows:

- Revenue from the provision of data transmission services, internet and local services are recognized when services are rendered.
- Revenues from national and international long distance outgoing and incoming services are recognized based on minutes of traffic processed by the Company and processed by a third party, respectively.
- Installation revenues and related costs are recognized as income during the period of the contract with the customers.
- The estimates are based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Dividend income from investments is recognized once the rights of shareholders to receive this payment have been established (when it is probable that the economic benefits will flow to the entity and the revenue can be reliably valued).

Interest income is recognized when it is likely that the economic benefits will flow to the entity and the amount of revenue can be reliably valued by applying the effective interest rate.

v. Earnings per share

Earnings per share are calculated by dividing the profit attributable to the shareholders of the parent by the weighted average number of common shares outstanding during the year. There are no dilutive effects from financial instruments potentially convertible into shares.

w. Non-recurring items

Non-recurring items are those which require judgment from management to be disclosed, due to their size or incidence. These items are disclosed in the consolidated statement of income and in Note 27. Operations that gave rise to non-recurring items are restructuring activities and impairments.

x. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective at January 1, 2013. The nature and impact of each new standard or modification are described as follows:

- IAS 1 (amended) – “Presentation of Financial Statements” The amendment requires entities to separate the items presented in other comprehensive income in two groups based on whether they can be recycled to the income statement in the future or not. Items that cannot be recycled are presented separately from the items that may be recycled in the future. Entities that decide to present items of other comprehensive income before taxes, should show the taxes related to the two groups separately. For the Company, this amendment became effective on January 1, 2013. The amendment affected the presentation only and had no effect on the Company´s financial position or performance.
- IAS 19 (Revised) – “Employee benefits” There are a number of amendments that have been applied retrospectively; these eliminate the option to defer the recognition of actuarial gains and losses in the

defined benefit post-employment plans, known as the "corridor method". The Company has not previously applied this option and has recognized the gains and losses in other comprehensive income. Therefore, this change in the standard has no impact on the Company's consolidated financial statements. The expected returns on plan assets are no longer recognized in the statement of income for the year, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in the statement of income, calculated using the discount rate used to measure the defined benefit obligation. This change had no significant impact on the consolidated financial statements of the Company.

Past-service costs are recognized in the statement of income in the period of a plan amendment, instead of deferring the portion related to the unvested benefits. Previously the Company recognized past-service costs immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (vesting period), management determined that the effect of the net income of the Company for 2012 is not significant. As a result of the adoption of the amendment to IAS 19, the Company adjusted against retained earnings, an accumulated balance for unamortized past-service costs amounting to Ps87, net of deferred income tax at January 1, 2013. The IAS 19 (Revised) was adopted prospectively and prior periods were not restated since management determined that the effect is not significant for the Company's financial position.

- IFRS 10, 'Consolidated financial statements' – IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements', and SIC 12, "Consolidation – Special purpose entities'. Under IFRS 10, subsidiaries are all entities (including the structured entities) over which the Company has control. The Company controls an entity when it has power over an entity, is exposed to, or has rights to variable returns from its interest in the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date when the control is transferred to the Company. They are deconsolidated from the date control ceases. The Company has applied IFRS 10 retrospectively in conformity with transition provisions described in this standard. The aforementioned had no impact on the consolidation of investments held by the Company.

- IFRS 11 "Joint arrangements" The standard focuses on the rights and obligations of the parties to determine whether there is a joint arrangement, over other factors such as the legal form. There are two types of joint arrangements: Joint operations and joint ventures. Joint operations occur when investors have rights to the assets and obligations for the liabilities of an arrangement, a joint operator accounts for his portion of assets, liabilities, revenues and expenses. A joint venture occurs when investors have rights over the net assets of the arrangement, joint ventures are accounted for using the equity method. Proportional consolidation is not allowed under this standard. This change had no effect on the consolidated financial statements of the Company.

- IFRS 12, "Disclosure of Interests in Other Entities" requires an entity to disclose information that enables users of financial information to evaluate the nature and risks associated with its interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities; in addition to the effects of these interests in its financial position and performance, and its cash flows. The Company made the required disclosures in the consolidated financial statements at December 31, 2013.

- IFRS 13, "Fair Value Measurements". The objective of IFRS 13 is to provide a precise definition of fair value and be a single source for the measurement and disclosure requirements for fair value when it is required or permitted by other IFRS, except for transactions within the scope of IFRS 2 "Share-based payments", IAS 17 "Leases", measurements that have similarities to fair value but not considered as such, and the net realizable value under the scope of the IAS 2 “Inventories” or the value in use in IAS 36 “Impairment of long-lived assets”. The application of IFRS 13 has not significantly impacted the fair value measurements made by the Company.

- 2011 annual improvements include an improvement to IAS 16 “Property, plant and equipment” clarifying that main spare parts and maintenance equipment that comply with the definition of Property, plant and equipment, are not part of the inventory, and the improvement to IAS 32 “Financial instruments presentation” clarifies that income taxes derived from distributions to shareholders are accounted for in accordance with IAS 12 “Taxes on gains”. These improvements had no effect on the Company.
- IAS 36 “Impairment of assets” In May 2013, the IASB amended IAS 36. This amendment indicates the disclosure of information over the recoverable value of impaired assets if the amount is calculated based on the fair value method less cost of sale. The Company adopted this amendment in advance.

y. New accounting pronouncements effective from January 1, 2014

The following sets out the new pronouncements and amendments issued, which are effective from January 1, 2014 that have not been adopted and early adopted by the Company.

- IFRS 9, “Financial Instruments”

IFRS 9 was issued in November 2009 and included requirements for classification and measurement of financial assets. Requirements for financial liabilities were included as part of the IFRS 9 in October 2010. IFRS 9 is the first standard issued as part of the project to replace IAS 39. IFRS 9 maintains and simplifies two types of measurement models and establishes two main categories of financial assets: at amortized cost and fair value. The classification basis depends on the business model of the Company and the characteristics of contractual cash flows of financial instruments. IAS 39 guide to impairment of financial assets and hedge accounting continues to be applicable. For the Company, this amendment is obligatory as from January 1, 2015.

- IAS 32, “Financial instruments: presentation”

In December 2011, the IASB amended IAS 32. These amendments are in the application guide and clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. For the Company, this amendment is obligatory as from January 01, 2014.

- IAS 39, “Financial Instruments”: Recognition and Measurement”

In June 2013, the IASB amended IAS 39 to clarify that there is no need to suspend hedge accounting when novation of a hedging instrument to a central counter party meets certain requirements. For the Company, this amendment is applicable to annual periods starting on or subsequent to January 1, 2014.

At the date of the financial statements, the Company’s management is in the process of quantifying the effects of adoption of the new standards and amendments mentioned above.

There are no additional standards, amendments or interpretations issued but not effective that could have a significant effect on the company.

Nota 4 - Financial risk management:

4.1 Financial risk factors

The Company’s activities expose it to various financial risks: market risk (including foreign exchange risk, interest rate risk on cash flows and interest rate risk on fair value), credit risk and liquidity risk. The Company’s risk management plan considers the unpredictability of the financial markets and seeks to minimize the potential negative effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge some risk exposures.

The objective is to protect the financial health of the business taking into account the volatility associated with exchange rates and interest rates. Additionally, due to the nature of the industries in which it participates, the Company has entered into derivative hedges of input prices.

ALFA has a Risk Management Committee, consisting of the Chairman, the Chief Executive Officer, the Chief Financial Officer of the Company and a financial executive of the Company who acts as technical secretary. The Committee oversees derivatives transactions proposed by the subsidiaries of ALFA in which the maximum possible loss exceeds US$1. This Committee supports both the Executive Director and the Chairman of the Company. All new derivative transactions that the Company proposes to make, and the renewal of existing derivatives, require approval by both the subsidiary and ALFA in accordance with the following schedule of authorizations:

	Possible Maximum Loss US$	
	Individual transactions	Cumulative transactions annual
Business Group General Manager	1	5
ALFA Risk Management Committee	30	100
Finance Committee	100	300
ALFA Board of Directors	>100	>300

The proposed transactions must meet certain criteria, including that the hedges are lower than exposures, and that they are the result of a fundamental analysis and properly documented. Sensitivity analyses and other risk analyses should be performed before the operation is carried out.

(a) Market risk

(i) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk, primarily related to the Mexican peso and the currencies other than the functional currency in which its subsidiaries operate. The Company is exposed to foreign exchange risk arising from future commercial transactions in assets and liabilities in foreign currencies and investments abroad.

The respective exchange rates of the Mexican peso, the U.S. dollar and the euro are very important factors for ALFA due to the effect they have on their results. Moreover, ALFA has no influence over their movements. ALFA estimates that between 75% and 85% of its revenues are denominated in foreign currency, either because they come from products that are exported from Mexico or because they come from products that are manufactured and sold abroad, or because even if sold in Mexico the price of such products are set based on international prices in foreign currencies such as the U.S. dollar.

For this reason, in the past, in times when the Mexican peso has appreciated in real terms against other currencies such as the dollar, ALFA's profit margins have been reduced. On the other hand, when the Mexican peso has lost value, ALFA´s profit margins have been increased. However, although this factor correlation has appeared on several occasions in the recent past, there is no assurance that it will be repeated if the exchange rates between the Mexican peso and other currencies fluctuate again.

The Company participates in operations with derivative financial instruments on exchange rates for the purpose of controlling the total comprehensive cost of its financing and the volatility associated with exchange rates. Additionally, it is important to note the high "dollarization" of the Company's revenues, since a large proportion of its sales are made abroad, providing a natural hedge against its obligations in dollars, while at the same time its income level is affected in the event exchange rate appreciation. Based on the overall exchange rate exposure at December 31, 2013, 2012 and 2011 a hypothetical variation of 5% in the exchange rate MXN/USD, holding all other variables constant, would result in an effect on the income statement by Ps16.6, Ps48.1 and Ps62.2 respectively.

The risk management policy of the Company is to cover as a maximum the following percentages with respect to the predicted exposure:

	Current year	Prior year
Commodities	90	100
Energy costs	65	75
Exchange rate for operating transactions	70	80
Exchange rate for financial transactions	90	100
Interest rates	90	100

The Company has certain investments in foreign operations, whose net assets are exposed to the risk of foreign currency translation. The currency exposure arising from the net assets of the Company's foreign operations are frequently managed through borrowings denominated in the relevant foreign currency.

(ii) Price risk

In carrying out its activities, the Company depends on the supply of raw materials provided by its suppliers, both in Mexico and abroad, among which are intermediate petrochemicals, beef products, pork and poultry, dairy products and aluminum scrap, principally.

In recent years, the price of some inputs have shown volatility, especially those related to oil, natural gas, food, such as meat, cereals and milk, and metals.

In order to fix the selling prices of certain of its products, the Company has entered into agreements with certain customers. At the same time, it has entered into transactions involving derivatives on natural gas that seek to reduce price volatility of the prices of this input.

Additionally, it has entered into derivative financial instruments transactions to hedge purchases of certain raw materials, since these inputs have a direct or indirect relationship with the prices of its products.

The derivative financial operations have been privately contracted with various financial institutions, whose financial strength was highly rated at the time by rating agencies. The documentation used to formalize the contract operations is that based generally on the "Master Agreement", generated by the "International Swaps & Derivatives Association" ("ISDA"), which is accompanied by various accessory documents known in generic terms as "Schedule", "Credit Support Annex" and "Confirmation".

Regarding natural gas, Pemex is the only supplier in Mexico. The selling price of natural gas at first hand is determined by the price of that product on the "spot" market in South Texas, USA, which has experienced volatility. For its part, the CFE is a decentralized public company in charge of producing and distributing electricity in Mexico. Electricity rates have also been influenced by the volatility of natural gas, since most power plants are gas-based.

The Company entered into various derivative agreements with various counterparties to protect it against increases in prices of natural gas and other raw materials. In the case of natural gas derivatives, hedging strategies for products were designed to mitigate the impact of potential increases in prices. The purpose is to protect the price from volatility by taking positions that provide stable cash flow expectations, and thus avoid price uncertainty. The reference market price for natural gas is the Henry Hub New York Mercantile Exchange (NYMEX). The average price per MMBTU for 2013 and 2012 was 3.65 and 2.79 US dollars, respectively.

At December 31, 2012, the Company had hedges of natural gas prices for a portion expected of consumption needs in Mexico and the United States. Based on the general input exposure at December 31, 2013, 2012 and 2011, a hypothetical increase (decrease) of 10% in market prices applied to fair value and keeping all other variables constant, such as exchange rates, the increase (decrease) would result in an immaterial effect on the income statement for 2013, 2012 and 2011.

(iii) Interest rate and cash flow risk

The interest rate risk for the Company arises from long-term loans. Loans at variable rates expose the Company to interest rate risk on cash flows that are partially offset by cash held at variable rates. Loans at fixed rates expose the Company to interest rate risk at fair value.

For the purpose of controlling the total comprehensive cost of its financing and the volatility of interest rates, the Company has contracted interest rate swaps to convert certain variable rate loans to fixed rates.

At December 31, 2013, 2012 and 2011, if interest rates on variable rate loans were increased/decreased by 10%, interest expense would increase/decrease by Ps1.7, Ps2 and Ps3, respectively.

(b) Credit risk

Credit risk is managed on a group basis, except for the credit risk related to accounts receivable balances. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. Credit risk is generated from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposure to customers, including receivables and committed transactions. If wholesale customers are rated independent, these are the ratings used. If there is no independent rating, the Company´s risk control group evaluates the creditworthiness of the customer, taking into account their financial position, past experience and other factors.

Individual risk limits are determined based on internal and external ratings in accordance with limits set by the Board. The use of credit risk is monitored regularly. Sales to retail customers are in cash or by credit card.

During 2013, 2012 and 2011, credit limits were not exceeded and management does not expect losses in excess of the impairment recognized in the corresponding periods.

The impairment provision for doubtful accounts represents estimated losses resulting from the inability of customers to make required payments. In determining the allowance for doubtful accounts, significant estimates have to be made. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of their current credit information. In addition, the Company considers a number of factors to determine the size and appropriate timing for the recognition of allowances, including historical collection experience, customer base, current economic trends and the ageing of the accounts receivable portfolio.

(c) Liquidity risk

Projected cash flows are determined at each operating entity of the Company and subsequently the finance department consolidates this information. The finance department of the Company continuously monitors the cash flow projections and liquidity requirements of the Company ensuring that sufficient cash and highly liquid investments are maintained to meet operating needs, and it's that some flexibility is maintained through open and committed credit lines. The Company regularly monitors and makes decisions ensuring that the limits or covenants set forth in debt contracts are not violated. The projections consider the financing plans of the Company, compliance with covenants, compliance with minimum liquidity ratios and internal legal or regulatory requirements.

The Company´s treasury invests those funds in time deposits and marketable securities whose maturities or liquidity allow flexibility to meet the cash needs of the Company. At December 31, 2013 and 2012, the Company had time deposits of Ps6,639 and Ps10,070, respectively, which are considered sufficient to adequately manage liquidity risk.

The following table analyzes the derivative and non-derivative, grouped according to their maturity, from the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are required to understand the timing of the Company's cash flows. The amounts disclosed in the table are contractual undiscounted cash flows.

	Less than one year	From 1 to 2 years	From 2 to 5 years	More than 5 years
At December 31, 2013				
Suppliers and other accounts payable	Ps30,252	Ps —	Ps —	Ps —
-Current and non-current debt (excluding debt issuance costs)	10,522	3,542	8,719	34,854
Derivative financial instruments	78	337	—	—
Other liabilities	534	500	—	—
At December 31, 2012				
Suppliers and other accounts payable	Ps27,562	Ps —	Ps —	Ps —
Current and non-current debt (excluding debt issuance costs)	4,442	10,527	13,942	23,047
Derivative financial instruments	378	468	119	—
Other liabilities	559	435	—	—

ALFA expects to meet its obligations with cash flows generated by operations. Additionally ALFA has access to credit lines with various banks to meet possible requirements.

4.2 Equity risk management

The Company's objectives when managing equity are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of equity.

To maintain or adjust the equity structure, the Company may adjust the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

ALFA monitors equity based on the degree of leverage. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities/total equity was 1.54 and 1.53 at December 31, 2013 and 2012, respectively.

4.3 Fair value estimation

The following is an analysis of financial instruments measured by the fair value valuation method. The 3 different levels used are presented below:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable.
- Level 3: Valuations made through techniques wherein one or more of their significant data inputs are unobservable.

The following table presents the ALFA's assets and liabilities that are measured at fair value at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps—	Ps 58	Ps—	Ps 58
Derivatives used for hedging	—	28	—	28
Financial assets available for sale	—	—	227	227
Total Assets	Ps—	Ps 86	Ps227	Ps 313
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	Ps—	Ps157	Ps—	Ps 157
Derivatives used for hedging	—	258	—	258
Employees' benefits based on shares	702	—	—	702
Total liabilities	Ps702	Ps415	Ps—	Ps1,117

The following table presents the ALFA's assets and liabilities that are measured at fair value at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	Ps 38	Ps 6	Ps—	Ps 44
Derivatives used for hedging	43	42	—	85
Financial assets available for sale	—	—	333	333
Total Assets	Ps 81	Ps 48	Ps333	Ps 462
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	Ps 417	Ps128	Ps—	Ps 545
Derivatives used for hedging	—	420	—	420
Employees' benefits based on shares	594	—	—	594
Total liabilities	Ps1,011	Ps548	Ps—	Ps1,559

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are clearly and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular market transactions at arm-length conditions. The trading price used for financial assets held by ALFA is the current bid price.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available and rely as little as possible on estimates specific to the Company. If all significant inputs required to measure an instrument at fair value are observable, the instrument is classified at Level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is classified at Level 3.

Specific valuation techniques used to value financial instruments include:

- Market quotations or offers from retailers for similar instruments.
- The fair value of interest rate swaPscalculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange contracts determined using the exchange rates on the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as the analysis of discounted cash flows, which are used to determine fair value for the remaining financial instruments

The following table presents the movement in Level 3 instruments for the year ended December 31, 2013 and 2012:

	Financial assets available for sale	Total
Initial balance at January 1, 2012	Ps202	Ps202
Purchases	32	32
Final balance at December 31, 2012 (Restructured*)	234	234
Purchases	—	—
Disposals	(7)	(7)
Final balance at December 31, 2013	Ps227	Ps227

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

Note 5 - Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the established accounting policy (see Note 13). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income tax

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. If income before taxes increases/decreases by 5%, income tax will be increased/decreased by Ps160.

(c) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using fair value hierarchies. The Company uses its judgment to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period. If the fair value estimation varies by 5%, the effect on income would be modified by Ps80.

(d) Contingent losses

Management also makes judgments and estimates in recording provisions for matters relating to claims and litigation, primarily in relation to rates of interconnection services. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

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

5.2 Critical judgments in applying the entity's accounting policies

(a) Revenue recognition

The Company has recognized revenue amounting to Ps195,358 for sales of goods to third parties in the Nemak, Sigma and Alpek segments during 2013. The buyer has the right to return the goods if their customers are dissatisfied. The Company believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 2.5%. The Company has, therefore, recognized revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 10%, the revenue will be reduced/ increased by Ps488.

(b) Basis of consolidation

The financial statements include the assets, liabilities and results of all entities in which the Company has a controlling interest. The outstanding balances and significant intercompany transactions have been eliminated in consolidation. To determine control, the Company considers whether it has the power to govern the financial and operational strategy of the respective entity and not just the power of the capital held by the Company. As a result of this analysis, the Company has exercised critical judgment to decide whether to consolidate the financial statements of Polioles and Indelpro, where the determination of control is not clear. Based on the principal substantive right of Alpek in accordance with the by-laws of Polioles to appoint the General Director, who has control over the relevant decision making and based on the by-laws of Indelpro and supported in the General Law of Mercantile Organizations, which allow Alpek to control the decisions over relevant activities by a simple majority through an ordinary shareholders' meeting, where it holds 51% of Indelpro. Management has concluded that there are circumstances and factors described in the bylaws of Polioles and applicable standards that allow the Company to conduct the daily operations of Polioles and Indelpro, which therefore demonstrate control. The Company will continue to evaluate these circumstances at the date of each statement of financial position to determine if this critical judgment is still valid. If the Company determines that it has no control over Polioles and Indelpro, Polioles and Indelpro will need to be deconsolidated and be recorded using the equity method.

Note 6 - Cash and cash equivalents

Cash and cash equivalents presented in the statements of financial position consist of the following:

	December 31, 2013	December 31, 2012
Cash at bank and in hand	Ps 5,263	Ps 3,591
Short-term bank deposits	6,639	10,070
Total cash and cash equivalents (excluding bank overdrafts)	Ps11,902	Ps13,661

For purposes of the cash flow statement the cash and cash equivalents include the following items:

	December 31, 2013	December 31, 2012
Cash and cash equivalents	Ps11,902	Ps13,661
Bank overdrafts (classified as debt in current liabilities)	—	(4)
Cash and cash equivalents at end of year	Ps11,902	Ps13,657

Note 7 - Restricted cash and cash equivalents

The value of restricted cash and cash equivalents are composed as follows:

	December 31, 2013	December 31, 2012
Current [a]	Ps364	Ps 577
Non-current [b]	153	435
Restricted cash and cash equivalents	Ps517	Ps1,012

a) Applies to deposits relating to lawsuits with authorities arising from differences in the interpretation of some laws in countries where two subsidiaries operate relating to Nemak segment.

b) This restricted cash is for proceedings before The Mexican Federal Telecommunications Commission in connection with a dispute arising from a resale of interconnection rates that Alestra has with Teléfonos de Mexico, S. A. de C. V. (“Telmex”) and Teléfonos del Norte (“Telnor”, a subsidiary of Telmex). The parties request a resolution regarding tariff rates for interconnection of traffic telecommunication networks applicable during 2010 and the interconnection traffic of long distance (interurban transport) during 2009 and 2008. On September 8, 2009, the Company and Telmex created a trust with BBVA Bancomer (as trustee) to ensure the payment of fixed interconnection services on the dispute applicable to 2008. The trust agreement was amended to include the amounts in dispute for 2009 and 2010.

The restricted cash representing the balance of the trust is presented in the statement of financial position within non-current assets. At December 31, 2013 and 2012, the balance of the trust was Ps153 (Ps435 in 2012), composed of contributions by Alestra and corresponding yields. During April 2013, Alestra obtained a favorable resolution releasing Ps282 of this trust’s deposit.

Nota 8 - Customers and other accounts receivable, net:

	December 31, 2013	December 31, 2012
Customers	Ps18,979	Ps18,251
Recoverable taxes	344	—
Interest receivable	2	1
Other debtors:		
Short-term notes receivable	100	5
Sundry debtors	4,731	4,113
Long-term notes receivable	212	225
Other non-current assets	—	64
Provision for impairment of customers and other accounts receivable	(592)	(467)
	23,776	22,192
Less: non-current portion [1]	212	289
Current portion	Ps23,564	Ps21,903

[1] The non-current accounts receivable represent long-term receivables and other non-current assets, and are presented in the statement of financial position in other noncurrent assets.

Customers and other accounts receivable include past-due balances of Ps3,157, Ps2,841 at December 31, 2013 and 2012, respectively.

The analysis by age of the balances due from customers and other receivables not covered by impairment provisions is as follows:

	December 31, 2013	December 31, 2012
1 to 30 days	Ps1,708	Ps2,025
30 to 90 days	632	399
90 to 180 days	373	267
More than 180 days	444	150
	Ps3,157	Ps2,841

At December 31, 2013 and 2012, trade and other accounts receivable of Ps23,710 and Ps22,364, respectively have an impairment provision (represented by customers and sundry debtors). The amount of the impairment provision at December 31, 2013 and 2012 amounts to Ps592 and Ps467, respectively. Trade and other accounts receivable impaired correspond mainly to companies going through difficult economic situations. Part of the impaired accounts are expected to be recovered.

Movements in the provision for impairment of customers and other receivables are analyzed as follows:

	2013	2012
Initial balance (January 1)	Ps467	Ps 472
Provision for impairment of customers and other receivables	224	154
Receivables written off during the year	(99)	(159)
Final balance (December 31)	Ps592	Ps 467

Increases in the provision for impairment of customers and other receivables are recorded in the statement of income under sales expenses.

Note 9 - Inventories:

	December 31,	
	2013	2012
Finished goods	Ps 9,152	Ps 8,196
Raw material and other consumables	10,639	11,167
Work in process	2,901	2,365
	Ps22,692	Ps21,728

The cost of inventories recognized as an expense and included in “cost of sales” amounted to Ps166,829, Ps164,599 and Ps151,491 for 2013, 2012 and 2011, respectively.

In the years ended on December 31, 2013, 2012 and 2011, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of Ps4,988, Ps2,986 and Ps5,659, respectively.

At December 31, 2013 and 2012, inventories amounting to Ps87 and Ps709 guarantee bank loans as described in Note 17.

Note 10 - Financial instruments:

a. Financial instruments by category

	At December 31, 2013				
	Accounts receivable and liabilities at amortized cost	Available for sale	Financial assets and liabilities at fair value through profit and loss	Derivative contracted as hedges	Total
Financial assets:					
Cash and cash equivalents	Ps11,902	Ps—	Ps—	Ps—	Ps11,902
Restricted cash and cash equivalents	517	—	—	—	517
Customers and other accounts receivable	23,564	—	—	—	23,564
Derivative financial instruments	—	—	58	28	86
Financial assets available for sale	—	227	—	—	227
Other non-current assets	212	—	—	—	212
	Ps36,195	Ps227	Ps 58	Ps 28	Ps36,508
Financial liabilities:					
Debt	Ps57,453	Ps—	Ps—	Ps—	Ps57,453
Suppliers and other accounts payable	30,954	—	—	—	30,954
Derivative financial instruments	—	—	157	258	415
Other non-current liabilities	1,165	—	702	—	1,867
	Ps89,572	Ps227	Ps859	Ps258	Ps90,689

	At December 31, 2012				
	Accounts receivable and liabilities at amortized cost	Available for sale	Financial assets and liabilities at fair value through profit and loss	Derivative contracted as hedges	Total
Financial assets:					
Cash and cash equivalents	Ps13,661	Ps—	Ps—	Ps—	Ps13,661
Restricted cash and cash equivalents	1,012	—	—	—	1,012
Customers and other accounts receivable	21,903	—	—	—	21,903
Derivative financial instruments	—	—	44	85	129
Financial assets available for sale	—	333	—	—	333
Other non-current assets	289	—	—	—	289
	Ps36,865	Ps333	Ps 44	Ps 85	Ps37,327
Financial liabilities:					
Debt	Ps51,773	Ps—	Ps—	Ps—	Ps51,773
Suppliers and other accounts payable	27,562	—	—	—	27,562
Derivative financial instruments	—	—	545	420	965
Other non-current liabilities	559	—	435	—	994
	Ps79,894	Ps227	Ps980	Ps420	Ps81,294

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	December 31, 2013	December 31, 2012
Counterparties with external credit rating		
"A"	Ps 62	Ps 182
"A+"	207	3
"A-"	362	—
"BB+"	780	500
"BBB+"	74	—
"BBB"	300	7
"BBB-"	216	9
"BB"	78	—
"BB-"	1,004	—
Other categories	925	818
	4,008	1,519
Counterparties without external credit rating		
Customers and other accounts receivable (less than 6 months) – Group X	9,434	11,415
Customers and other accounts receivable (more than 6 months) without impairment – Group Y	4,995	3,015
Customers and other accounts receivable (more than 6 months) with impairment – Group Z	11	13
	14,440	14,443
Total unimpaired trade receivables	Ps18,448	Ps15,962

	December 31, 2013	December 31, 2012
Cash and cash equivalents with and without restrictions, except for cash in hand		
"A"	Ps 704	Ps1,269
"A+"	163	218
"A-"	1,124	15
"BB"	27	3,584
"BB-"	18	—
"BB+"	129	49
"BBB"	2,065	853
"BBB+"	2,403	926
"BBB-"	183	16
Other categories	2,072	424
Not rated	1,034	398
	Ps9,922	Ps7,752

Group X – new customers/related parties (less than 6 months).

Group Y – customers/current related parties (more than 6 months) without default in the past.

Group Z – current customers/related parties (more than 6 months) with some defaults in the past. All past-due amounts were fully recovered.

c. Fair value of financial assets and liabilities valued at amortized cost

The amounts of cash and cash equivalents, restricted cash and cash equivalents, customers and other receivables, other current assets, suppliers and other payables, outstanding debt, provisions and other current liabilities approximate their fair value due to their short maturity. The carrying value of these accounts represents the expected cash flow at December 31, 2013 and 2012.

The carrying value and estimated fair value of financial assets and financial liabilities carried at amortized cost are as follows:

	At December 31, 2013		At December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Non-current accounts receivable	Ps 212	Ps 200	Ps 289	Ps 264
Financial liabilities:				
Non-current debt	46,413	50,294	47,175	50,660

The estimated fair values were determined based on discounted cash flows. These fair values do not consider the current portion of financial assets and liabilities, since the current portion approximates their fair value.

d. Derivative financial instruments

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2013 and 2012 the Company's management has assessed the effectiveness of its hedges for accounting purposes and has concluded that they are highly effective.

Notional amounts related to derivative financial instruments reflect the contracted reference volume; however they do not reflect the amounts at risk with respect to future cash flows. The amounts at risk are generally limited to the unrealized profit or loss from the market valuation of such instruments, which may vary according to changes in the market value of the underlying, its volatility and the credit quality of the counterparties.

The principal obligations which the Company is subject to depends on the type of contract and the conditions established in each one of the derivative financial instruments in force at December 31, 2013 and 2012.

Trading derivatives are classified as current assets or liabilities. The fair value of hedges is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

In the year ended December 31, 2013 and 2012, the Company had no effects from ineffective portions of fair value and cash flows hedges.

(a) Forward exchange contracts

Positions in foreign currency derivative financial instruments are summarized as follows:

At December 31, 2013

Type of derivative, value or contract	Notional amount	Value of underlying asset: Units	Value of underlying asset: Reference	Fair value	Maturity by year: 2014	Maturity by year: 2015	Maturity by year: 2016+	Collateral / guarantee
For hedging purposes:								
USD/MXN (CCS [1]) [2]	(Ps3,500)	Peso / Dollar	13.08	(Ps 279)	Ps —	(Ps 14)	(Ps265)	Ps—
For trading purposes:								
EUR/USD (CCS [1])	Ps1,023	Dollar / Euro	1.38	(102)	(20)	(32)	(50)	—
				(Ps 381)	(Ps 20)	(Ps 46)	(Ps315)	Ps—

At December 31, 2012

Type of derivative, value or contract	Notional amount	Value of underlying asset: Units	Value of underlying asset: Reference	Fair value	Maturity by year: 2013	Maturity by year: 2014	Maturity by year: 2015+	Collateral / guarantee
For hedging purposes:								
USD/MXN (CCS [1]) [2]	(Ps3,500)	Peso / Dollar	13.01	(Ps243)	Ps —	Ps —	(Ps243)	Ps—
For trading purposes:								
USD/MXN (CCS [1])	(27)	Peso / Dollar	13.01	(6)	(6)	—	—	—
EUR/USD (CCS [1])	1,218	Dollar / Euro	1.32	(68)	(11)	(11)	(46)	—
USD/MXN	(325)	Peso / Dollar	13.01	6	6	—	—	—
				(Ps311)	(Ps 11)	(Ps 11)	(Ps289)	Ps—

1 Cross currency swaps
2 Fair value hedges

(b) Interest rate swaps

Positions in interest rate derivative financial instruments are summarized as follows:

At December 31, 2013

Type of derivative, value or contract	Notional amount	Value of underlying asset: Units	Value of underlying asset: Reference	Fair value	Maturity by year: 2014	Maturity by year: 2015	Maturity by year: 2016+	Collateral / guarantee
For hedging purposes:								
On Libor [1]	Ps785	% per year	0.49	(Ps20)	(Ps12)	(Ps7)	(Ps1)	Ps—
				(Ps20)	(Ps12)	(Ps7)	(Ps1)	Ps—

At December 31, 2012

Type of derivative, value or contract	Notional amount	Value of underlying asset: Units	Value of underlying asset: Reference	Fair value	Maturity by year: 2013	Maturity by year: 2014	Maturity by year: 2015+	Collateral / guarantee
For hedging purposes:								
On Libor [1]	Ps2,862	% per year	0.39	(Ps200)	(Ps 42)	(Ps 56)	(Ps102)	Ps—
For trading purposes:								
On Libor	2,309	% per year	0.39	(54)	(54)	—	—	—
				(Ps254)	(Ps 96)	(Ps 56)	(Ps102)	Ps—

1. Cash flow hedges

(c) Commodities

Positions in derivative financial instruments covering natural gas, gasoline and ethylene are summarized as follows:

At December 31, 2013

Type of derivative, value or contract	Notional amount	Value of underlying asset: Units	Value of underlying asset: Reference	Fair value	Maturity by year: 2014	Maturity by year: 2015	Maturity by year: 2016+	Collateral / guarantee
For hedging purposes:								
Ethylene [1]	Ps155	Dollar cents / lb	58.75	Ps 12	Ps 11	Ps 1	Ps —	Ps—
Natural gas [1]	444	Dollar / MBTU	4.29	7	15	—	(8)	—
Ethane [1]	23	Dollar Cents / Gallon	28.03	(3)	(3)	—	—	—
Px [1]	226	Dollar / MT	1,435	(2)	(2)	—	—	—
Crude WTI [1]	417	Dollar / BBL	93.33	(3)	(3)	—	—	—
For trading purposes:								
Gasoline	923	Dollar / Gallon	2.72	54	54	—	—	—
Natural gas	25	Dollar / MBTU	4.29	(53)	(53)	—	—	—
Crude Brent	60	Dollar / BBL	108.53	2	2	—	—	—
				Ps 14	Ps 21	Ps 1	(Ps 8)	Ps—

At December 31, 2012

Type of derivative, value or contract	Notional amount	Value of underlying asset: Units	Value of underlying asset: Reference	Fair value	Maturity by year: 2013	Maturity by year: 2014	Maturity by year: 2015+	Collateral / guarantee
For hedging purposes:								
Ethylene [1]	Ps 476	Dollar Cents / lb	55.1	Ps 40	Ps 42	(Ps 2)	Ps—	Ps—
Natural gas [1]	857	Dollar / MBTU	3.60	43	43	—	—	—
Ethane [1]	55	Dollar Cents / Gallon	23.9	(16)	(16)	—	—	—
For trading purposes:								
Natural gas	78	Dollar / MBTU	3.60	(393)	(339)	(54)	—	—
Gasoline	1,138	Dollar / Gallon	2.70	14	20	(6)	—	—
				(Ps 312)	(Ps 250)	(Ps 62)	Ps—	Ps—

1 Cash flow hedges

At December 31, 2013 and 2012, the net fair value of derivative financial instruments above amounts to Ps329 and Ps836, respectively, which is shown in the consolidated statements of financial position as follows:

	At December 31, 2013		
	Fair value	Initial position	Net value recorded
Current assets	Ps 86	Ps—	Ps 86
Non-current assets	—	—	—
Current liabilities	(78)	—	(78)
Non-current liabilities	(395)	58	(337)
Net position	(Ps 387)	Ps 58	(Ps 329)

	At December 31, 2012		
	Fair value	Initial position	Net value recorded
Current assets	Ps 129	Ps—	Ps 129
Non-current assets	—	—	—
Current liabilities	(378)	—	(378)
Non-current liabilities	(628)	41	(587)
Net position	(Ps 877)	Ps 41	(Ps 836)

Note 11 - Other current assets

Other current assets consist of the following:

	December 31,	
	2013	2012
Advance payments (1)	Ps 822	Ps891
Accounts receivable – affiliates (Note 8)	184	85
Other current assets	37	—
Total other current assets	Ps1,043	Ps976

(1) This item comprises mainly advertising and insurance paid in advance.

Note 12 - Property, plant and equipment:

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Telecommuni cation network	Furniture, fittings and information technology	Tooling and spare parts	Constr tion i proce
At January 1, 2012								
Cost	Ps7,186	Ps20,947	Ps 88,495	Ps 2,862	Ps10,899	Ps 3,824	Ps 286	Ps 5,6
Accumulated depreciation	—	(8,830)	(43,596)	(1,674)	(6,984)	(2,933)	(102)	–
Net value in books at January 1, 2012	Ps7,186	Ps12,117	Ps 44,899	Ps 1,188	Ps 3,915	Ps 891	Ps 184	Ps 5,6
Year ended December 31, 2012								
Opening net book amount	Ps7,186	Ps12,117	Ps 44,899	Ps 1,188	Ps 3,915	Ps 891	Ps 184	Ps 5,6
Exchange differences	(176)	(691)	(2,817)	(23)	(1)	(29)	(125)	(4
Additions	21	169	1,650	49	16	125	124	6,2
Additions from business combinations (Restructured*)	37	401	1,116	2	—	18	152	2
Disposals	(42)	(48)	(346)	(19)	(9)	(37)	(44)	(1
Impairment charge for the year	—	—	(78)	—	—	6	(3)	(
Depreciation charge for the year	—	(529)	(5,110)	(298)	(703)	(337)	(112)	–
Transfers	(63)	488	3,463	339	738	213	57	(5,6
Closing net book amount at December 31, 2012 (Restructured*)	Ps6,963	Ps11,907	Ps 42,777	Ps 1,238	Ps 3,956	Ps 850	Ps 233	Ps 5,8
At January 1, 2013 (Restructured*)								
Cost	Ps6,963	Ps21,333	Ps 87,424	Ps 3,023	Ps11,550	Ps 3,376	Ps 465	Ps 5,8
Accumulated depreciation	—	(9,426)	(44,647)	(1,785)	(7,594)	(2,526)	(232)	–
Net book amount at January 1, 2013 (Restructured*)	Ps6,963	Ps11,907	Ps 42,777	Ps 1,238	Ps 3,956	Ps 850	Ps 233	Ps 5,8
Year ended December 31, 2013								
Opening net book amount (Restructured*)	Ps6,963	Ps11,907	Ps 42,777	Ps 1,238	Ps 3,956	Ps 850	Ps 233	Ps 5,8
Exchange difference	3	43	(39)	(3)	—	5	4	
Additions	72	135	1,714	390	33	142	98	6,6
Additions from business combinations	116	107	84	24	26	12	—	–
Disposals	(17)	(18)	(168)	(43)	(13)	(10)	(6)	(1
Impairment charge for the year (Note2.h)	—	(328)	(2,044)	(2)	—	3	(1)	(
Depreciation charge for the year	—	(605)	(4,919)	(308)	(699)	(296)	(102)	–
Transfers	(15)	496	3,629	18	801	185	(34)	(5,2
Closing net book amount at December 31, 2013	Ps7,122	Ps11,737	Ps 41,034	Ps 1,314	Ps 4,104	Ps 891	Ps 192	Ps 7,1
At December 31, 2013								
Cost	Ps7,122	Ps21,730	Ps 89,885	Ps 3,179	Ps12,364	Ps 3,587	Ps 512	Ps 7,1
Accumulated depreciation	—	(9,993)	(48,851)	(1,865)	(8,260)	(2,696)	(320)	–
Net value in books at December 31, 2013	Ps7,122	Ps11,737	Ps 41,034	Ps 1,314	Ps 4,104	Ps 891	Ps 192	Ps 7,1

* Restructured to reflect the adjustments to provisional fair values, previously recognized in business combinations as described in Note 2.m.

Of the total depreciation expense, Ps6,237, Ps6,366 and Ps5,598 were charged to cost of sales, Ps305, Ps474 and Ps416 to selling expenses and Ps427, Ps292 and Ps248 to administrative expenses in 2013, 2012 and 2011, respectively.

At December 31, 2012 there were no property, plant and equipment pledged as collateral.

Assets under finance leases comprise the following amounts in which the Company is the lessee:

	December 31,	
	2013	2012
Cost – capitalized financial lease	Ps 647	Ps287
Accumulated depreciation	(332)	(95)
Carrying value, net	Ps 315	Ps192

The Company has entered into various non-cancellable lease agreements as lessee. The lease terms are between 2 and 3 years, and the ownership of the assets lies with the Company.

Note 13 - Goodwill and intangible assets:

	Finite life							
	Development costs	Exploration costs	Trademarks	relationships	Customers' Copyrights	Software and Other	Goodwill	branc
Cost								
At January 1, 2012	Ps 1,617	Ps 1,016	Ps 43	Ps 2,707	Ps 1,278	Ps 1,440	Ps 962	Ps10,7
Exchange differences	51	(98)	(5)	(129)	(9)	—	(137)	(5
Additions	576	593	70	9	149	—	131	–
Additions from business combinations	—	—	1	—	1	—	14	
Impairment charge for the year	—	(1)	—	—	—	—	—	–
Transfers	(114)	—	—	—	(3)	—	(12)	–
Disposals	—	—	—	(113)	(31)	—	—	–
At December 31, 2012 (Restructured*)	2,130	1,510	109	2,474	1,385	1,440	958	10,3
Exchange differences	42	59	—	42	4	—	53	–
Additions	1,236	1,704	—	155	171	—	1,256	1,1
Additions from business combinations	—	—	8	51	—	—	—	–
Impairment charge for the year	—	(8)	—	—		—	—	–
Transfers	(1)	(2)	—	17	6	—	(3)	–
Disposals	—	—	—	(51)	(1)	—	(15)	–
At December 31, 2013	Ps 3,407	Ps 3,263	Ps 117	Ps 2,688	Ps 1,565	Ps 1,440	Ps 2,249	Ps11,4
Accumulated amortization								
At January 1, 2012	(Ps 1,041)	(Ps 487)	(Ps 9)	(Ps 533)	(Ps 1,038)	(Ps 68)	(Ps 385)	Ps –
Amortizations	(211)	(192)	(24)	(187)	(82)	—	(135)	–
Disposals	—	—	—	113	19	—	—	–
Transfers	119	—	—	—	4	—	(8)	–
Exchange differences	(77)	34	—	(7)	6	—	(14)	–
At December 31, 2012 (Restructured*)	(1,210)	(645)	(33)	(614)	(1,091)	(68)	(542)	–
Amortizations	(192)	(49)	(39)	(188)	(94)	(68)	(92)	–
Additions	—	—	(3)	—	—	—	—	–
Disposals	—	—	—	1	1	—	4	–
Transfers	(1)	—	4	(13)	(10)	—	14	–
Exchange differences	(14)	(4)	(1)	(24)	(4)	—	(2)	–
At December 31, 2013	(Ps 1,417)	(Ps 698)	(Ps 72)	(Ps 838)	(Ps 1,198)	(Ps 136)	(Ps 618)	Ps –
Net carrying value								
Cost	Ps 2,130	Ps 1,510	Ps 109	Ps 2,474	Ps 1,385	Ps 1,440	Ps 958	Ps10,3
Accumulated amortization	(1,210)	(645)	(33)	(614)	(1,091)	(68)	(542)	–
At December 31, 2012 (Restructured*)	Ps 920	Ps 865	Ps 76	Ps 1,860	Ps 294	Ps 1,372	Ps 416	Ps10,3
Cost	Ps 3,407	Ps 3,263	Ps 117	Ps 2,688	Ps 1,565	Ps 1,440	Ps 2,249	Ps11,4
Accumulated amortization	(1,417)	(698)	(72)	(838)	(1,198)	(136)	(618)	–
At December 31, 2013	Ps 1,990	Ps 2,565	Ps 45	Ps 1,850	Ps 367	Ps 1,304	Ps 1,631	Ps11,4

* Restructured to reflect the adjustments to provisional fair values, previously recognized in business combinations as described in Note 2.m.

Other intangible assets consist mainly of patents, concessions and agreements not to compete.

Of the total amortization expense, Ps658, Ps509 and Ps349, were charged to cost of sales, Ps87, Ps103 and Ps95 to selling expenses and Ps218, Ps219 and Ps209 to administrative expenses in 2013, 2012 and 2011, respectively.

Research expenses incurred and recorded in the results of 2013, 2012 and 2011 were Ps77, Ps61 and Ps70, respectively.

Goodwill was increased in 2013 due to the acquisition of ComNor and Monteverde in the Sigma segment and to the acquisition of G Tel in the Alestra segment.

Impairment testing of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units, as follows:

	December 31,	
	2013	2012 (Restructured*)
Alpek	Ps 221	Ps 221
Sigma	6,057	5,112
Nemak	4,494	4,616
Alestra	297(1)	—
Other segments	356	356
	Ps11,425	Ps10,305

* Restructured to reflect the adjustments to provisional fair values, previously recognized in business combinations as described in Note 2.m.

(1) This goodwill was generated during 2013, so no key assumptions were determined for evaluation at the end of 2013.

The amount of recovery from the operating segments has been determined based on calculations of values in use. These calculations use cash flow projections based on pre-tax financial budgets approved by management covering a period of 5 years.

The key assumptions used in calculating the value in use in 2013 and 2012 were as follows:

	2013			
	Alpek	Sigma	Nemak	Other segments
Estimated gross margin	3.0%	7.3%	14.5%	6.4%
Growth rate	3.8%	3.8%	1.5%	3.9%
Discount rate	10.2%	9.5%	10.6%	11.5%

	2012			
	Alpek	Sigma	Nemak	Other segments
Estimated gross margin	3.0%	9.4%	11.8%	6.3%
Growth rate	2.2%	7.5%	1.5%	7.6%
Discount rate	10.0%	8.4%	8.3%	10.5%

With regard to the calculation of the value in use of the operating segments, ALFA Management considers that a possible change in the key assumptions used, would not cause the carrying value of the operating segments to materially exceed their value in use.

Note 14 - Investments accounted for using the equity method and others:

	December 31, 2013	December 31, 2012 (Restructured*)
Non-current portion of customers and other accounts receivable (Note 8)	Ps 212	Ps 289
Financial assets available for sale	227	234
Other assets	110	—
Restricted cash (Note 7)	153	435
Other non-current financial assets	702	958
Investment in associates	5,660	255
Joint arrangements	286	—
Total other non-current assets	Ps6,648	Ps1,213

* Restructured to reflect the adjustments to provisional fair values, previously recognized in business combinations as described in Note 2.m.

Financial assets available for sale

These assets are investments in shares of companies not listed on the market, representing less than 1% of their capital stock and equity investments in social clubs. No impairment loss was recognized at December 31, 2013.

The movement of financial assets available for sale was as follows:

	2013	2012 (Restructured*)
Balance at January 1	Ps234	Ps202
Acquisitions (disposals)	(7)	32
Balance at December 31	Ps227	Ps234

Financial assets available for sale are denominated in Mexican pesos.

Investments in associates

The financial information of the most important associate of the Company (Campofrío), which was acquired during the last quarter of 2013, is disclosed in Note 2.b.

The accumulated summarized financial information for associates of the group accounted for by the equity method, not considered material, is as follows:

	2013	2012
Operating income	(Ps131)	(Ps155)
Other comprehensive income items	—	—
Comprehensive loss	(131)	(155)
Investment in associates (not material) at December 31	28	82

There are no contingent liabilities related to the investment of the group in the associates

Joint arrangements

The accumulated summarized financial information for joint arrangements of the group accounted for by the equity method, not considered material, is as follows:

	2013	2012
Income from ongoing operations	(Ps 129)	Ps 38
Income from discontinued operations	—	—
Other comprehensive income	—	—
Comprehensive loss	(129)	(38)
Joint arrangements (not material) at December 31	286	173

There are no contingent liabilities related to the investment of the group in the joint arrangements.

The group has no commitments with respect to joint arrangements at December 31, 2013.

Note 15 - Subsidiaries with significant non-controlling interest:

The non-controlling interest for the year ended December 31, 2013 and 2012 is integrated as follows:

	Non-controlling ownership percentage	Non-controlling interest income for the period			Non-controlling interest at December 31,	
		2013	2012	2011	2013	2012
Alpek, S. A. B. de C. V. [(1)]	18%	Ps689	Ps1,125	Ps498	Ps7,173	Ps7,424
Tenedora Nemak, S. A. de C. V.	7%	181	54	43	1,256	1,014
Non-controlling interest of non-significant subsidiaries		(1)	11	43	299	297
		Ps869	Ps1,190	Ps584	Ps8,728	Ps8,735

(1) As mentioned in Note 2.n, Alpek is a public entity since April 2012. As of December 31, 2011, Alpek, S.A. de C.V. was wholly owned by Alfa.

The summarized financial information at December 31, 2013 and 2012 and for the year then ended, corresponding to each subsidiary with a significant non-controlling interest is shown below:

	Tenedora Nemak, S.A.de C.V.			Alpek, S.A.B. de C.V. [1]		
	2013	2012 (Restructured*)	2011	2013	2012	2011
Statement of financial position						
Current assets	Ps15,347	Ps13,195		Ps29,672	Ps31,960	
Non-current assets	37,923	36,603		28,456	29,736	
Current liabilities	15,212	13,036		12,305	12,048	
Non-current liabilities	19,603	21,480		18,735	19,996	
Stockholders' equity	18,455	15,282		27,087	29,651	
Statement of income						
Revenues	56,299	51,384	Ps44,669	90,061	96,163	Ps90,667
Net profit	2,615	1,163	631	1	4,383	4,428
Comprehensive income for the year	3,173	422	1,623	1,509	2,979	5,663
Comprehensive income attributable to non-controlling interest	4	1	—	644	474	909
Dividends paid to non-controlling interest	—	—	—	(1,093)	(605)	(454)
Cash flows						
Cash flows from operating activities	8,380	6,928	5,497	5,542	5,483	4,662
Net cash used from investments activities	(4,426)	(7,175)	3,274	(2,382)	(1,805)	(9,440)
Net cash used from financing activities	(2,887)	45	(1,975)	(5,045)	(280)	4,862
Net increase in cash and cash equivalents	1,067	(202)	248	(1,885)	3,398	84

* Restructured to reflect the adjustments to provisional fair values, previously recognized in business combinations as described in Note 2.m.

(1) As mentioned in Note 2.n, Alpek is a public entity since April 2012. As of December 31, 2011, Alpek, S.A. de C.V. was wholly owned by Alfa.

The information above does not include the elimination of intercompany balances and transactions.

Nota 16 - Suppliers and other accounts payable:

	December 31, 2013	December 31, 2012
Suppliers	Ps20,934	Ps19,868
Short-term employee benefits	914	424
Advance payments from customers	1,578	940
Taxes other than income tax	2,210	1,439
Other accounts payable and accrued expenses	4,616	4,891
	Ps30,252	Ps27,562

Note 17 - Debt

	December 31, 2013	December 31, 2012
Current:		
Bank loans (1)	Ps 3,015	Ps1,659
Current portion of non-current debt	7,340	2,792
Notes payable (1)	167	147
Current debt	Ps10,522	Ps4,598

	December 31, 2013	December 31, 2012
Non-current:		
In dollars:		
Senior Notes	Ps30,793	Ps21,738
Secured bank loans	1,210	—
Unsecured bank loans	13,885	16,856
Finance leases	51	59
Other	92	60
In local currency:		
Unsecured bank loans	—	67
Unsecured stock certificates	6,844	6,740
In euros:		
Unsecured bank loans	1,227	4,168
Finance leases	24	39
Other currencies:		
Unsecured bank loans	—	90
Finance leases	146	150
	54,272	49,967
Less: current portion of non-current debt	(7,340)	(2,792)
Non-current debt (2)	Ps46,932	Ps47,175

(1) At December 31, 2013 and 2012, short-term bank loans and notes payable bore interest at an average rate of5.46%, and 3.97%, respectively.

The fair value of bank loans and notes payable approximates their current book value, as the impact of discounting is not significant.

(2) The carrying amounts, terms and conditions of non-current debt were as follows:

Description	Currency	Initial balance	Costs of debt issuance	Interest payable	Balance at December 31, 2013	Balance at December 31, 2012	Maturity date DD/MM/AAAA	Interest rate
Directo TF	USD	1,210	—	—	Ps 1,210	Ps —	31/12/2015	3.25%
Secured bank loans					1,210	—		
Club Loan-Dls (Citi)	USD	4,865	(50)	7	4,822		02/12/2018	1.99%
Club Loan-Eur (Citi)	EUR	1,238	(13)	2	1,227		02/12/2018	1.99%
Others	USD	24		—	24		15/06/2015	2.00%
Directo/Libor +275bp	USD	327		—	327		15/01/2017	2.93%
Directo/ Libor+337.5 bp	USD	581		—	581		17/10/2014	3.63%
Directo TF	USD	392	(4)	3	391		10/07/2016	2.62%
Bilateral Libor +1.30	USD	262		—	262		15/09/2014	1.59%
Bilateral Libor +1.30	USD	458		—	458		15/09/2014	1.58%
Bilateral Libor +1.30	USD	458		—	458		08/09/2014	1.57%
Bilateral Libor +1.20	USD	392		—	392		20/06/2016	1.47%
Bilateral Libor +1.20	USD	392		—	392		17/06/2016	1.47%
Bilateral Libor +1.25	USD	3,942		—	3,944		13/11/2018	1.47%
Directo Libor +1.80	USD	785		8	794		01/04/2016	2.05%
Línea Comprometida Libor +1.60	USD	285		—	286		31/01/2015	1.77%
Directo Libor +1.60	USD	654		2	656		16/08/2016	1.84%
Directo TERZA	USD	98			98	—	22/10/2018	2.3%
Bilateral / TF	ARS	26				26	25/03/2014	18.00%
Bilateral / TF	ARS	64				64	16/12/2014	22.50%
Directo/ TF	EUR	45				45	16/12/2014	2.00%
Club Deal/Euribor+187.5 bp	EUR	1,485	16	5		1,474	15/06/2015	2.11%
Sindicado/Euribor+275 bp	EUR	2,672	(33)	10		2,649	12/08/2016	3.03%
Sindicado/ TIIE+25 bps	MXN	67				67	26/04/2013	5.10%
Directo/ TF	USD	16				16	08/07/2016	2.00%
Línea Comprometida/ Libor+200 bps	USD	65				65	24/09/2015	2.31%
Línea Comprometida/ Libor+200 bps	USD	111				111	06/03/2014	2.43%
Bilateral/ Libor+250 bps	USD	195				196	28/02/2017	2.96%
Directo/ Libor+325 bp	USD	234				234	25/10/2013	3.75%
Bilateral/ Libor+130 bps	USD	260				260	15/09/2014	1.78%
Directo/ Libor+275 bp	USD	325				325	15/08/2014	3.22%
Bilateral/ Libor+215 bps	USD	390				391	20/09/2015	2.59%
Bilateral/ Libor+130 bps	USD	455				456	15/09/2014	1.78%
Bilateral/ Libor+130 bps	USD	455				456	08/09/2014	1.80%
Bilateral/ Libor+160 bps	USD	651				653	16/08/2016	2.08%
Bilateral/ Libor+180 bps	USD	781				789	01/04/2016	2.05%
Directo/ Libor+337.5 bp	USD	1,156				1,156	17/10/2014	3.63%
Club Deal/Libor+187.5 bp	USD	1,399				1,390	15/06/2015	2.185%-2.30%
Bilateral/ Libor+307 bps	USD	2,082				2,123	23/08/2017	3.98%
Sindicado/ Libor+275 bp	USD	8,304				8,235	12/08/2016	3.06%-3.22%
Unsecured bank loans					15,112	21,181		

Description	Currency	Initial balance	Costs of debt issuance	Interest payable	Balance at December 31, 2013	Balance at December 31, 2012	Maturity date DD/MM/AAAA	Interest rate
Certificado Bursátil/ TIIE+20 bps	MXN	1,000		2	1,002	1,000	08/12/2014	5.04%
Certificado Bursátil/ TF	MXN	1,000		47	1,047	1,000	12/07/2018	10.25%
Certificado Bursátil/ TF	MXN	635		3	638	635	12/07/2018	8.75%
Certificado Bursátil/ UDIS	MXN	605				605	12/07/2018	5.32%
Certificado Bursátil/ UDIS	MXN	629		15	644		12/07/2018	5.32%
Certificado Bursátil/ TIIE+280 bp	MXN	3,500		13	3,513	3,500	10/11/2017	6.58%
Unsecured stock certificates					6,844	6,740		
Bono 144A/ TF	USD	6,538	(123)	132	6,547		28/02/2023	5.50%
Bono 144A/ TF	USD	2,615	(9)	123	2,730		11/08/2014	11.75%
Bono 144A/ TF	USD	5,852	(28)	71	5,895		14/04/2018	5.63%
Bono 144A/ TF	USD	3,226	(34)	9	3,202		16/12/2019	6.88%
Bono 144A/ TF	USD	8,477	(72)	42	8,448		20/11/2022	4.5%
Bono 144A/ TF	USD	3,923	(34)	83	3,971		08/08/2023	5.38%
Bono 144A/ TF	USD	8,433	(74)	42		8,401	20/11/2022	4.50%
Bono 144A/ TF	USD	1,564	(6)	51		1,609	19/08/2014	9.50%
Bono 144A/ TF	USD	5,817	(40)	70		5,847	14/04/2018	5.63%
Bono 144A/ TF	USD	3,204	(32)	9		3,181	16/12/2019	6.88%
Bono 144A/ TF	USD	2,602	(23)	120	—	2,700	11/08/2014	11.75%
Senior Notes					30,793	21,738		
Others/ TF	USD	151	(8)		143	60		
Others					143	60		
China Leasing	RMB	138			138			
Spain	EUR	24			24			
Arrendamiento/ TF	SOLES	8			8	9	01/08/2015	6.95%
Arrendamiento/ TF	SOLES	4				4	01/03/2016	8.32%
Arrendamiento/ TF	USD	59				59	25/03/2014	5.24%
Arrendamiento/ TF	RMB	137				137	28/02/2026	5.80%
Arrendamientos y préstamos subvencionados/ Euribor+104 bp	EUR	39				39	28/02/2026	1.80%
Finance leases					170	248		
Total					Ps54,272	Ps49,967		

At December 31, 2013, the annual maturities of non-current debt are as follows:

	2015	2016	2017	2018 onwards	Total
Bank loans and others	Ps3,351	Ps2,149	Ps 734	Ps 7,219	Ps13,453
Senior Notes	—	—	—	28,018	28,018
Stock certificates	175	1,575	1,750	1,628	5,128
Finance leases	16	9	9	106	140
	Ps3,542	Ps3,733	Ps2,493	Ps36,971	Ps46,739

At December 31, 2012, the annual maturities of non-current debt are as follows:

	2014	2015	2016	2017 onwards	Total
Bank loans and others	Ps 4,663	Ps6,755	Ps5,413	Ps 1,618	Ps18,449
Senior Notes	4,166	—	—	17,572	21,738
Stock certificates	1,635	175	1,575	3,355	6,740
Finance leases	63	12	12	161	248
	Ps10,527	Ps6,942	Ps7,000	Ps22,706	Ps47,175

At December 31, 2013 and 2012, the Company has contractual credit lines unused for a total of US$785 and US$898, respectively.

Covenants:

Most existing debt agreements contain restrictions for the Company, primarily with respect to compliance with certain financial ratios, including:

a) Interest coverage ratio: which is defined as EBITDA for the period of the last four complete quarters divided by financial expenses, net or gross as appropriate, for the last four quarters, which shall not be less than 3.0 times.

b) Leverage ratio: which is defined as consolidated debt at that date, being the gross debt or net debt appropriate, divided by EBITDA for the period of the last four complete quarters, which shall not be more than 3.5 times.

During 2013 and 2012, the financial ratios were calculated according to the formulas set out in the loan agreements.

Currently, the company is in compliance with all obligations and covenants contained in the credit agreements of its subsidiaries; such obligations, among other conditions and subject to certain exceptions, require or limit the ability of the subsidiaries to:

- Provide certain financial information;
- Maintain books and records;
- Maintain assets in appropriate conditions;
- Comply with applicable laws, rules and regulations applicable;
- Incur additional indebtedness;

- Pay dividends;
- Grant liens on assets;
- Enter into transactions with affiliates;
- Perform a consolidation, merger or sale of assets, and
- Carry out sale and lease-back operations

At December 31, 2013 and the date of issuance of these financial statements, the Company and its subsidiaries complied satisfactorily with such covenants and restrictions.

Pledge assets:

At December 31, 2013 Newpek is assets were pledged as collateral under a line of credit for an amount up to US$120, maturing on December 31, 2015 (as at December 31, 2013 US$92.5 had been used).

Loan contracts and debt agreements contain restrictions, primarily relating to compliance with financial ratios, incurring additional debt or making loans that require mortgaging assets, dividend payments and submission of financial information, which if not met or remedied within a specified period to the satisfaction of creditors may cause the debt to become payable immediately. At December 31, 2013 and at the date of issuance of these financial statements, ALFA and its subsidiaries satisfactorily complied with such covenants and restrictions.

Relevant debt transactions:

<u>2013</u>

a) In February 2013, Nemak issued a bond in the international market under standard 144A, Reg-S. The amount of the bond was of US$500. The issued bond should be settled in 10 years and an interest rate of 5.50% (effective interest rate of 5.68%). The Company capitalized debt issuance costs for Ps118. The proceeds were used for the partial payment of the bank debt of the "Senior Unsecured Syndicated Loan Agreement" effective at that date. This payment led to an advance amortization of issuance expenses amounting Ps100.

b) On August 8, 2013, Alpek completed an issuance of Senior Notes for a nominal amount of US$300 with a single maturity of August 8, 2023. Interests of Senior Notes will be payable semi-annually at a 5.375% annual rate from February 8, 2014. The Senior Notes were issued through a private issuance under Rule 144A of the "Securities Act" of 1933 ("Rule 144A of the Securities Act of 1933") of the United States of America and they are unconditionally guaranteed, in an unsubordinated manner, for the joint obligation of certain subsidiaries of the Company.

   Additionally, the issuance of Senior Notes originated issuance costs and expenses in the amount of US$2. Issuance costs and expenses, including the placement discount of Senior Notes is presented net of debt and amortized together with the loan based on the effective rate method.

c) On September 26, 2013, Grupo Petrotemex, S.A. de C.V. (subsidiary of Alpek) settled in advanced the principal amount of "Senior Notes 144A/Reg. S" issued in 2009, the amount of principal pending payment at that date was US$120.

   The proceeds of the issuance of Senior Notes were used mainly to make advance debt payments of certain subsidiaries of the Company.

d) In December 2013, Nemak concluded the refinancing of its bank debt, which was authorized by the Board of Directors. This process included the bank debt of the main current contracts of Tenedora Nemak with Banks: The Senior Unsecured Syndicated Loan Agreement, held in August 2011 and the Senior Unsecured Loan Agreement" in June 2012. This refinancing process involved expenses incurred by the company of Ps51 that were recorded in the statement of financial position and will be amortized during the life of the loan.

e) On November 13, 2013, Sigma obtained a syndicated loan with the Bank of Tokyo-Mitsubishi UFJ, Ltd. as global coordinator and administrative agent together with a group of banks (the "Syndicated Loan") for the amount of up to US$1,000 maturing on November 13, 2018, with four equal repayments in May 2017, November 2017, May 2018 and November 2018 (US$301.5 had been used as at December 31, 2013). Syndicated Loan interest will be payable monthly at LIBOR plus 1.250% of surtax. The proceeds of the syndicated loan are being used by the Company to complete the acquisition of Campofrío Food Group, SA ("Campofrío").

   This loan has no specific guarantees but there is joint and several liability and endorsement by certain subsidiaries.

2012

f) On June 28, 2012 Nemak completed the acquisition of JL French Automotive Castings, Inc. in the amount of US$215, which was financed by a loan from four banks for a term of three years.

g) On August 13, 2012, Petrotemex Group repurchased US$154.2 ("Tender Offer") of the principal amount of the Senior Notes 144A/Reg. S issued in 2009, leaving a balance at December 31, 2012 of US$120.8, due in 2014. Additionally, after the Tender Offer, the Petrotemex Group achieved majority consent of the holders of the Senior Notes to amend certain terms of the contract that governs them, and as a result the Senior Notes that did not adhere to the tender offer remain in force but without the effect of the financial covenants.

h) On November 20, 2012, Alpek completed an issuance of Senior Notes for a nominal amount of US$650 with a single maturity on November 20, 2022. Interests of Senior Notes will be payable semi-annually at a 4.500% annual rate as from May 20, 2013. The Senior Notes were issued through a private placement under Rule 144A / Reg. S. of the Securities Act of 1933 of the United States of America and are unconditionally guaranteed as unsubordinated jointly and severally by certain subsidiaries of the Company.

   Additionally, the issuance of Senior Notes involved issuance costs and expenses to the amount of US$5.7. The issuance costs and expenses, including the discount on the placement of the Senior Notes, are presented net of debt and are being amortized along with the loan based on the effective interest method.

   The proceeds of the issuance of Senior Notes were used mainly to make advance debt payments of certain subsidiaries of the Company.

The finance lease liabilities are effectively secured as the rights to the leased asset which revert to the lessor in the event of default.

	December 31,	
	2013	2012
Obligation for finance leases – minimal payments, gross		
- Less than 1 year	Ps 30	Ps 6
- More than 1 year and less than 5 years	132	13
Present value of finance lease liabilities	Ps162	Ps19

The present value of finance lease liabilities are analyzed as follows:

	December 31, 2013	December 31, 2012
Less than 1 year	Ps 30	Ps 7
More than 1 year and less than 5 years	42	6
More than 5 years	90	—
	Ps162	Ps 13

Note 18 - Deferred taxes:

The analysis of the deferred tax asset and deferred tax liability is as follows:

	December 31, 2013	December 31, 2012 (Restructured*)
Deferred tax asset:		
- To be recovered in more than 12 months	(Ps 11,087)	(Ps 9,899)
- To be recovered within 12 months	(813)	(796)
	(11,900)	(10,695)
Deferred tax liability:		
- To be covered in more than 12 months	12,370	11,321
- To be covered within 12 months	1,853	1,685
	14,223	13,006
Deferred tax liabilities, net	Ps 2,323	Ps 2,311

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The gross movement in the deferred income tax account is as follows:

	2013	2012 (Restructured*)
At January 1	Ps2,311	Ps3,098
Exchange differences	(64)	(148)
Charge to income statement	(339)	75
Business acquisition	—	(620)
Tax related to components of other comprehensive income	415	(94)
At December 31	Ps2,323	Ps2,311

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

The composition of the deferred income tax assets and liabilities was as follows:

	(Asset) liability December 31, 2013	(Asset) liability December 31, 2012 (Restructured*)
Inventories	(Ps 22)	(Ps 83)
Advance payments	(72)	(96)
Intangible assets	(395)	(110)
Property, plant and equipment	(8,443)	(7,201)
Tax loss carryforwards	(2,249)	(2,588)
Other temporary differences, net	(719)	(617)
Deferred tax assets	(11,900)	(10,695)
Customers	333	282
Net liability for employee retirement	567	753
Valuation of derivative instruments	114	248
Provisions	218	230
Tax loss carryforwards	11,803	10,568
Other temporary differences, net	1,188	925
Deferred tax liabilities	14,223	13,006
Deferred tax liabilities, net	Ps 2,323	Ps 2,311

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

Changes in deferred tax assets and liabilities during the year were as follows:

	Balance at December 31, 2012 (Restructured*)	(Charged) credited to income statement	(Charged) credited to other Comprehensive income	Balance at December 31, 2013
Inventories	(Ps 83)	Ps61	Ps—	(Ps 22)
Advance payments	(96)	24	—	(72)
Intangible assets	(110)	(285)	—	(395)
Property, plant and equipment	(7,201)	(1,242)	—	(8,443)
Tax loss carryforwards	(2,588)	339	—	(2,249)
Other temporary differences, net	(617)	(102)	—	(719)
Deferred tax assets	(10,695)	(1,205)	—	(11,900)
Customers	282	51	—	333
Net liability for employee retirement	753	129	(315)	567
Valuation of derivative instruments	248	(34)	(100)	114
Provisions	230	(12)	—	218
Tax loss carryforwards	10,568	1,235	—	11,803
Other temporary differences, net	925	263	—	1,188
Deferred tax liabilities	13,006	1,632	(415)	14,223
Deferred tax liabilities, net	Ps 2,311	Ps 427	(Ps 415)	Ps 2,323

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

	Balance at January 1, 2012	(Charged) credited from business acquisitions	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	Balance at December 31, 2012
					(Restructured*)
Inventories	Ps—	Ps—	(Ps 83)	Ps—	(Ps 83)
Advance payments	(37)	—	(59)	—	(96)
Intangible assets	(139)	—	29		(110)
Property, plant and equipment	(8,198)	—	997	—	(7,201)
Tax loss carryforwards	(1,477)	(620)	(491)	—	(2,588)
Other temporary differences, net	(1,702)	—	1,085	—	(617)
Deferred tax assets	(11,553)	(620)	1,478	—	(10,695)
Inventories	81	—	(81)		—
Customers	265	—	17	—	282
Valuation of derivative instruments	583	—	(298)	(37)	248
Net liability for employee retirement	606	—	16	131	753
Provisions	504	—	(274)	—	230
Tax loss carryforwards	11,647	—	(1,079)	—	10,568
Other temporary differences, net	965	—	(40)	—	925
Deferred tax liabilities	14,651	—	(1,739)	94	13,006
Deferred tax liabilities, net	Ps3,098	(Ps 620)	(Ps 261)	Ps 94	Ps 2,311

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

Tax loss carry forwards are recognized as a deferred tax asset to the extent that realization of the related tax benefit through future taxable profits is probable. Tax losses amounted to Ps7,497 in 2013 and Ps6,560 in 2012.

Tax losses at December 31, 2013 and 2012 expire in the following years:

Year of loss	2013	2012	Year of expiration
2008 and prior	Ps4,781	Ps5,180	2018
2009	285	276	2019
2010	155	149	2020
2011	101	97	2021
2012	970	858	2022
2013	1,205	—	2023
	Ps7,497	Ps6,560	

New Mexican Income Tax Law

On December 11, 2013 the decree for the new Income Tax Law was published (new LISR) becoming effective on January 1, 2014, repealing the LISR published as of January 1, 2002 (former LISR). The new LISR maintains the essence of the former LISR; however, it makes significant amendments among which the most important are:

i. Limiting deductions in contributions to pension and exempt salary funds, automobile leases, restaurant consumption and social security fees; it also eliminates the immediate deduction in fixed assets.

ii. Amending the mechanics to accumulate revenues derived from the term alienation and generalizing the procedure to determine the gain in alienation of shares.

iii. Amending the procedure to determine the taxable basis for the Employees' Profit Sharing (PTU Spanish acronym), establishing the mechanics to determine the initial balance of the capital contribution account (CUCA Spanish acronym) and the Net Tax Profit Account (CUFIN Spanish acronym) and establishing new mechanics for the recovery of Asset Tax (IA Spanish acronym)

iv. Establishing an ISR rate applicable for 2014 and the following years of 30%. In contrast to the LISR above that established a 30%, 29% and 28% rate for 2013, 2014 and 2015, respectively.

v. The tax provisions for tax consolidation regime purposes of 2014 are reformed, added and revoked.

The Company has reviewed and adjusted the deferred tax balance at December 31, 2013, considering in the determination of temporary differences, the application of these new provisions. However, the effects in deduction limitations and others indicated previously will be applied from 2014 and will mainly affect the tax incurred as of that year.

Income tax under tax consolidation regime in Mexico

In 2013, 2012 and 2011, the Company determined consolidated taxable income of Ps4,351, Ps5,337 and Ps5,483, respectively. The consolidated tax result differs from the accounting profit principally in respect of items which are taxed or reduced in different periods for accounting and tax purposes, due to the recognition of the effects of the inflation for tax purposes, as well as due to items only affecting either the accounting or tax result.

ALFA incurred consolidated income tax up to 2013 with its Mexican subsidiaries. Since the effective Income Tax Law effective up to December 31, 2013 was revoked, the tax consolidation regime was eliminated; therefore, ALFA is obliged to make a deferred tax payment determined at that date during the following ten years as from 2014, as shown below.

At the date of issuance of these financial statements, ALFA is in the process of assessing the option to incorporate the new Optional Regime for Groups of Companies as from 2014.

In accordance with paragraph d) of section XV of the ninth transitory article of the 2014 Law, and provided that the Company at December 31, 2013 was acting as the controlling company and was subject, at that date, to the payment system contained in section VI of the fourth article of the transitory provisions of the Income Tax Law published in the federal official gazette on December 7, 2009, or article 70-A of the 2013 Income Tax Law that was revoked, shall continue paying the tax consolidation deferred tax in fiscal years 2007 and prior years in conformity with the abovementioned provisions, until payment is concluded.

Income tax from deferred tax consolidation at December 31, 2013 and 2012 amounts to Ps4,136 and Ps4,473, respectively and will be paid off in installments in accordance with the table shown below:

	Year of payment					
	2014	2015	2016	2017	2018 onwards	Total
Tax losses	Ps233	Ps499	Ps619	Ps583	Ps1,875	Ps3,809
Special consolidation items	2	—	—	—	—	2
Dividends distributed by the controlled companies that do not come from CUFIN and the reinvested CUFIN	116	69	56	42	42	325
Total	Ps351	Ps568	Ps675	Ps625	Ps1,917	Ps4,136

The current portion of income tax from deferred tax consolidation amounts to Ps351 and is recorded as part of the income tax payable in the current liabilities.

Note 19 - Provisions:

	Disputes (1)	Restructuring and demolition (2)	Environmental remediation (2)	Indemnities for dismissal and others (2)	Total
At January 1, 2012	Ps 578	Ps—	Ps—	Ps —	Ps 578
Additions	138	—	—	—	138
At December 31, 2012	716	—	—	—	716
Additions	67	487	372	198	1,124
Exchange effects	—	7	5	10	22
Payments	(291)	(78)	—	(117)	(486)
At December 31, 2013	Ps 492	Ps416	Ps377	Ps 91	Ps1,376

	2013	2012
Short-term provisions	Ps 833	Ps —
Long-term provisions	543	716
At December 31,	Ps1,376	Ps 716

(1) This provision corresponds to the contingency mentioned in Note 33 and is considered long term.
(2) Corresponds to the closing of the cape fear plant, as mentioned in Note 2.h.

Note 20 - Other liabilities:

	December 31,	
	2013	2012
Share-based employee benefits (Note 24)	Ps 701	Ps594
Dividends payable	65	43
Accounts payable – affiliates (Note 31)	267	357
Total other liabilities	Ps1,033	Ps994
Current portion	Ps 534	Ps559
Non-current portion	499	435
Total other liabilities	Ps1,033	Ps994

Note 21 - Employee benefits:

The valuation of employee benefits for retirement plans (covering approximately 80% of workers in 2013 and 80% in 2012) and is based primarily on their years of service, current age and estimated salary at retirement date.

The principal subsidiaries of the Company have established funds for the payment of retirement benefits through irrevocable trusts.

The employee benefit obligations recognized in the statement of financial position, by country, are shown below:

	December 31,	
Country	2013	2012
México	Ps 801	Ps1,032
United States	644	1,211
Others	446	447
Total	Ps1,891	Ps2,690

Following is a summary of the main financial information of such employee benefits:

	December 31,	
	2013	2012
Liabilities in the balance sheet for:		
Pension benefits	Ps1,229	Ps1,920
Post-employment medical benefits	662	770
Liabilities in the balance sheet	Ps1,891	Ps2,690

	2013	2012	2011
Charge in the income statements for:			
Pension benefits	(Ps 265)	(Ps 67)	Ps 155
Post-employment medical benefits	(54)	(31)	(11)
	(Ps 319)	(Ps 98)	Ps 144
Actuarial losses recognized in the statement of other comprehensive income for the period	Ps1,049	(Ps306)	(Ps248)
Cumulative actuarial losses recognized other comprehensive income	Ps 495	(Ps554)	(Ps248)

Pension benefits

The Company operates defined benefit pension plans based on employees pensionable remuneration and length of service. Most plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the respective trustees (or equivalent).

Amounts recognized in the balance sheet are determined as follows:

	December 31, 2013	December 31, 2012
Present value of defined benefit obligations	Ps 5,371	Ps 5,920
Fair value of plan assets	(4,142)	(3,878)
Present value of unfunded obligations	1,229	2,042
Past service cost not recognized	—	(122)
Liabilities in the balance sheet	Ps 1,229	Ps 1,920

The movement in the defined benefit obligation during the year was as follows:

	2013	2012
At January 1	Ps5,920	Ps5,130
Current service cost	215	99
Interest cost	251	258
Employee contributions	1	1
Remeasurements:		
Demographic actuarial losses/(gains)	(350)	721
Financial actuarial losses/(gains)	(191)	—
Exchange differences	35	68
Benefits paid	(457)	(358)
Liabilities acquired in business combinations	—	10
Reductions	(35)	(5)
Settlements	(18)	(4)
At December 31	Ps5,371	Ps5,920

The movement in the fair value of plan assets for the year was as follows:

	2013	2012
At January 1	(Ps3,878)	(Ps3,315)
Expected return on plan assets	(178)	(280)
Remeasurements – expected return on plan assets, excluding interest income	(327)	(324)
Exchange differences	(17)	(8)
Employer contributions	(62)	(160)
Employee contributions	(1)	(1)
Benefits paid [(1)]	308	210
Liabilities acquired in business combinations	13	—
At December 31	(Ps4,142)	(Ps3,878)

[(1)] With respect to the closing of the Cape Fear plant, the Company incurred in losses from termination and a settlement agreement with the trustees, effective as at October 10, 2013 for a total of Ps107, settling all retirement benefit plan obligations in relation with the site's employees.

Amounts recorded in the statement of income are as follows:

	2013	2012	2011
Current service cost	(Ps215)	(Ps 83)	Ps 58
Financial revenues (costs), net	(73)	25	78
Past service cost	—	(10)	(3)
Loss from reduction	23	1	22
Total included in personal costs	(Ps265)	(Ps 67)	Ps155

The principal actuarial assumptions were as follows:

	December 31,	
	2013	2012
Discount rate	6.75%	5.50%
Inflation rate	4.25%	4.25%
Salary increase rate	5.25%	5.25%
Future salary increase	4.25%	4.25%
Medical inflation rate	7.50%	7.50%

The average life of defined benefit obligations is 13 and 14 years at December 31, 2013 and 2012, respectively.

The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Effect in defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rates	+1%	Decreases by Ps284	Increases by Ps348

Post-employment medical benefits

The Company operates post-employment medical benefits schemes mainly in Mexico and the United States. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. Most of these plans are not being funded.

Amounts recognized in the balance sheet are determined as follows:

	December 31,	
	2013	2012
Present value of defined benefit obligations	Ps666	Ps775
Fair value of plan assets	(4)	(4)
Deficit in funded plans	662	771
Present value of unfunded obligations	—	(1)
Liabilities in the balance sheet	Ps662	Ps770

The movements of defined benefit obligations are as follows:

	2013	2012
At January 1	Ps770	Ps678
Current service cost	19	11
Interest cost	35	31
Employee contributions	8	7
Demographic actuarial losses/(gains)	(97)	60
Financial actuarial losses/(gains)	(42)	—
Exchange differences	—	9
Reductions	3	—
Benefits paid	(30)	(26)
At December 31	Ps666	Ps770

The movement in the fair value of plan assets for the year was as follows:

	2013	2012
At January 1	Ps 4	Ps 3
Expected return on plan assets without interest income	—	1
Benefits paid	—	—
At December 31	Ps 4	Ps 4

Amounts recorded in the statement of income are as follows:

	2013	2012	2011
Current service cost	(Ps 19)	Ps —	(Ps 2)
Interest cost	(35)	(31)	(9)
Total included in personal costs	(Ps 54)	(Ps 31)	(Ps11)

The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Effect in defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Medical inflation rate	+1%	Increases by Ps77	Decreases by Ps59

Note 22 - Stockholders' equity

In an extraordinary Shareholders' Meeting of Alfa, S. A. B. de C. V., held on August 30, 2012, it was agreed to carry out a stock split as of September 28, 2012. As of that date the Company proceeded to exchange "November 2006" share certificates of ALFA for "25 September 2012" share certificates, at the rate of ten (10) new shares for each share of the previous issue.

At December 31, 2013, the capital stock is variable, with a fixed minimum without withdrawal rights of Ps210, represented by 5,200,000,000 "Class I" Series "A" shares, without par value, fully subscribed and paid. The variable capital entitled to withdrawal will be represented, if issued, by registered "Class II" Series "A" shares without par value.

	Thousand shares
At December 31, 2011	5,400,000
Cancelled on February 29, 2012	(200,000)
At December 31, 2012 and 2013	5,200,000

During 2013 and 2012 the Company repurchased 3,500,000 and 53,317,000, shares respectively, for a total of Ps99 and Ps1,074, in connection with a share repurchase program that was approved by the shareholders of the Company and carried out at the discretion of the Administration. At December 31, 2013 and 2012, the Company held 57,500,000 and 54,000,000 treasury shares and the market value of the share was 36.62 and 27.38 pesos, respectively.

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock. At December 31, 2013 and 2012, the legal reserve amounted to Ps60, which is included in retained earnings.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN). Any dividends paid in excess of this account will cause a tax equivalent to 30%if they are paid in 2013. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years or, if applicable, against the flat tax of the period. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment. At December 31, 2012, the tax value of the consolidated CUFIN and value of the Capital Contribution Account (CUCA) amounted to Ps11,258 and Ps34,941 respectively.

In the event of a capital reduction, the Income Tax Law provides that any excess of stockholders' equity over adjusted capital contribution will receive the same tax treatment as dividends.

The movements in cumulative other comprehensive income for 2013, 2012 and 2011 are presented below:

	Effect from foreign currency translation	Effect of cash flow hedge derivative instruments	Total
At January 1, 2011	Ps —	Ps 137	Ps 137
Gains (losses) on fair value	—	(496)	(496)
Tax on gain (loss) on fair value	—	143	143
Gains (losses) on translation of foreign entities	3,031	—	3,031
At December 31, 2011	3,031	(216)	2,815
Gains (losses) on fair value	—	121	121
Tax on gain (loss) on fair value	—	(34)	(34)
Gains (losses) on translation of foreign entities	(2,810)	—	(2,810)
At December 31, 2012	221	(129)	92
Gains (losses) on fair value	—	334	334
Tax on gain (loss) on fair value	—	(100)	(100)
Gains (losses) on translation of foreign entities	262	—	262
At December 31, 2013	Ps 483	Ps 105	Ps 588

Foreign currency translation

The foreign exchange differences arising from the translation of financial statements of foreign subsidiaries are recorded.

Effect of derivative financial instruments

The effect of derivative financial instruments contracted as cash flow hedges contains the effective portion of cash flow hedges in force at the reporting date.

The directors and executive officers of the Company do not own more than 1% of its capital. Furthermore, no shareholder owns more than 10% of its capital, or has significant influence or control or has power to govern the company.

Note 23 - Foreign currency position

At January 29, 2014, the date of issuance of these financial statements, the exchange rate was 13.07 Mexican pesos per dollar.

The figures below are expressed in millions of dollars, since this is the prevailing foreign currency for Company.

At December 31, 2013 and 2012 had the following assets and liabilities in foreign currencies:

	December 31, 2013				
	Dollars (USD)		Other currencies		Total
	USD	Mexican pesos	USD	Mexican pesos	Mexican pesos
Monetary assets	Ps 2,021	Ps 26,427	Ps 533	Ps 6,972	Ps 33,399
Liabilities					
Current	(1,234)	(16,132)	(573)	(7,489)	(23,621)
Non-current	(3,057)	(39,977)	(94)	(1,228)	(41,205)
Monetary position in foreign currencies	(Ps 2,270)	(Ps 29,682)	(Ps 134)	(Ps 1,745)	(Ps 31,427)

	December 31, 2012				
	Dollars (USD)		Other currencies		Mexican pesos
	USD	Mexican pesos	USD	Mexican pesos	pesos
Monetary assets	Ps 1,262	Ps 20,319	Ps 615	Ps 8,001	Ps 28,320
Liabilities					
Current	(971)	(12,628)	(956)	(12,439)	(25,067)
Non-current	(2,329)	(30,298)	(1,601)	(20,827)	(51,125)
Monetary position in foreign currencies	(Ps 2,038)	(Ps 22,607)	(Ps 1,942)	(Ps 25,265)	(Ps 47,872)

Note 24 - Share-based payments

ALFA has a compensation scheme referenced to the value of its own shares for senior executives of ALFA and its subsidiaries. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of certain quantitative and qualitative metrics based on the following financial measures:

- Improved share price
- Improvement in net income
- Permanence of the executives in the Company

The program consists of determining a number of shares on which the executives shall be based. The bonus will be paid in cash over the next five years, i.e. 20% each year at the average price of the share at the end of each year. The average price of the share in 2013 and 2012 was 38.86 and 27.8 pesos, respectively.

At December 31, 2013 and 2012 the liability for share-based payments amounted to Ps702 and Ps594, respectively.

The short-term and long-term liability was analyzed as follows:

	December 31, 2013	December 31, 2012
Short-term	Ps203	Ps160
Long-term	499	434
Total carrying value	Ps702	Ps594

Note 25 - Expenses classified by their nature

The total cost of sales and selling and administrative expenses, classified by the nature of the expense, were as follows:

	2013	2012	2011
Raw materials	(Ps121,374)	(Ps123,771)	(Ps117,838)
Outsourced production	(5,357)	(5,139)	(4,007)
Employee benefit expenses (Note 29)	(24,459)	(22,284)	(17,491)
Maintenance	(5,658)	(4,983)	(5,401)
Depreciation and amortization	(7,932)	(7,962)	(6,915)
Freight charges	(4,309)	(4,409)	(1,187)
Advertising expenses	(1,261)	(1,210)	(58)
Lease expenses	(947)	(772)	—
Consumption of energy and fuel	(6,775)	(5,799)	(2,688)
Travel expenses	(617)	(564)	(337)
Technical assistance, professional fees and administrative services	(4,143)	(1,779)	(1,519)
Other	(4,328)	(5,141)	(11,779)
Total	(Ps187,160)	(Ps183,813)	(Ps169,220)

Note 26 - Other expenses, net:

	2013	2012	2011
Expenses for acquisition projects	(Ps 29)	(Ps 17)	(Ps 267)
Valuation of derivative financial transactions	41	152	—
Reorganization costs	(5)	(21)	(186)
Refinancing expense	19	(8)	(1)
Impairment loss	(294)	(270)	(503)
Loss on sale of waste	(56)	(53)	(217)
Gain on sale of assets	1	37	(5)
Gain on sale of shares	326	112	86
Other	207	19	18
Total other expenses	Ps 210	(Ps 49)	(Ps1,075)

Note 27 - Non-recurring items

	2013	2012	2011
Charges from operation restructuring [1]	(Ps2,421)	Ps—	Ps—
Business acquisition at a bargain price [2]	—	367	—
Total non-recurring items	(Ps2,421)	Ps367	Ps—

(1) These expenses correspond to the closing of the Cape fear plant as mentioned in Note 2.h.
(2) These revenues correspond to the acquisition of JL French as mentioned in Note 2.m.

Note 28 - Financial cost, net

	2013	2012	2011
Financial income:			
- Interest income on short-term bank deposits	Ps 206	Ps 267	Ps 129
- Expected return on plan assets	—	261	248
- Interest rate swaps	—	138	93
- Other finance income	64	53	22
	—	—	114
Financial income, excluding foreign exchange loss	270	719	606
Gain on foreign exchange	16	962	—
Total financial income	Ps 286	Ps 1,681	Ps 606
Financial expenses:			
- Interest expense on bank loans	(Ps 1,775)	(Ps 2,152)	(Ps 2,168)
- Interest expense on exchange – traded debt certificates	(1,609)	(1,516)	(1,132)
- Interest expense on sale of receivables	(172)	(164)	(98)
- Interest cost on benefit to employees	(105)	(268)	(242)
- Interest expense of suppliers	(5)	(34)	(32)
- Interest rate swaps: fair value hedging	(107)	(16)	(47)
- Other financial expenses	(290)	(265)	(404)
Finance costs	(4,063)	(4,415)	(4,123)
Less: amounts capitalized on qualifying fixed assets	85	3	3
Interest expense, excluding foreign exchange loss	(3,978)	(4,412)	(4,120)
Foreign exchange loss	(365)	—	(1,244)
Total finance cost	(Ps 4,343)	(Ps 4,412)	(Ps 5,364)
Financing cost, net	(Ps 4,057)	(Ps 2,731)	(Ps 4,731)

Note 29 - Employee benefit expenses

	2013	2012	2011
Salaries, wages and benefits	Ps21,107	Ps19,180	Ps15,130
Contributions to social security	2,604	2,435	1,809
Employees' benefits (Note 20)	570	485	412
Other contributions	178	184	140
Total	Ps24,459	Ps22,284	Ps17,491

Note 30 - Income tax for the year

	2013	2012	2011
Tax currently payable:			
Income tax on profits of the period	(Ps 3,202)	(Ps 3,431)	(Ps 3,278)
Adjustment for previous years	(383)	217	82
Total tax currently payable	(3,585)	(3,214)	(3,196)
Deferred tax:			
Origination and reversal of temporary differences	339	(75)	(534)
Total deferred tax	339	(75)	(534)
Effect of tax consolidation on income tax	54	(101)	1,179
Income taxes charged to income	(Ps 3,192)	(Ps 3,390)	(Ps 2,551)

The reconciliation between the statutory and effective rates of income tax was as follows:

	2013	2012	2011
Profit before taxes	Ps 9,987	Ps 13,941	Ps 7,883
Share in losses of associates recognized through equity method	41	—	31
Income before equity in associates	10,028	13,941	7,914
Statutory rate	30%	30%	30%
Tax at statutory rate	(3,008)	(4,182)	(2,375)
(Add) deduct tax effect of:			
Differences in calculating interest deductions	338	652	(364)
Other permanent differences, net	(139)	241	106
Provision based on operations of the year	(2,809)	(3,289)	(2,633)
Recalculation of back taxes and other	(383)	(101)	82
Total provision for income taxes charged to income	(Ps 3,192)	(Ps 3,390)	(Ps 2,551)
Effective rate	32%	25%	32%

The tax charge/(credit) relating to components of other comprehensive income was as follows:

	2013			2012		
	Before tax	Tax charged (credited)	After tax	Before tax	charged (credited)	Tax After tax
Effect of derivative financial instruments hired as cash flow hedges	Ps 334	(Ps 100)	Ps 234	Ps 124	(Ps37)	Ps 87
Actuarial losses on labor liabilities	1,049	(315)	734	(437)	131	(306)
Translation effect of foreign entities	456	—	456	(2,887)	—	(2,887)
Other items of comprehensive income	Ps1,839	(Ps 415)	Ps1,424	(Ps 3,200)	Ps94	(Ps 3,106)
Deferred taxes		(Ps 415)			Ps94	

	2011		
	Before tax	Tax charged (credited)	After tax
Effect of derivative financial instruments hired as cash flows hedging	(Ps 506)	Ps152	Ps (354)
Actuarial losses on labor liabilities	(354)	106	(248)
Translation effect of foreign entities	3,492	—	3,492
Other items of comprehensive income	Ps 2,632	Ps258	Ps2,890
Deferred taxes		Ps258	

Note 31 - Related party transactions

Transactions with related parties during the years ended December 31, 2013 and 2012, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	2013	2012	2011
Sale of goods and services:			
Affiliates	Ps20,478	Ps17,556	Ps16,180
Purchase of goods and services:			
Affiliates	Ps16,014	Ps15,260	Ps17,440

For the year ended December 31, 2013, 2012 and 2011, wages and benefits received by top officials of the company were Ps741, Ps603 and Ps413, respectively, an amount comprising base salary and legal benefits, supplemented by a variable compensation program primarily based on the results of the Company and the market value of its shares.

At December 31, 2013 and 2012, the balances with related parties were as follows:

	Nature of the transaction	December 31, 2013	December 31, 2012
Receivables:			
Affiliates	Sales of products	Ps1,355	Ps1,645
Shareholders with significant influence over subsidiaries	Service rendering	Ps 185	Ps 85
Payable:			
Affiliates	Purchase of raw materials	Ps 266	Ps 357

Balances payable to related parties at December 31, 2013 are payable in 2014 and do not bear interest.

The Company and its subsidiaries report that they had no significant transactions with related parties or conflicts of interest to disclose.

Note 32 - Segment reporting

Segment information is presented consistently with the internal reporting provided to the chief executive who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

An operating segment is defined as a component of an entity on which separate financial information is regularly being evaluated.

The company manages and evaluates its operation through 5 basic operating segments which are:

- Alpek: This segment operates in the petrochemical and synthetic fibers industry, and its revenues are derived from sales of its main products: polyester, plastics and chemicals.
- Sigma: This segment operates in the refrigerated food sector and its revenues are derived from sales of its main products: deli meats, dairy and other processed foods.
- Nemak: This segment operates in the automotive industry and its revenues are derived from sales of its main product: aluminum engine heads and blocks.
- Alestra: This segment operates in the telecommunications sector and its revenues are derived from the provision of data transmission services, Internet and long distance phone service.
- Newpek: This segment is dedicated to the exploration and exploitation of natural gas and oil fields.
- Other segments: includes all other companies operating in business services and others which are non-reportable segments and do not meet the quantitative limits in the years presented and, therefore, are presented in aggregate, as well as being substantially eliminated in consolidation.

These operating segments are managed and controlled independently because the products and the markets they serve are different. Their activities are performed through various subsidiaries.

The operations between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on income before financial results, income taxes, depreciation and amortization ("EBITDA"), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the ADJUSTED EBITDA as the result of adding to the operating profit depreciation and amortization and asset impairment.

Following is the condensed financial information of these operating segments:

Year ended December 31, 2013

	Alpek	Sigma	Nemak	Alestra	Newpek	Other segments and eliminations	Total
Statement of income							
Revenue by segment	Ps 90,061	Ps 48,989	Ps 56,299	Ps 5,067	Ps 1,706	Ps 3,322	Ps 205,444
Intersegment revenue	(243)	—	—	(113)	—	(1,632)	(1,988)
Revenue from external customers	Ps 89,818	Ps 48,989	Ps 56,299	Ps 4,954	Ps 1,706	Ps 1,690	Ps 203,456
Adjusted EBITDA	Ps 7,344	Ps 6,710	Ps 7,823	Ps 2,166	Ps 1,166	Ps (674)	Ps 24,535
Depreciation and amortization	(2,025)	(1,353)	(3,282)	(828)	(330)	(114)	(7,932)
Asset impairment	(2,394)	(80)	(24)	(9)	(11)	—	(2,518)
Operating profit	2,925	5,277	4,517	1,329	825	(788)	14,085
Financial result	(1,172)	(1,039)	(1,456)	(309)	(18)	(63)	(4,057)
Share of losses of associates	(30)	(4)	19	—	8	(34)	(41)
Profit or loss before tax	Ps 1,723	Ps 4,234	Ps 3,080	Ps 1,020	Ps 815	(Ps 885)	Ps 9,987
Statement of financial position							
Investment in associates	Ps 41	Ps 5,632	Ps 174	Ps 10	Ps —	Ps 89	Ps 5,946
Other assets	58,086	32,753	52,684	8,332	3,955	3,634	159,444
Total assets	58,127	38,385	52,858	8,342	3,955	3,723	165,390
Total liabilities	31,040	26,002	34,432	4,649	2,133	1,966	100,221
Net assets	Ps 27,087	Ps 12,383	Ps 18,426	Ps 3,693	Ps 1,822	Ps 1,757	Ps 65,169
Capital expenditures (Capex)	(Ps 2,276)	(Ps 1,522)	(Ps 4,336)	(Ps1,538)	(Ps2,473)	(Ps 53)	(Ps 12,198)

Year ended December 31, 2012

	Alpek	Sigma	Nemak (Restructured*)	Alestra	Newpek	Other segments and eliminations	Total
Statement of income							
Revenue by segment	Ps 96,163	Ps 45,476	Ps 51,384	Ps 4,634	Ps 1,227	Ps 3,715	Ps 202,599
Intersegment revenue	(360)	—	(3)	(111)	—	(1,958)	(2,432)
Revenue from external customers	Ps 95,803	Ps 45,476	Ps 51,381	Ps 4,523	Ps 1,227	Ps 1,757	Ps 200,167
ADJUSTED EBITDA	Ps 9,609	Ps 6,214	Ps 6,671	Ps 1,804	Ps 875	(Ps 697)	Ps 24,476
Non-recurring items			367				367
Depreciation and amortization	(2,129)	(1,409)	(3,287)	(833)	(197)	(107)	(7,962)
Asset impairment	(4)	(23)	(214)	(12)	(1)	(16)	(270)
Income from dividends	—	—	18	—	—	43	61
Operating profit (loss)	7,476	4,782	3,555	959	677	(777)	16,672
Financial result	(1,331)	54	(1,393)	(133)	(8)	80	(2,731)
Share of losses of associates	(39)	—	38	—	—	1	—
Profit or loss before taxes	Ps 6,106	Ps 4,836	Ps 2,200	Ps 826	Ps 669	(Ps 696)	Ps 13,941
Statement of financial position							
Investment in associates	Ps 2	Ps —	Ps 243	Ps 10	Ps —	Ps —	Ps 255
Other assets	61,694	30,616	49,818	7,363	1,701	2,778	153,970
Total assets	Ps 61,696	Ps 30,616	Ps 50,061	Ps 7,373	Ps 1,701	Ps 2,778	Ps 154,225
Total liabilities	32,045	20,416	34,777	4,244	456	1,143	93,081
Net assets	Ps 29,651	Ps 10,200	Ps 15,284	Ps 3,129	Ps 1,245	Ps 1,635	Ps 61,144
Capital expenditures (Capex)	(Ps 1,522)	(Ps 1,416)	(Ps 4,171)	(Ps 887)	(Ps 640)	Ps 96	(Ps 8,732)

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

Year ended December 31, 2011

	Alpek	Sigma	Nemak	Alestra	Newpek	Other segments and eliminations	Total
Statement of income							
Income by segment	Ps90,667	Ps41,078	Ps44,669	Ps 4,697	Ps 573	Ps 3,033	Ps184,717
Intersegment income	(286)	—	—	(953)	—	(511)	(1,750)
Income from outside customers	Ps90,381	Ps41,078	Ps44,669	Ps 3,744	Ps 573	Ps 2,522	Ps182,967
Adjusted EBITDA	Ps 9,545	Ps 4,846	Ps 4,614	Ps 1,572	Ps 380	(Ps 883)	Ps 20,074
Depreciation and amortization	(1,819)	(1,397)	(2,435)	(1,008)	(146)	(110)	(6,915)
Asset impairment	(137)	(53)	(209)	(31)	(25)	(48)	(503)
Income from dividends	—	—	16	—	—	—	16
Operating profit	7,589	3,396	1,986	533	209	(1,041)	12,672
Financial result	(1,190)	(1,938)	(1,119)	(681)	(7)	177	(4,758)
Share of losses of associates	(24)	—	—	—	—	(7)	(31)
Gain or loss before tax	Ps 6,375	Ps 1,458	Ps 867	(Ps 148)	Ps 202	(Ps 888)	Ps 7,883

Revenue to external customers as well as property, plant and equipment, goodwill and intangible assets by geographic area are shown below. The revenue to external customers were classified based on their origin:

	Year ended December 31, 2013			
	Revenue to external customers	Property, plant and equipment	Goodwill	Intangible assets
Mexico	Ps 78,302	Ps48,553	Ps 3,776	Ps 5,819
United States	57,585	11,231	219	5,345
Canada	1,632	969	—	47
Central and South America	13,563	2,896	—	27
Other countries	52,374	10,325	7,336	1,337
Total	Ps203,456	Ps73,974	Ps11,331	Ps12,575

	Year ended December 31, 2012 (Restructured*)			
	Revenue to external customers	Property, plant and equipment	Goodwill	Intangible assets
Mexico	Ps109,026	Ps47,475	Ps 3,639	Ps 4,662
United States	60,333	13,015	218	2,852
Canada	1,578	1,201	—	25
Central and South America	11,670	2,902	—	45
Other countries	17,560	9,651	6,448	843
Total	Ps200,167	Ps74,244	Ps10,305	Ps 8,427

* Restructured to reflect the adjustments to provisional fair values previously recognized in business combinations as described in Note 2.m.

	Year ended December 31, 2011			
	Revenue to external customers	Property, plant and equipment	Goodwill	Intangible assets
Mexico	Ps104,539	Ps49,414	Ps 3,218	Ps4,915
United States	48,281	13,315	171	2,786
Canada	1,312	1,264	—	14
Central and South America	11,567	3,122	—	37
Other countries	17,268	9,266	7,342	795
Total	Ps182,967	Ps76,381	Ps10,731	Ps8,547

The revenue to external customers by product or service was as follows:

	2013	2012	2011
Alpek			
Polyester-Pet/PTA	Ps 68,636	Ps 75,105	Ps 69,943
Plastics and chemicals	21,425	20,698	20,438
Total	90,061	95,803	93,081
Sigma			
Processed meats	31,672	30,307	27,676
Dairy	14,270	13,213	11,683
Other refrigerated products	3,047	1,956	1,719
Total	48,989	45,476	41,078
Nemak			
Aluminum automotive products	56,299	51,381	44,669
Total	56,299	51,381	44,669
Alestra			
Business segment	4,825	4,303	3,468
Other segments	242	220	276
Total	5,067	4,523	3,744
Newpek			
Hydrocarbons	1,706	1,227	573
Total	1,706	1,227	573
Other segments	1,334	1,757	2,522
Total	Ps203,456	Ps200,167	Ps182,967

Note 33 - Contingencies and commitments

At December 31, 2013, the Company had the following contingencies:

a. In the normal course of its business, the Company is involved in disputes and litigation. While the results of the disputes cannot be predicted, the Company does not believe that there are current or threatened actions, claims or legal proceedings against or affecting the Company which, if determined adversely to it, would damage significantly its individual or overall results of operations or financial position.

b. As a result of Contracts for Services for Exploration, Development and Production signed with Pemex Exploración y Producción (PEP) as mentioned in Note 2, Petrolíferos and Oleorey gave bonds for a total value of US$48 as security for the amount of the Initial Minimum Program, since in case of non-compliance, PEP has the right to execute these guarantees. The amount of the financing corresponds to 50% responsibility for ALFA and the remaining 50% for MPG.

At December 31, 2013, the Company and its subsidiaries had the following commitments:

a. During 2013, the Company through its subsidiary Grupo Petrotemex, signed an agreement with M&G for the rights to supply the plant for 400 thousand tons of PET (manufactured with 336 thousand tons of PTA) a year, by which it is obliged to pay an amount of US$350 during the construction of the plant. At December 31, 2013 Alpek had made a payment of Ps455 (US$35), presented within goodwill and intangible assets, net. See Note 13.

b. Various subsidiaries' contracts with suppliers and customers, for the acquisition of raw materials used in the manufacture of products and purchase of equipment and other capital expenditures related to the expansion of the telephone network and sale of finished goods, respectively. The contracts, lasting between one and five years, stipulate certain restrictions and guarantees for the parties.

c. In September 2007, a subsidiary renewed a contract with PEMEX Refinación, for the supply of raw materials maturing in December 2018.

d. In connection with operational expansion projects, a subsidiary entered into various agreements related to the acquisition of engineering licenses and its own design of production lines. These contracts provide various confidentiality restrictions on the engineering used and monthly royalty payments based on monthly production.

e. In February 2005, a subsidiary signed a contract to pay royalties for the granting of a long-term concession for finished products. This agreement ends upon payment of a total amount of US$15.5.

Note 34 - Subsequent events

In preparing the financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2013 and through January 29, 2014 (date of issuance of the financial statements), and has identified the following subsequent events:

Acquisition of Campofrío

As described in Note 2 the Company has continued to purchase Campofrío shares outside the framework of the proposed public purchase offer. Subsequent to December 31, 2013, the Company has acquired an additional 0.33% of Campofrío's ordinary shares amounting to Ps44.

At the date of issuance of the financial statements, the Spanish Stock Market Commission has still not authorized the public offer to purchase the remaining outstanding shares and the European competition authorities have not yet issued the resolutions relating to the amended application filed by the Company together with another shareholder, (see Note 2.b). Also the Company and the other shareholder have initiated the process of applying for authorization from the Ministry of Commerce of the People´s Republic of China. Consequently, at December 31, 2013 Sigma had not yet finalized its offer for the remaining outstanding shares.

Alestra

At January 24, 2014, Alestra issued a redemption notification to the holders of its Senior Notes (maturity in August 2014). The notification states the intention of Alestra to prepay the debt during February in an amount of US$200. That same day, Alestra informed the U.S. Securities and Exchange Commission, its decision to delist from such Commission.

Álvaro Fernández Garza President	Ramón A. Leal Chapa Chief Financial Officer

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US$1,000,000,000

Alfa, S.A.B. de C.V.

US$500,000,000 5.250% Senior Notes due 2024

US$500,000,000 6.875% Senior Notes due 2044

OFFERING MEMORANDUM

Credit Suisse **Goldman, Sachs & Co.** **J.P. Morgan** **Morgan Stanley**