



1st Quarter  
Earnings  
Report 2019

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## Summary financial information

This document includes summary financial information and should not be considered a substitute for our full financial statements, including footnotes, management/auditors’ reports, and related management’s discussion and analysis. You can access our financial reports and other disclosures at our website, [www.gmexico.com](http://www.gmexico.com), as well as [www.bmv.com.mx](http://www.bmv.com.mx)

# Welcome

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**Óscar González**

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**Xavier García de Quevedo**

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# Main Highlights

## Grupo México

1Q19

# Scorecard

Financial performance supports shareholder returns

1 Q 1 9



## FINANCIAL HIGHLIGHTS

- Accumulated consolidated sales reached US\$2.53 billion in 1Q19, 1.3% lower than in the previous quarter, given lower copper prices (-10.5%)
- EBITDA for 1Q19 totaled US\$1.2 billion, 5.5% higher than in 4Q18



## SHAREHOLDER RETURNS

- On April 12, 2019, the Board of Directors approved the payment of a cash dividend of \$0.80 pesos per each outstanding share, to be made in a single installment as of May 30, 2019. This implies a 5.67% dividend yield, which proves our commitment to return value to our shareholders.



## INVESTING FOR THE FUTURE

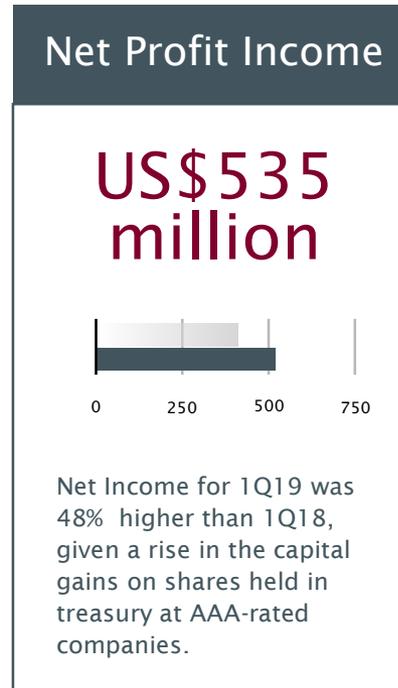
- We are currently developing the next phase of a growth program in the Mining Division aiming to reach a milestone of 2 million tons of copper production capacity by 2027.
- In the Transportation Division we will continue investing in various projects for capacity expansion, automated signaling, infrastructure, and efficiency improvement.
- Through the new subsidiary of fuel terminals in the Infrastructure Division, we will build and operate two fuel storage terminals in Guadalajara and Monterrey.



## COSTS

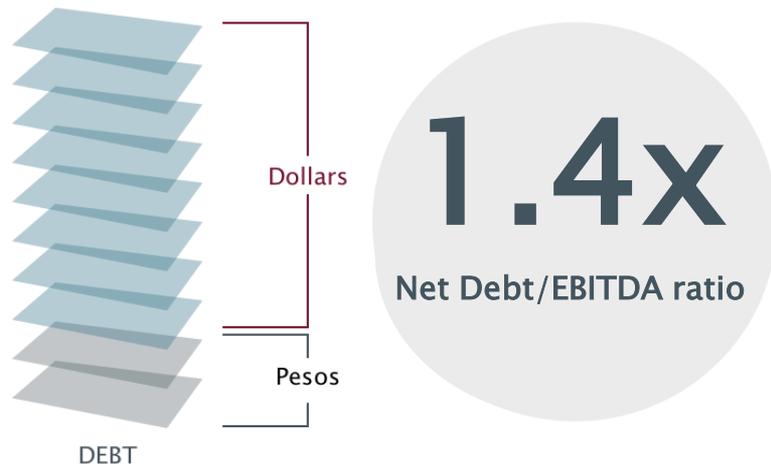
- In the Mining Division, we consolidated ourselves as the lowest-cash-cost copper producer in the Industry, at US\$1.1/lb. of copper, with the largest copper reserves worldwide.

# Main Highlights

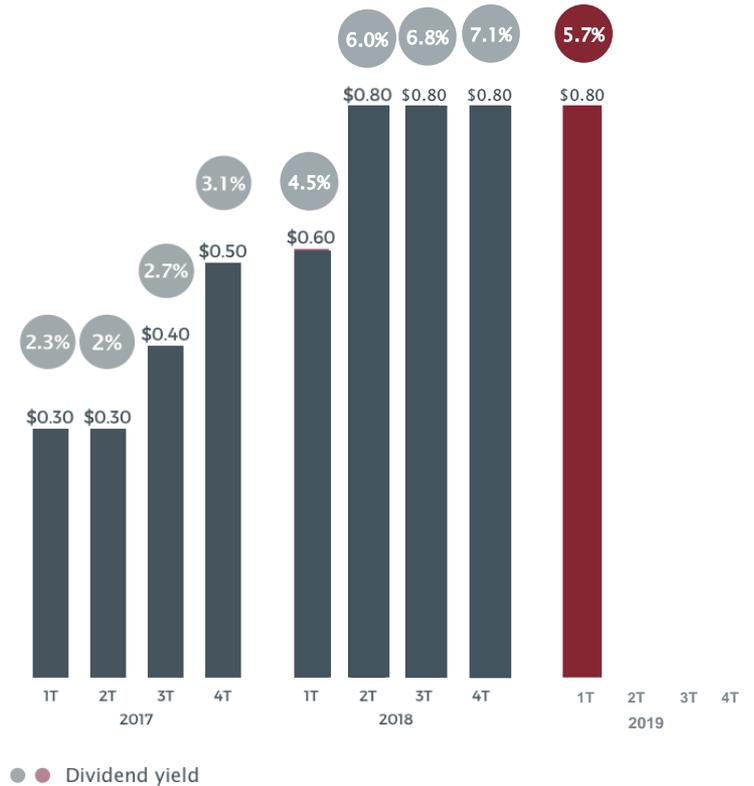


# Grupo México maintains a solid balance sheet

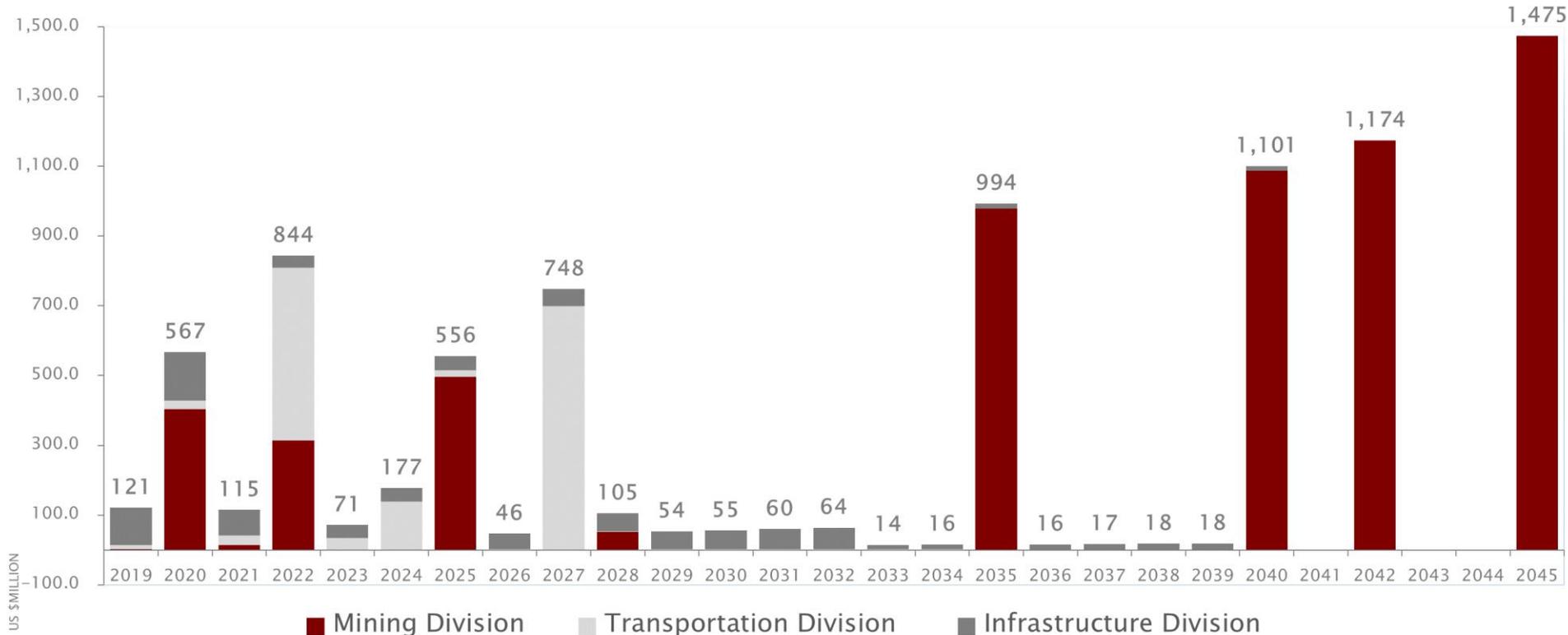
With a low leverage and a net debt to EBITDA ratio of **1.4x**  
**80%** of the debt is in US Dollars, and **20%** in Mexican Pesos (MXN).  
**78%** of the debt has a fixed rate. In addition, Grupo México has a comfortable debt payment schedule.



# Dividend Payments



# Debt Maturity Profile



# Social Highlights Grupo México

## Hospital in Juchitán, Oaxaca

Through **Fundación Grupo México**, we have implemented social, educational, environmental, cultural, and healthcare programs, among which is the current construction of the Specialty Hospital in Juchitan, Oaxaca, to provide medical care to the population of Oaxaca Isthmus, with a total investment of \$178 million pesos.



## Sustainable Development

We have invested over **US\$517 million in social, healthcare, and security projects**, seeking to generate value and wellbeing for our collaborators, their families and the environment of the communities where we are present. Sustainable Development is in the core of our business model.



# Mining Division

# Financial Highlights 1Q19

us\$1.91 billion in sales

The Mining Division's sales were 1.3% higher than in 4Q18, despite the decline in Copper, Zinc, Molybdenum, and Silver prices.



261,328 tons

13% more than in 1Q18, given a rise in production at all our operations, including Mexico, Peru, and the US. In Mexico, production increased 5.2% compared to 1Q18. In Peru, the start of the Toquepala expansion supported the 24.3% increase. In the US, we achieved a 21.8% increase through the already restarted operation of the mine at Mission, Arizona.



us\$910 million EBITDA

implying 13.2% growth vs. 4Q18 with an EBITDA margin reached of 48% in 1Q19.

us\$184 million CAPEX

# Copper Outlook 2019

1 Q 1 9

- During 1Q19, LME copper prices have decreased, from an average of \$3.14 per pound in 1Q18 to \$2.81 (-10.5%) per pound in 1Q19.
- We expect to achieve maximum capacity at our new concentrator in Toquepala by mid-May and recover production at the San Martin mine. Thereby, this year, we expect production increases of +12.5% in copper.
- We expect an increase in copper prices in the coming months due to solid copper market fundamentals, and the start of talks between the US and China.
- We expect that refined copper demand worldwide will grow at about 2.5%, to approximately 600,000 tons of new copper demand.
- We expect a supply growth of approximately 1.5% in 2019, which will lend support to copper prices.
- Higher growth of demand than supply will yield a clear first year of market deficit that will put upward pressure on copper prices, some of the causes of this increasing demand are electric cars, renewable energies and the sustained growth of India.



# Our Projects



## TOQUEPALA EXPANSION TACNA, PERU

This US\$1.25 billion project includes a new, state-of-the-art copper concentrator that will raise annual copper production to 258,000 tons by 2019 (+52% vs. 2018). Construction was completed during 4Q18, and by yearend, it was producing at roughly 60% capacity. **We expect it to reach full capacity by early 2Q19.**



## TIA MARIA AREQUIPA, PERU

We met the Peruvian government's engineering and environmental requirements to obtain the construction permit for this expansion project, which will generate **120,000 annual tons** of SX/EW metallic copper in 1H19. The investment totals US\$1.4 billion. Once in operation, Tia Maria will employ 600 workers directly and 4,200 indirectly.



## SAN MARTÍN ZACATECAS, MEXICO

We have continued with the works to restart operations at the San Martín Mine. We have destined an investment budget of **US\$87 million** for 2019. Our estimates indicate that the mine will restart operations by 2Q19 with an expected annual production of **14,600 tons of zinc, 5,000 tons of copper, and 2.4 million oz. of silver.**



## BUENAVISTA ZINC SONORA, MEXICO

We are building a concentrator with an annual production capacity of 80,000 tons of zinc and 20,000 additional tons of copper. It should be operational by 2021. **The investment budget is US\$413 million.** Once completed, our zinc production will double. **This project will generate 3,760 jobs.**



# Transportation Division

# Financial Highlights 2018

**US\$567 million  
in sales**

A 5% increase vs 2018, mainly driven by the Agricultural, Automotive and Industrial segments.

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**0.5% higher  
transportation volume  
than in 1Q18  
in tons-km.**

454,531 cars hauled



**US\$247 million  
in EBITDA**

A 10.6% increase from 1Q18, due to continued operating improvements.

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**Net Income**

Decreased 27%; We had a non recurrent FX gain during 1Q 2018, caused by the bridge loan settled in that year.

# Main Variations

Volumes were affected by blockades, disruption of energy supply in Mexico and snowfall & flood in Midwest of USA.

▲ % Revenue Growth

High	33%	17%	<b>Agricultural:</b> Increase in the imports of grains and local crops.
		16%	<b>Automotive:</b> Increased exports of new vehicles due to stronger demand on the US West Coast.
		11%	<b>Industrial:</b> Finished exports to US destinations. Increased imports of paper waste.
Neutral	44%	4%	<b>Metals:</b> Decrease in steel exports to USA due to the customs tariffs offset by an increase of imports.
		4%	<b>Minerals:</b> Increased exports through Guaymas.
		3%	<b>Cement:</b> Decrease in volume due to the cancellation of the new CDMX airport, offset by growth in other routes.
		2%	<b>Chemicals:</b> Increased fertilizer and sodium carbonate imports and recovered routes of imported resins.
Fall	23%	-1%	<b>Intermodal:</b> Decrease on the Manzanillo's volume due to blockades.
		-2%	<b>Energy:</b> Significant decrease on the Diesel movements due to the Government's strategy to fight the theft of refined products.

# Precision Scheduled Railroad (PSR)

## Processes

 1) Increase Train Length, Network Fluidity and Speed
 2) Decrease Dwell Time at Terminals
 3) Maximize Horsepower Utilization
 4) Balance Trains in each direction
 5) Clear Workflow Processes



## Identified Savings (Annualized)

- Reduction of +4,000 train starts (-4%)
- Over 4,950 railcars to return or scrap
- 176 locomotives to store or scrap

# Outlook 2019

Financial Outlook – 2019		
Volume Growth	   	3% – 5%
Revenue Growth		8% – 11%
Operating Ratio		150 – 200 BP
Capital Expenditures		\$406 Million USD >15.5% of revenue through 2019

Outlook 2019		
Outlook	Market	Drivers
Double Digit Growth	Agricultural	Increase in the shuttle trains volume and in local crop.
	Automotive	Increased exports of new vehicles due to stronger demand on the US West Coast.
	Industrial	New Railcar exports to US destinations. Increased imports of paper waste.
Single Digit Growth	Metals	Decrease in steel exports to USA due to the customs tariffs offset by an increase of imported metal sheets for vehicle production and an increase of scrap routes both domestic and exports
	Minerals	Increased exports through Pacific Ports.
	Cement	Decrease in volume due to the cancellation of the new CDMX airport, partially offset by an increase in other routes.
	Chemicals	35% increase on the imports volume of fertilizer via Topolobampo. Recovered and increased routes of imported resins. 20% increase on the volume of sodium carbonate imports.
Single Digit Fall	Intermodal	Decrease on the Manzanillo's volume due to blockades and FEC being affected by CSX PSR.
	Energy	Significant decrease on the Diesel and Fuel movements due to the Government's strategy to fight the theft of refined products.

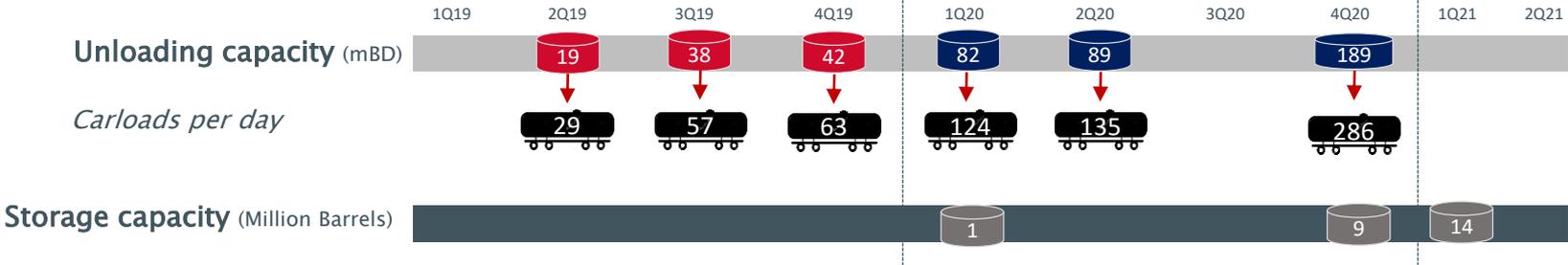
We expect that 2019 will be another record year for us, as we have **full support from the incoming Federal Government to protect the railroad** and adjustment are being made on our Processes, People and Infrastructure **to become best in class within the Class 1 Railroads in North America.**

# CAPEX GMXT 2019

Description	CAPEX Million (MXN)	Main Projects	Other Projects
MAINTENANCE	\$ 4,378.7	- New Rail & Ties	- Rail maintenance - Locomotive overhaul - Tools and equipment - Bridges - Others
EFFICIENCY	\$ 1,288.9	- Technology and equipment - Construction and reconfiguration of yards	- Construction / extension of sidings - CTC implementation (signaling) - Others
GROWTH	\$ 1,623.0	- Locomotives - Monterrey Yard ① - Piedras Negras Yard	- Intermodal ramps ② - Others
STRATEGIC	\$ 1,759.3	- Celaya bypass ③ - Monterrey bypass ④ - Chihuahua-Ojinaga corridor ⑤ - Land Acquisition	
	<b>\$ 9,049.9</b>		
SAVINGS	<b>\$(1,131.0)</b>	- Reduction of capex achieved by PSR.	
	<b>\$ 7,918.9</b>		



# New Refined Products Terminals





# Infraestructura Division

# Financial Highlights 2018

US\$145 million  
in sales

Following an upward trend compared to the previous year.



US\$64 million

EBITDA during 1Q19 reached an 8% increase vs 1Q18.

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US\$6.3 million

Net Profit in 1Q19, a 456% YOY increase.

# Relevant Events



## ENERGY GENERATION

During 1Q19, **861,719 MWh were generated** vs. 907,487 in the same period in 2018; this translates into a 5% decrease, given a 14-day maintenance stoppage at the MGE Plant I. However, 2019 EBITDA increased 14% vs. 1Q18 and achieved a 51% margin, given **higher sales at the El Retiro wind farm**.



## NEW RECORD FOR THE SALAMANCA-LEON HIGHWAY

During 1Q19, **revenues totaled \$193 million pesos—6% more than in the previous year**—and traffic totaled 19,817 units. The traffic increase between 1Q19 and 1Q18 was 1%.



## NEW FUEL TERMINALS PROJECT

Through the **new subsidiary of fuel terminals**, fuel transfer services are being provided to different customers. Additionally, we will build and operate two fuel storage terminals in Guadalajara and Monterrey with **a total investment of US \$ 180 million**.

An aerial photograph of a power plant, likely a nuclear reactor, with various structures, pipes, and cooling towers. The image is overlaid with a semi-transparent red filter. In the center, the text '2018 Q&A' is displayed in a large, white, sans-serif font. The '2018' is in a larger size than 'Q&A'.

# 2018 Q&A