GRUPO MEXICO , S.A.B DE C.V.

Overcomes to the decline in copper prices

Actinver

May 2, 2012

☐ Change in Recommendation ☐ Change in T.P. ☐ Change in Estimates ☑ Quarterly Review ☐ Other

GMEXICO posted very good figures for 1Q12, surpassing our estimates in operating lines and net income. Revenues increased 10% (8% Estimates) YoY, despite a fall of 14% in copper prices. EBITDA increased 22% YoY, whereas we expected it to remain flat. Net revenue increased 35.1% (31.1%E) slightly above expectations.

Copper production was 20% higher than in 1Q11, significantly above our 9% E, offsetting the 14% fall in average copper prices YoY. This rise in production was driven by higher ore grades in all of the mines of GMEXICO, as well as because of the incremental production from Buenavista del Cobre, which is now operating at 100% capacity. Other metals also were benefited by better ore grades **(gold production increased 37% YoY, and silver production was 17% higher YoY).**

Revenues increased 10%, a new record high figure for GMEXICO. Aforementioned increases in volumes along with better YoY silver and gold prices supported the revenue's expansion. **In the mining division, revenues increased 10.3%. Within the Transport division, higher traffic and improved average speed drove a 10% increase in revenues in this division.**

EBITDA's 22% YoY hike (vs. 11% E) was possible because of optimization of processes and efficiencies in Transport division. EBITDA margin thus resulted 52.6%, expanding by 350pb vs. that from 1Q11. In the mining division, EBITDA increased 17.3%, and margin expanded from 49.5% to 52.6% Regarding the transport division, EBITDA went up 32%, with an EBITDA margin at 34% (almost 500 bp vs. 1Q11).

In the mining division, cash cost net of byproducts was higher than in 1Q11 at USD 0.84, given lower benefits of byproduct. Cash cost excluding byproducts was USD 1.95; figures are to be compared with USD 0.73 and USD 1.94, respectively.

Expected operating efficiencies or additional production for the next 3 years include: Quebalix III which will improve SX/EW copper production in Buenavista. Expected to start operations in 2Q12. SX/EW III plant in Buenavista, where copper production is expected to increase by 120,000 tons of copper and operations are expected in 2H13. As for 2014 GMEXICO expects additional copper production from Cuajone (22,000 tons expected by 3Q13); Angangueo, (36,000 tons, by 2H14;) Toquepala (100,000 tons expected in 1Q14); Mission (+11,500 tons) and Tía María, by 1H15. All in all, production should increase by approximately 320K tons.

GMEXICO decreed a cash dividend payment of MP 0.50 per share (a 1.125% dividend yield). We expect other 3 equal dividends for the remaining quarters.

We expect a positive reaction from the market on behalf of these results.

GMEXICO will host a conference call tomorrow at 2:30 EST.

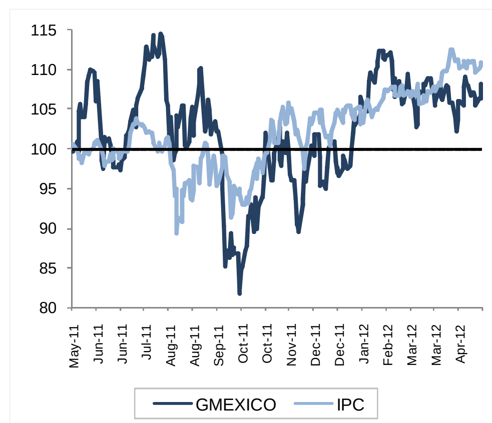
GMEXICO	1Q12	1Q11	YoY	1Q12E	Diff
Sales	2,745	2,505	9.59%	2,705	1.47%
COGS	1,299	1,294	0.36%		
Operating Income	1,263	1,032	22.35%	1,074	17.60%
Operating Margin	46.0%	41.2%		39.7%	
EBITDA	1,395	1,148	21.55%	1,195	16.75%
EBITDA Margin	50.8%	45.8%		44.2%	
Net Income	716	530	35.06%	580	23.45%
Net Margin	26.1%	21.2%			

Source: Company Data; Actinver Estimates. Figures in thousand USD, except margins.

BUY

Local Ticker	**GMEXICO**
Price Target	**MXN 44.00**
Last Price	**MXN 40.82**
Expected Return	**7.8%**
2012E Div. Yield	**4.5%**
Total Expected Return	**12.3%**
Mkt. Cap (Million)	MXN 317,784
Ent. Value (Million)	MXN 351,632
LTM Price Range	(43.74 - 30.50)

Stock performance



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Disclaimer

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Total Expected Return on any security under coverage includes dividends and/or other forms of wealth distribution expected to be implemented by the issuers, in addition to the expected stock price appreciation or depreciation over the next twelve months based on our analysts' price targets. Analysts uses a wide variety of methods to calculate price targets that, among others, include Discounted Cash Flow models, models based on expected risk-adjusted multiples, Sum-of-Parts valuation techniques, break-up scenarios and relative valuation models.

Changes in our price targets and/or our recommendations. Companies under coverage are under constant surveillance and as a result of such surveillance our analysts update their models resulting in potential changes to their price targets. Changes in general business conditions potentially affecting either the cost of capital and/or growth prospects of all companies under coverage, or a given industry, or a group of industries are typical triggers for revisions to our price targets and/or recommendations. Other micro- and macroeconomic events could materially affect the overall prospects of an individual company under coverage and, as a result, such event-driven factors could lead to changes in our price targets and/or recommendation of the company affected. Even if our overall expectations for a given company under coverage have not materially changed, our recommendations are subject to revision if the stock price has changed significantly, as it will affect total expected return.

Terms such as "price targets, our price targets, total expected return, analyst's price targets" or any other similar phrase are used in this document as complementary to our recommendation or as a condition that could change in our point of view and, according to article 188 of Securities Market Act, do not imply in any way that Actinver, its agents, or its related companies are in any form providing assurance or guarantee, nor assuming any responsibility for the risks associated with any investment in the discussed securities.

Recommendations for companies, both in the Índice de Precios y Cotizaciones (IPyC) Index and also not belonging to the index. For stocks, we have three possible recommendations:

a) BUY, b) HOLD or c) SELL. A stock classified as **BUY** is expected to yield returns at least 5% above than that of the IPyC Index. Stocks rated as **HOLD** are expected to yield returns similar to the IPyC Index, within a range of +5/-5%. Many of the companies within this range are often times solid companies which have reached their potential in a short amount of time and should still be considered as a good investment. Stocks rated as **SELL** are expected to yield returns below 5% of the IPyC Index.

Rating Distribution as of December 21, 2011

All Companies in the BMV
BUY: 70%
HOLD: 22%
SELL: 8%

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