



**GRUPO TMM, S.A. DE C.V.  
TRANSPORTACION MARITIMA MEXICANA, S.A. DE C.V.**

December 13, 2001

Dear shareholder:

We are pleased to inform you of the proposed reorganization involving Transportación Marítima Mexicana, S.A. de C.V. ("TMM") and Grupo TMM, S.A. de C.V. (previously known as Grupo Servia, S.A. de C.V.) ("Grupo TMM"), which was unanimously approved by the TMM and Grupo TMM boards of directors.

The proposed reorganization will center around the merger of TMM with and into Grupo TMM, a privately held Mexican company that was formed in 1987 to serve as a holding company for investments by certain members of the Serrano Segovia family. Grupo TMM is currently TMM's largest shareholder, holding, directly, 51.2% of the full voting shares of TMM. Under the terms of the merger, each outstanding share of TMM stock and each American Depositary Share ("ADS") representing TMM stock, other than the Series A Shares of TMM that are owned directly by Grupo TMM, will be converted into one share of Grupo TMM stock or one ADS representing Grupo TMM stock.

In preparation for the merger, Grupo TMM will transfer all of its assets and liabilities, other than the Series A Shares of TMM that it owns, to a newly formed entity owned by certain members of the Serrano Segovia family. Therefore, upon consummation of the merger, Grupo TMM's equity and operations and financial condition will be substantially the same as those of TMM prior to the merger.

The affirmative vote of holders of a majority of the outstanding shares of TMM, voting as a single class, is required to approve the merger. Neither TMM nor Grupo TMM is soliciting proxies in connection with such vote. Shareholders will have the opportunity to be present and vote at a meeting of the shareholders of TMM that is being called in accordance with the applicable laws of Mexico. The meeting is scheduled to be held at 10:00 a.m., on December 21, 2001, at the offices of TMM, located at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, CP. 14010, Delegación Tlalpan, Mexico City, Mexico.

TMM has two classes of stock outstanding, Series A Shares and Series L Shares. As of December 12, 2001, TMM had 42,722,353 Series A Shares outstanding and 14,240,784 Series L Shares outstanding. Non-Mexicans hold Series A Shares in the form of ordinary participation certificates, or CPOs, which are held in a CPO Trust. Holders of CPOs are not entitled to exercise any voting rights with respect to the Series A Shares held in the CPO Trust. The CPO Trustee is required by the terms of the CPO Trust to vote the Series A Shares held in the CPO Trust in the same manner as holders of a majority of the outstanding Series A Shares not held in the CPO Trust voted at the relevant meeting. The Series L Shares may be held directly or in the form of L Share ADSs, both of which are entitled to limited voting rights. Grupo TMM's ownership of the Series A Shares of TMM, when taken together with the Series A Shares held in the CPO trust should be sufficient to approve the merger.

The Series A CPO ADSs and Series L ADSs are listed and trade regularly on the New York Stock Exchange under the ticker symbols "TMM/A" and "TMM", respectively, and the Series A and Series L Shares are listed and trade regularly on the Mexican Stock Exchange. As a condition to the merger, Grupo TMM will list its shares on the New York Stock Exchange and the Mexican Stock Exchange. The boards of directors of TMM and Grupo TMM are furnishing this document to you to provide you with important information about the merger. This document is also a prospectus of Grupo TMM relating to the shares of Grupo TMM to be issued to TMM shareholders in the merger.

*The Boards of Directors of TMM and Grupo TMM believe that this proposal is favorable for the companies and for you and recommend and approve this proposal for reorganization.*

Sincerely,

/s/ Javier Segovia Serrano  
on behalf of TMM and Grupo TMM

**You should carefully consider the Risk Factors beginning on page 16.**

*Neither the Securities and Exchange Commission nor any State securities regulator has approved or disapproved of the securities to be issued under this prospectus or determined if this prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.*

This prospectus is dated December 13, 2001 and is first being mailed to shareholders on or about December 13, 2001.

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## **QUESTIONS AND ANSWERS ABOUT THE REORGANIZATION**

**Q: Why are Grupo TMM and TMM proposing to merge?**

A: Grupo TMM and TMM are merging as part of an overall corporate restructuring designed to achieve tax and corporate governance efficiencies. These efficiencies are more fully described in the section entitled "The Reorganization."

**Q: How will the merger be structured?**

A: In preparation for the merger, Grupo TMM will transfer all of its assets and liabilities – other than its controlling interest in TMM – to a newly formed entity owned by certain members of the Serrano Segovia family. TMM will then merge with and into Grupo TMM, with Grupo TMM being the surviving entity.

**Q: What will holders of TMM stock receive in the merger?**

A: In preparation for the merger, the capital stock of Grupo TMM will be increased through the authorization of additional Series A Shares and new Series L Shares.

In the merger, with the exception of the Series A Shares of TMM that are owned by Grupo TMM, each TMM Series A Share or CPO ADS, as the case may be, and each TMM Series L Share or Series L Share ADS, as the case may be, will be exchanged for one Grupo TMM Series A Share or CPO ADS, as the case may be, or for one Series L Share or Series L Share ADS, as the case may be.

As a result, your relative economic interest in Grupo TMM and your voting rights will remain the same as they were in TMM prior to the reorganization.

**Q: Will there be any significant differences in the rights of holders of Grupo TMM stock following the merger, as compared with the rights of holders of TMM stock prior to the merger?**

A: There will be no significant differences in the rights of holders of Grupo TMM stock as compared with the rights of holders of TMM stock. Grupo TMM Series A Share CPO ADSs and Series L Share ADSs (and the Shares underlying the ADSs) will afford shareholders the same rights that the TMM Series A Share CPO ADSs and Series L Share ADSs (and the Shares underlying the ADSs), respectively, currently afford the TMM shareholders. However, the consent of the board of directors of Grupo TMM will be required for acquisitions of Grupo TMM's Series A Shares which would result in any person acquiring 5% or more of the outstanding Series A Shares of Grupo TMM in one or more simultaneous or successive transactions. This restriction will only apply to the Series A Shares not the Series A Share CPO ADSs, and consequently, will not affect U.S. holders. See "Comparison of Rights of Holders of TMM Securities and Grupo TMM Securities".

**Q: Will holders of TMM stock recognize taxable gains or losses in connection with the merger?**

A: For U.S. federal income tax purposes, U.S. holders of TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs that exchange such Shares or ADSs for Grupo TMM Shares or ADSs in the merger will not recognize a gain or loss. See "Material Tax Considerations -- The Merger -- U.S. Federal Income Tax Considerations."

In general, for Mexican income tax purposes, the exchange of Series A and Series L Shares of TMM (or TMM ADSs representing such Shares) for Series A or Series L Shares of Grupo TMM (or Grupo TMM ADSs representing such Shares) pursuant to the merger will not result in any taxable gain or loss, if, as expected, certain requirements are met. See "Material Tax Considerations -- The Merger -- Mexican Federal Income Tax Considerations."

***We urge you to consult your own tax advisers regarding your particular tax consequences.***

**Q: Are holders of TMM stock being asked to vote on the merger?**

A: TMM's shareholders are being asked to vote on the merger and a simple majority vote of the Series A and Series L Shares, which will vote as one class, is required to approve the merger. However, TMM is not soliciting proxies in connection with such vote. Shareholders will have the opportunity to be present and vote at an extraordinary meeting of the shareholders of TMM that is being called in accordance with the applicable laws of Mexico. The extraordinary meeting is scheduled to be held at 10:00 a.m., on December 21, 2001, at

the offices of TMM, located at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, CP. 14010, Delegación Tlalpan, Mexico City, Mexico.

Holders of Series A Share CPO ADSs are not entitled to exercise any voting rights with respect to the Series A Shares held in the CPO Trust. Such voting rights are exercisable only by the CPO Trustee, which is required by the terms of the CPO Trust to vote such Series A Shares in the same manner as holders of a majority of the outstanding Series A Shares not held in the CPO Trust voted at the relevant meeting.

Holders of Series L Share ADSs are entitled to instruct the Depositary as to the exercise of voting rights attaching to the deposited Series L Shares, and upon receipt of such instructions, the Depositary will endeavor, insofar as practicable, to vote or cause to be voted the Series L Shares underlying such holders' Series L Share ADRs in accordance with such instructions.

Grupo TMM's ownership of the Series A Shares of TMM, when taken together with the Series A Shares held in the CPO Trust should be sufficient to approve the merger.

**Q: Are holders of TMM's shares entitled to dissenters' rights in connection with the merger?**

A: No. Under Mexican law, shareholders are not entitled to any dissenters' rights or appraisal rights in connection with the merger.

**Q: If the merger is approved, when will it become effective?**

A: We expect to complete the merger as soon as practicable following the extraordinary meeting of the shareholders of TMM.

**Q: If the merger is approved and completed, will TMM shareholders have to exchange their TMM stock certificates and/or ADRs for Grupo TMM stock certificates and/or ADRs?**

A: Yes. If the merger is approved and effected, holders of TMM Shares and ADSs will have to exchange their TMM stock certificates and ADRs for Grupo TMM stock certificates and ADRs. However, you do not need to do anything presently. If the merger is approved and effected, we will send you instructions regarding the procedures for exchanging your certificates and/or ADRs representing TMM stock for certificates and/or ADRs representing Grupo TMM stock.

**Q: Whom should shareholders of TMM contact if they have questions about the merger?**

A: Holders should contact Mr. Brad Skinner or Mr. Jacinto Marina at TMM if they have questions about the merger at 011-525-55-629-8866.

**Q: Will the shares of Grupo TMM be listed on the New York Stock Exchange?**

A: We plan to list the Grupo TMM shares on the New York Stock Exchange and the Mexican Stock Exchange as a condition to the merger.

**Q: Will Grupo TMM be subject to the informational requirements of the securities laws of the United States?**

A: Yes. As is the case with TMM, as a result of registering its ordinary shares for issuance in the merger, Grupo TMM will be subject to the informational requirements of the securities laws of the United States.

## **FORWARD-LOOKING INFORMATION**

This prospectus contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, including statements regarding, among other things, the financial performance and operating plans for Grupo TMM which will be the surviving entity after the merger. These statements are based upon the current beliefs of the management of TMM and Grupo TMM, as well as upon assumptions made by management based upon information currently available to it. The words "believe", "expect", "likely" and "anticipate" and similar expressions identify some of these forward-looking statements. These statements are subject to various risks and uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Should management's assumptions prove incorrect, actual results may vary materially and adversely from those anticipated or projected. Readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of their respective dates. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following factors, as well as other factors described in this report, could cause actual results to differ materially from such forward-looking statements:

- global, U.S. and Mexican economic and social conditions;
- the effect of the North American Free Trade Agreement ("NAFTA") on the level of U.S.-Mexico trade;
- the condition of international shipping and transportation markets;
- the success of our investment in TFM, S.A. de C.V. ("TFM") and other new businesses;
- our ability to reduce corporate overhead costs;
- the ability of management to manage growth and successfully compete in new businesses;
- the availability of capital to fund our expansion plans;
- our ability to utilize a portion of the current and future tax loss carryforwards;
- if necessary, our ability to refinance our indebtedness on favorable terms;
- economic uncertainty caused by recent terrorist attacks on the United States; and
- other factors described in this report.

## SUMMARY

*This Summary highlights selected information from this document and may not contain all of the information that is important to you. You should read carefully this entire document and the other documents to which we have referred. To understand the reorganization and the other transactions more fully and for a more complete description of the legal terms of the reorganization, see "Where You Can Find More Information" on page 109 of this prospectus. The actual terms of the reorganization are contained in the Merger Agreement. A copy of an English translation of the Merger Agreement is included in this prospectus as Annex A.*

*In this document, "we," "us," "our" and "our company" refer to TMM and its subsidiaries or Grupo TMM and its subsidiaries, as the context requires, and "you" refers to the shareholders of TMM or of Grupo TMM, as the context requires.*

*References in this document to "\$", "US\$" or "dollars" are to United States dollars and references to "pesos" or "Ps." are to Mexican pesos. This document contains translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such dollar amounts or could be converted into dollars at the rates indicated or at any other rate.*

### Parties to the Reorganization

*Transportación Marítima Mexicana, S.A. de C.V.*

Transportación Marítima Mexicana, S.A. de C.V. ("TMM") was founded on September 18, 1958, by a group of private investors, including the Serrano Segovia family. TMM is a *sociedad anónima de capital variable* (variable capital corporation) incorporated under Mexican law for a term of 90 years and is controlled by Grupo TMM, a Mexican holding company for certain members of the Serrano Segovia family. Grupo TMM currently owns, directly, 51.2% of TMM's Series A Shares and possesses voting control of TMM. Both Grupo TMM and TMM are headquartered in Mexico City, D.F., located at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, 14010 Mexico City, D.F., Mexico, telephone from the United States 011-525-55-629-8866. TMM's agent in the United States authorized to receive service of process in any proceeding on its behalf is CT Corporation System, with offices currently located at 111 Eighth Avenue, New York, New York 10011.

TMM is the largest integrated logistics and transportation company in Mexico. TMM offers an integrated regional network of rail and road transportation services, port management, freight distribution, specialized maritime operations and logistics services. TMM's services include:

- specialized maritime shipping, including:
  - chartering supply ships to serve offshore oil rigs,
  - furnishing towing services for ships at the Port of Manzanillo, and
  - transporting automobiles, and refined petroleum and chemical products;
- logistics operations, including:
  - dedicated contract trucking, and
  - integrated logistics outsourcing services;

- port and terminal operations in the ports of Manzanillo, Veracruz, Cozumel, Acapulco, Progreso, and Tuxpan; and
- rail transport within Mexico and to and from the United States.

TMM believes that its business strategy of restructuring its operations and increasing profitability through the sale of non-strategic assets and the reduction of debt will strengthen its position as the leading integrated logistics and transportation company in Mexico. A major component of this strategy is to continue to grow by expanding existing business operations, including our specialized maritime and non-maritime activities, and entering into new and complementary businesses. In the past TMM has considered, and in the future TMM may consider, acquisitions of and investments in Mexican and non-Mexican transportation and logistics companies, including expansion of strategic alliances with leading companies in both maritime and non-maritime businesses, and entering into new strategic relationships.

Significant steps taken by TMM in 2000 and 2001 to implement its strategic objectives include:

- The receipt of \$65.0 million in payments from CP Ships Holdings, Inc. related to the sale of TMM's interest in Americana Ships Limited.
- The receipt of \$20.0 million from the sale and leaseback of TMM's headquarters building.
- The retirement of TMM's bond issue in October 2000, thereby reducing TMM's overall debt level.
- The receipt of \$41.3 million in October 2000 from the increased participation by Stevedoring Services of America in the port division.
- The reduction of TMM's ratio of general and administrative costs as a percentage of sales, through administrative and operational cost reduction initiatives.
- The establishment in 2000 of an \$8.0 million reserve for expected losses on the sale of the liner business and certain other contingencies.
- The completion of a bondholder Consent Solicitation permitting the acquisition of an increased ownership interest in Grupo TFM, S.A. de C.V. (Grupo TFM), allowing for the financial consolidation of TFM into TMM and permitting the merger to occur, provided that the merger occurs on or before December 31, 2001.
- A \$20.0 million investment by General Motors in TMM Multimodal.
- In the first quarter of 2001, TFM received a credit of approximately \$82 million from the sale of a redundant rail line.

#### *Grupo TMM, S.A. de C.V.*

Grupo TMM is a privately held Mexican company that was formed on August 14, 1987 to serve as a holding company for investments by certain members of the Serrano Segovia family. All of the outstanding shares of Grupo TMM are currently held by members of the Serrano Segovia family. Grupo TMM owns, directly, 21,854,504 Series A Shares, representing approximately 51.2% of the total outstanding TMM Series A Shares, which represents approximately 38.4% of the total outstanding stock of TMM.

As of December 31, 2000, Grupo TMM's assets, other than its interest in TMM and its management contract with TMM, consisted primarily of shares of certain subsidiaries and real estate assets held directly or through its subsidiaries, and its liabilities were comprised primarily of bank debt.

### **The Reorganization**

#### *General*

The boards of directors of TMM and Grupo TMM have unanimously approved the proposed corporate reorganization and merger in which TMM will be merged with and into Grupo TMM. You will,

after the merger, continue to own, as a shareholder of Grupo TMM, the same relative economic interest in Grupo TMM as you owned in TMM.

In preparation for the merger, the shareholders of Grupo TMM will approve the *escisión* (split-up) of Grupo TMM into two companies, Grupo TMM and a newly formed corporation, Promotora Servia, S.A. de C.V. Under the terms of the *escisión*, Grupo TMM will transfer all of its assets, rights and privileges (other than its interest in TMM) and all of its liabilities to Promotora Servia. The transfer of assets to Promotora Servia will be made without recourse and without representation or warranty of any kind and all of Grupo TMM's creditors will expressly and irrevocably consent to the transfer of the liabilities to Promotora Servia. For more information on the *escisión*, please see the section entitled "The Reorganization."

#### *Reasons for the Reorganization*

The boards of directors of Grupo TMM and TMM believe that the reorganization will enable Grupo TMM as the surviving corporation, to avail itself of benefits that are not available to TMM under the current corporate structure.

#### *Benefits of the Merger*

The primary purpose of the merger is to achieve tax and corporate governance efficiencies. The merger is also part of a broader company-wide restructuring plan launched by TMM's management in 1998 with the strategic objectives of (i) divesting under-performing businesses and continuing the expansion of historically higher-margin businesses, (ii) continuing the development of TMM as the largest Mexican provider of an integrated array of transportation and logistics services, and (iii) streamlining TMM's corporate structure to realize tax and corporate governance efficiencies.

It is anticipated that the merger will result in benefits for all of the shareholders involved in the merger. However, we cannot assure you that these benefits will be realized.

The principal benefits of the merger include:

- the extension of the benefits derived from the tax consolidation to all of TMM's shareholders;
- the creation of a new company that represents our re-directed principal objectives - distancing ourselves from unprofitable businesses and assets and concentrating on the expansion of our more profitable services; and
- aligning the interests of our controlling shareholders more closely with those of our minority shareholders.

We can give no assurance, however, that we will realize any of the anticipated benefits of the reorganization, and we refer you to the disclosure below under "Risk Factors -- Factors Relating to the Reorganization," for a discussion of the risks and uncertainties relating to the merger.

#### **The Merger Agreement**

The terms of the reorganization are set forth in a Merger Agreement (*convenio de fusión*) by and between TMM and Grupo TMM. The Merger Agreement provides for the merger of TMM with and into Grupo TMM, with Grupo TMM surviving (*fusionante*). Under the terms of the Merger Agreement, all of the assets, privileges and rights, and all of the liabilities of TMM will be transferred to Grupo TMM upon the effectiveness of the merger. Each Series A Share of the capital stock of TMM (other than the Series A Shares owned by Grupo TMM) will be exchanged for one Series A Share of the capital stock of Grupo TMM, and each Series L Share of the capital stock of TMM will be exchanged for one Series L Share of the capital stock of Grupo TMM. Grupo TMM Series A and Series L Shares will have the same rights and characteristics as those of the TMM Series A and Series L Shares, respectively. However, the By-laws (*Estatutos*) of Grupo TMM will require that the consent of the board of directors of Grupo TMM be obtained for any acquisition of Grupo TMM's Series A Shares which would result in any person acquiring 5% or more of the outstanding Grupo TMM Series A Shares in one or more simultaneous or successive transactions. If the approval process is not complied with, the acquiror will not be entitled to vote the acquired Shares. Immediately following the merger, Grupo TMM will have outstanding the same number of Series A and Series L Shares as TMM will

have outstanding immediately prior to the merger. A copy of an English translation of the Merger Agreement is attached hereto as Annex A and is incorporated herein by reference.

### **Effective Time**

We anticipate that the merger will become effective soon after TMM's extraordinary shareholders' meeting. The merger of TMM with and into Grupo TMM, if approved by our shareholders and not terminated by the boards of directors of TMM and Grupo TMM, will become effective at the time the Merger Agreement and the notarized minutes of the shareholders' meetings are registered with the Public Registry of Commerce in Mexico City.

### **Termination**

We currently expect the reorganization to take place soon after the extraordinary meeting. However, the boards of directors of TMM and Grupo TMM may jointly defer the merger or may abandon the merger after the extraordinary meeting. The boards of directors may exercise this right if they jointly determine that the reorganization would, in their view, have material adverse consequences to the shareholders of TMM or Grupo TMM, as the case may be.

### **Conditions to Completion of the Reorganization**

The reorganization will not be completed unless, among other requirements, the following conditions are satisfied or, if allowed by law, waived:

- the shareholders of Grupo TMM and TMM approve the reorganization by the requisite vote;
- Grupo TMM's securities are admitted or authorized to trade on the New York Stock Exchange;
- Grupo TMM's securities are admitted for trading on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A. de C.V.*);
- the Grupo TMM securities are registered with the National Securities Registry (*Registro Nacional de Valores*) of the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) of Mexico;
- the registration statement of which this prospectus forms a part is declared effective; and
- immediately prior to the merger, the *escisión* (split-up) of Grupo TMM into two companies shall have occurred.

### **Risks Associated with the Merger**

We expect to obtain certain benefits and efficiencies as a result of the merger. However, there can be no assurance that we will be able to realize these benefits and efficiencies. In addition, there are certain other risks associated with the merger. We refer you to the disclosure under "Risk Factors -- Factors Relating to the Reorganization", for a discussion of the risks and uncertainties relating to the merger.

### **Vote Required to Approve the Merger**

#### *TMM*

TMM's shareholders are being asked to vote on the merger. However, TMM is not soliciting proxies in connection with such vote. Shareholders will have the opportunity to be present and vote at an extraordinary meeting of the shareholders of TMM that is being called in accordance with the applicable laws of Mexico. The extraordinary meeting is scheduled to be held at 10 a.m., on December 21, 2001, at the offices of TMM, located at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, CP. 14010, Delegación Tlalpan, Mexico City, Mexico.

TMM has two classes of shares outstanding, Series A Shares and Series L Shares, which represent, respectively, the fixed and variable portions of TMM's capital. Series A Shares must represent, at all times, at least 75% and Series L Shares may not exceed at any time 25%, of the outstanding capital stock of TMM. The TMM Series A Shares may not be held directly by non-Mexicans. However, non-Mexicans may hold Series A Shares in the form of ordinary participation certificates or CPOs issued by a Trust (the CPO Trust) that holds the Series A Shares. The affirmative vote of a simple majority of TMM's outstanding Series A Shares and Series L Shares (including those represented by CPOs and ADSs), voting as a single class, will be required to approve the merger. However, holders of Series A Share CPO ADSs are not entitled to exercise any voting rights with respect to the Series A Shares held in the CPO Trust. Such voting rights are exercisable only by the CPO Trustee, which is required by the terms of the CPO Trust to vote such Series A Shares in the same manner as the holders of a majority of the outstanding Series A Shares not held in the CPO Trust voted at the relevant meeting. Holders of Series L Share ADRs are entitled to instruct the Depositary as to the exercise of voting rights attaching to the deposited Series L Shares, and upon receipt of such instructions the Depositary will endeavor, insofar as practicable, to vote or cause to be voted the Series L Shares underlying such holders' Series L Share ADRs in accordance with such instructions.

Grupo TMM holds, directly, 51.2%, of the outstanding Series A Shares, 6,364,504 of which are held in the form of Shares, rather than CPOs, and intends to vote those Shares in favor of the merger. The Series A Shares held by Grupo TMM in the form of Shares, represent 57.3% of the outstanding Series A Shares held in the form of Shares. Accordingly, the CPO Trustee would be required, under the terms of the CPO Trust, to vote all Series A Shares held in the CPO Trust in favor of the merger. As of November 30, 2001, 31,610,141 Series A Shares were held in the CPO trust in the form of CPOs. Assuming the number of CPOs held in the CPO trust remains approximately the same, the Series A Shares held by Grupo TMM in the form of Shares, taken together with the Series A Shares represented by CPOs which will be voted by the CPO Trustee in the same manner as Grupo TMM votes, represent 66.7% of the total outstanding Shares of TMM. In addition, Servicios Directivos Servia, S.A. de C.V., a subsidiary of Grupo TMM which will be transferred to Promotora Servia pursuant to the *escisión* currently holds 4,162,914 TMM Series A Shares (in the form of Shares) and such Series A Shares will be voted in favor of the merger. The Series A Shares held by Servicios Directivos Servia, S.A. de C.V. and Grupo TMM in the form of Shares, represent approximately 94.7% of the outstanding Series A Shares held in the form of Shares and when taken together with the Series A Shares represented by CPOs, represent approximately 74% of the total outstanding Shares of TMM. Consequently, Grupo TMM's and Servicios Directivos Servia S.A. de C.V.'s ownership interest in the outstanding Series A Shares will be sufficient to approve the merger even if all other holders of Series A and Series L Shares should vote against it.

As of June 30, 2001, Messrs. Javier Segovia Serrano, Mario Mohar Ponce and Brad Skinner who are directors and executive officers of TMM beneficially owned Series A Shares of TMM. Each of these individuals owns less than 1% of the outstanding Series A Shares.

#### *Grupo TMM*

Grupo TMM's shareholders are being asked to vote on the merger and a simple majority vote is required to approve the merger. All of Grupo TMM's outstanding shares are held by members of the Serrano Segovia family. José Serrano Segovia currently owns 9,966,125 shares (57.14%) and his brother, Ramón Serrano Segovia currently owns 7,475,465 shares (42.86%). In connection with the merger, Teresa Serrano Segovia will be issued 4,412,914 shares of Grupo TMM as a result of an increase in the capital stock of Grupo TMM prior to the *escisión* (split-up) of Grupo TMM. José Serrano Segovia and Ramón Serrano Segovia are directors and executive officers of Grupo TMM. In connection with the capital increase it is expected that all of the shares of Grupo TMM which are held by members of the Serrano Segovia family, will be contributed, for a certain period of time, to a trust pursuant to which the power to vote such shares shall be held by Mr. José Serrano Segovia.

#### **Dissenters' Rights**

Under Mexican law, shareholders are not entitled to any dissenters' rights or appraisal rights in connection with the merger.

## **Quorum**

The required quorum for an extraordinary meeting of the shareholders of TMM is at least 75% of the outstanding Shares (including those represented by Series A CPO ADSs and Series L ADSs). If a quorum is not present at a duly called meeting, a subsequent meeting may be called upon not less than 15 days' published notice, and at least 50% of the outstanding Shares (including those represented by Series A CPO ADSs and Series L ADSs), will constitute a quorum at such subsequent meeting. The CPO Trustee is required to attend all shareholders' meetings and the depositary for the Series L Share ADSs, representing all of the Series L Share ADSs, is required to (i) attend the meeting if it receives voting instructions with respect to any of the Series L Share ADSs and (ii) to give a discretionary proxy to TMM with respect to all of the Series L Share ADSs for which no voting instructions have been given, unless TMM informs the depositary that it does not wish such discretionary proxy to be given. The Series A Shares represented by CPOs, when taken together with the Series L Share ADSs and the Series A Shares held in the form of Shares by Grupo TMM, represent well in excess of 75% of the total outstanding capital stock of TMM. Consequently, it is expected that the quorum requirement will be present at the first call of the extraordinary meeting.

## **Record Date**

Only TMM shareholders of record at the close of business on December 19, 2001, as shown on TMM's records, will be entitled to vote at the extraordinary meeting.

## **Trading**

TMM's Series A Shares and Series L Shares trade on the Mexican Stock Exchange. In addition, TMM's CPOs are currently traded on the New York Stock Exchange under the symbol "TMMA" in the form of Series A CPO ADSs, each representing one CPO (which represents financial interests in the same number of Series A Shares), and the Series L Shares trade on the New York Stock Exchange in the form of Series L Share ADSs, each representing one Series L Share, under the symbol "TMM." TMM's Shares and ADSs will cease to so trade upon completion of the merger. We intend to have Grupo TMM's shares admitted or authorized to trade on the New York Stock Exchange and the Mexican Stock Exchange as a condition to the reorganization. It is expected that, following the merger, Grupo TMM's Series A CPOs will trade on the New York Stock Exchange under the symbol "TMM" in the form of CPO ADSs and the Series L Share ADSs will trade under the symbol "TMM/L". We reserve the right to terminate our listing on the New York Stock Exchange or any other stock exchange in the future, upon notice to our shareholders, in compliance with our listing agreements with the New York Stock Exchange or such other exchange.

As is the case with TMM, as a result of registering its ordinary shares for issuance in the merger, Grupo TMM will be subject to the informational requirements of the securities laws of the United States.

## **Market Price**

The closing price per Series A CPO ADS and Series L Share ADS of TMM on the New York Stock Exchange was \$8.15 and \$8.30, respectively on December 7, 2001.

## **Interests of Certain Persons in the Reorganization**

The shareholders of Grupo TMM, who are also board members of TMM, may have certain interests which are different from or in addition to those of the shareholders of TMM. These interests relate to the fact that after the merger, the current shareholders of Grupo TMM will directly own shares of a publicly traded company. As a result, there will be a public market for the shares owned by members of the Serrano Segovia family after the merger.

TMM and Grupo TMM have entered into an agreement to terminate the management services agreement between TMM and Grupo TMM that has been in effect since January 15, 1991 pursuant to which Grupo TMM has provided TMM with administrative, financial, corporate and operational services. The termination agreement, dated August 23, 2001 provides for the termination of the management services agreement upon the payment by TMM to Grupo TMM of \$17.5 million on or before September 7, 2002. In the event the payment is not made by September 7, 2002, the management services agreement will remain in full force and effect. It is expected that the services previously provided by Grupo TMM will be provided by TMM personnel. TMM and Grupo TMM have also entered into an agreement dated December 5, 2001

providing for the transfer to TMM of certain of the benefits derived from Grupo TMM's ability to file tax returns on a consolidated basis and providing for a payment to Grupo TMM of \$9.4 million by TMM on or before September 7, 2002 in respect of such benefits. For more information, please see, "Material Contracts Between TMM and Grupo TMM."

### **Comparison of Rights of Shareholders**

There will be no significant differences in the rights of holders of Grupo TMM stock as compared with the rights of holders of TMM stock. Grupo TMM Series A Share CPO ADSs and Series L Share ADSs (and the shares underlying the ADSs) will afford shareholders the same rights that the TMM Series A Share CPO ADSs and Series L Share ADSs (and the Shares underlying the ADSs), respectively, currently afford the TMM shareholders. However, the consent of the board of directors of Grupo TMM will be required for acquisitions of Grupo TMM's Series A Shares which would result in any person acquiring 5% or more of the outstanding Series A Shares of Grupo TMM in one or more simultaneous or successive transactions. See "Comparison of Rights of Holders of TMM Securities and Grupo TMM Securities."

### **Regulatory Matters**

The approval of the Foreign Investment Commission of Mexico, which we are in the process of obtaining, is required in order to permit the issuance by Grupo TMM of the Series L Shares in connection with the merger.

### **Certain Tax Considerations**

In general, for United States federal income tax purposes, holders of TMM stock should not recognize any gain or loss for United States federal income tax purposes as a result of the merger. See "Material Tax Considerations -- The Merger -- U.S. Federal Income Tax Considerations."

In general, for Mexican income tax purposes, the exchange of Series A and Series L Shares of TMM (or TMM ADSs representing such Shares) for Series A or Series L Shares of Grupo TMM (or Grupo TMM ADSs representing such Shares) pursuant to the merger will not result in any taxable gain or loss, if, as expected, certain requirements are met. See "Material Tax Considerations -- The Merger -- Mexican Federal Income Tax Considerations."

***Tax matters are very complicated. You should consult your own tax advisor as to the tax consequences of the Share exchange to your particular situation.***

### **Accounting Treatment**

The merger involves companies under common control. Therefore, there will be no change in the basis of Grupo TMM's assets and liabilities as a result of the merger, which will be treated in a manner similar to a pooling of interests.

### **Summary Historical and Pro Forma Financial Data**

The following tables set forth summary historical financial data for TMM and for Grupo TMM and pro forma financial data for Grupo TMM taking into account the merger as if it had occurred at the beginning of each of the fiscal years ended December 31, 1996 through December 31, 2000 and the six month periods ended June 30, 2000 and 2001. The financial information presented for the fiscal years ended December 31, 2000, 1999, and 1998 for TMM was derived from TMM's audited consolidated financial statements (the "TMM Financial Statements"), and the financial information presented for the fiscal years ended December 31, 2000, 1999, and 1998 for Grupo TMM was derived from Grupo TMM's audited consolidated financial statements (the "Grupo TMM Financial Statements") contained elsewhere herein.

The financial data for the six months ended June 30, 2000 and 2001 was derived from the unaudited financial statements of TMM and Grupo TMM included elsewhere herein and may not be indicative of results for the full fiscal year.

The unaudited pro forma combined financial data reflects the spin-off or other discharge of Grupo TMM's assets and liabilities as if they had been effected prior to the merger. The unaudited pro forma combined financial data does not reflect any other cost savings or other synergies nor merger related expenses anticipated by the management of TMM and Grupo TMM as a result of the merger.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been consummated as of the beginning of the periods indicated, nor is it necessarily indicative of the future operating results or financial position of Grupo TMM after the merger.

The following data should be read in conjunction with, and is qualified in its entirety by reference to "Operating and Financial Review and Prospects" and to the TMM Financial Statements and the Grupo TMM Financial Statements and the related notes thereto included elsewhere herein.

#### TMM SUMMARY CONSOLIDATED HISTORICAL FINANCIAL DATA

(Dollars in millions except ratios and per share data)

	Six Months Ended		Year Ended December 31,				
	June 30,						
	2001 <sup>(a)</sup>	2000	2000 <sup>(a)</sup>	1999 <sup>(*)</sup>	1998 <sup>(*)</sup>	1997 <sup>(*)</sup>	1996 <sup>(*)</sup>
	(Unaudited)						
<b>CONSOLIDATED INCOME</b>							
<b>STATEMENT DATA (IAS):</b>							
Revenues from Freight and Services <sup>(b)</sup> .....	\$ 491.4	\$ 170.2	\$ 358.6	\$ 329.3	\$ 318.6	\$ 275.5	\$ 274.3
Operating Income.....	91.7	17.2	31.0	25.4	48.7	22.0	33.2
Net Income (Loss) from continuing operations.....	7.0	15.5	18.3	(15.4)	(7.2)	(55.8)	33.5
Net Income (Loss).....	7.0	15.5	13.3	(145.1)	(12.4)	(31.3)	53.4
<b>U.S. GAAP<sup>(c)</sup></b>							
Revenues from Freight and Services <sup>(b)</sup> .....	\$ 491.4	\$ 170.2	\$ 358.6	\$ 329.3	\$ 318.6	\$ 275.5	\$ 274.3
Operating Income.....	93.9	17.5	32.2	29.6	35.4	14.8	32.7
Net Income (Loss) from continuing operations.....	3.0	3.7	9.8	(16.1)	(31.5)	(46.5)	77.0
Net Income (Loss).....	3.0	3.7	5.5	(171.7)	(38.9)	(32.9)	56.8
<b>BALANCE SHEET DATA (at end of period)</b>							
<b>(IAS):</b>							
Total Assets.....	\$2,734.5	--	\$2,643.6	\$1,112.5	\$1,321.5	\$1,329.9	\$1,241.2
Capital Stock.....	105.9	--	105.7	105.7	105.7	105.7	105.8
Stockholders' Equity.....	161.4	--	154.4	140.5	285.6	298.0	339.0
<b>U.S. GAAP<sup>(c)</sup></b>							
Total Assets.....	\$2,589.4	--	\$2,506.9	\$1,089.7	\$1,324.3	\$1,289.8	\$1,227.5
Capital Stock.....	105.7	--	105.7	105.7	105.7	105.7	105.8
Stockholders' Equity.....	113.5	--	110.5	104.5	276.2	315.2	356.4

(\*) TMM restated the consolidated financial statements of prior years. See "Operating and Financial Review and Prospects."

(a) Effective December 31, 2000, TMM purchased Grupo TMM's equity interest in Grupo TFM and now consolidates the consolidated financial statements of Grupo TFM (which have been consolidated by Grupo TMM since 1997).

(b) Includes results from Global Reefer Carriers ("GRC") in year 1996. Effective May 31, 1996, TMM sold its interest in GRC.

(c) See Note 30 to the TMM Financial Statements included elsewhere herein.

**GRUPO TMM SUMMARY CONSOLIDATED HISTORICAL FINANCIAL DATA**

(Dollars in millions except ratios and per share data)

	Six Months Ended June 30,		Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
	(Unaudited)						
<b>CONSOLIDATED INCOME STATEMENT DATA (IAS)</b>							
Transportation and service revenues <sup>(a)</sup> .....	\$ 491.4	\$ 475.8	\$ 989.9	\$ 844.7	\$ 740.7	\$ 477.3	\$ 274.3
Operating Income.....	91.7	110.3	197.6	148.3	111.1	34.7	33.2
Income (Loss) from continuing operations .....	2.6	6.5	7.3	76.6	4.2	(35.2)	44.2
Net (Loss) Income for the period .....	(1.3)	(0.6)	1.7	(62.6)	(9.6)	(22.2)	16.5
<b>U.S. GAAP<sup>(b)</sup>:</b>							
Transportation and service revenues <sup>(a)</sup> .....	\$ 491.4	\$ 475.8	\$ 989.9	\$ 844.7	\$ 740.7	--	--
Operating Income.....	93.9	111.7	170.9	135.4	107.7	--	--
Income (Loss) from continuing operations.....	1.0	1.1	8.5	94.4	(3.6)	--	--
Net (Loss) Income for the period .....	(2.9)	(5.9)	(1.3)	(70.8)	(19.7)	--	--
<b>BALANCE SHEET DATA (at end of period) (IAS):</b>							
Total Assets.....	\$2,758.4	--	\$2,669.2	\$2,946.6	\$3,126.9	\$3,097.6	\$1,278.6
Capital Stock.....	29.9	--	29.9	29.9	5.9	5.9	5.9
Stockholders' Equity.....	8.1	--	9.4	7.6	46.3	56.1	78.3
<b>U.S. GAAP<sup>(b)</sup>:</b>							
Total Assets.....	\$2,658.9	--	\$2,577.2	\$2,862.3	--	--	--
Capital Stock.....	29.9	--	29.9	29.9	--	--	--
Stockholders' Equity.....	(12.2)	--	(9.3)	(8.1)	--	--	--

(a) Includes results from GRC in year 1996. Effective May 31, 1996, TMM sold its interest in GRC.

(b) See Note 16 to the Grupo TMM Financial Statements included elsewhere herein.

**UNAUDITED SUMMARY PRO FORMA COMBINED FINANCIAL DATA**

(Dollars in millions except ratios and per share data)

	<u>Six Months Ended</u> <u>June 30,</u>		<u>Year Ended</u> <u>December 31,</u>
	<u>2001</u>	<u>2000</u>	<u>2000</u>
<b>CONSOLIDATED INCOME</b>			
<b>STATEMENT DATA (IAS):</b>			
Revenues from Freight and Services .....	\$ 491.4	\$ 475.8	\$ 989.9
Operating Income .....	91.7	110.3	197.6
Net Income (Loss) from continuing operations .....	7.0	15.5	14.2
<b>BALANCE SHEET DATA (at end of period)</b>			
<b>(IAS):</b>			
Total Assets.....	\$2,747.3	--	\$ 2,658.5
Capital Stock .....	105.9	--	105.7
Stockholders' Equity .....	164.9	--	157.9

## Comparative Per Share Data

The following table sets forth selected historical per share data of Grupo TMM and historical per share data for TMM and Grupo TMM unaudited combined per share data on an unaudited pro forma basis after giving effect to the merger in a manner similar to a pooling-of-interests basis. The information presented in this table is derived from the financial information of Grupo TMM and TMM. The information set forth below is only a summary. This data should be read in conjunction with the Summary Historical and Pro Forma Financial Data, the Selected Consolidated Historical Financial Data, the Unaudited Pro Forma Financial Information and the separate historical consolidated financial statements of Grupo TMM and TMM included elsewhere in this prospectus. This table is not necessarily indicative of the results of future operations of Grupo TMM or actual results that would have occurred if the merger had taken place prior to the period indicated.

### PER SHARE DATA

(Dollars in millions except ratios and per share data)

	Six Months Ended June 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
	(Unaudited)						
<b>Grupo TMM Historical:</b>							
Income (loss) per Share from continuing operations .....	0.149	0.372	0.417	5.589	1.308	(10.938)	13.732
(Loss) income per share from discontinuing operations .....	(0.225)	(0.406)	(0.318)	(10.160)	4.288	4.052	(8.604)
Net (loss) income per share for the period.....	(0.076)	(0.034)	0.099	(4.571)	(2.980)	(6.886)	5.128
Weighted average shares outstanding (000's) <sup>(2)</sup> ..	17,442	17,442	17,442	13,705	3,220	3,220	3,220
Dividends per Share .....	0.00	0.00	0.00	0.00	0.00	0.00	1.283
Book Value per Share <sup>(1)</sup> .....	0.464	0.407	0.539	0.555	14.378	17.422	24.317
<b>US GAAP:</b>							
Income (loss) per Share from continuing operations .....	0.059	0.065	0.491	6.891	(1.124)	--	--
(Loss) per share from discontinuing operations..	(0.225)	(0.405)	(0.272)	(12.054)	(4.980)	--	--
(Loss) per share from extraordinary item.....	--	--	(0.291)	--	--	--	--
Net (loss) per Share for the period.....	(0.166)	(0.340)	(0.072)	(5.163)	(6.104)	--	--
<b>TMM Historical:</b>							
Income (loss) per Share from continuing operations .....	0.12	0.27	0.33	(0.27)	(0.13)	(0.98)	0.59
Income (loss) per share from discontinuing operations .....	0.00	0.00	(0.09)	(2.29)	(0.09)	0.43	0.35
Net income (loss) per share for the period.....	0.12	0.27	0.24	(2.56)	(0.22)	(0.55)	0.94
Weighted average shares outstanding (000's) ....	56,689	56,689	56,689	56,598	56,598	56,598	56,928
Dividends per Share .....	0.0	0.0	0.0	0.0	0.0	0.0	0.35
Book Value per Share <sup>(1)</sup> .....	2.847	3.007	2.723	2.482	5.046	5.265	5.955
<b>US GAAP:</b>							
Income (loss) per Share from continuing operations .....	0.05	0.07	0.17	(0.28)	(0.56)	(0.82)	1.35
Income (loss) per share from discontinuing operations	0.00	0.00	(0.07)	(2.75)	(0.13)	0.24	(0.35)
Net income (loss) per Share for the period .....	0.05	0.07	0.10	(3.03)	(0.69)	(0.58)	1.00

	<b>Six Months Ended</b>		<b>Year Ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<u>2001</u>	<u>2000</u>	<u>2000</u>
	(Unaudited)		
<b>Pro Forma Combined:</b>			
Income (loss) per Share from continuing operations <sup>(2)</sup> .....	0.123	0.273	.0250
Dividends per Share .....	0.0	0.0	0.0
Weighted Average Shares Outstanding (000s) <sup>(2)</sup> .....	56,689	56,689	56,689
Book Value per Share <sup>(1)</sup> .....	2.91	3.06	2.79

- (1) Historical book value per share is computed by dividing stockholders' equity by the number of common shares outstanding at the end of each period. Pro forma book value per share is computed by dividing pro forma stockholders' equity by the pro forma number of shares which would have been outstanding had the merger been consummated as of each balance sheet date.
- (2) Weighted average of shares outstanding were restated to reflect the reverse split-up which occurred on October 31, 2001. Pro forma share amounts are based on the pro forma combined weighted average number of common and common stock equivalent shares of Grupo TMM stock and TMM stock for each period presented.

## RISK FACTORS

### Factors Relating to the Reorganization

*We May Not Be Able to Achieve the Anticipated Benefits of the Merger.*

We expect that the merger will result in certain favorable tax consequences. If we do not achieve the anticipated tax benefits of the merger, then Grupo TMM's financial results could be lower than those anticipated as a result of the merger. The pro forma financial information contained in this prospectus which provides information about our operations after the merger is not necessarily indicative of actual results. We cannot provide any assurance that our financial results will be as indicated in the pro forma financial information presented elsewhere herein.

*The United States Federal Income Tax Consequences of the Merger Are Not Certain and Therefore the Share Exchange May be a Taxable Transaction.*

TMM and Grupo TMM intend that the merger qualify as a tax-free reorganization under the United States Internal Revenue Code. TMM and Grupo TMM will receive an opinion from Curtis, Mallet-Prevost, Colt & Mosle LLP that the merger should qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code. However, that opinion is not binding upon the Internal Revenue Service and no ruling from the Internal Revenue Service regarding the United States federal income tax consequences of the merger will be obtained.

If the merger does not qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code, the merger would be treated as a taxable exchange for federal income tax purposes and, accordingly, each holder of TMM Shares, ADSs or CPOs who receives Grupo TMM Shares, ADSs or CPOs in the merger would recognize a gain or loss equal to the difference between the fair market value of such Grupo TMM Shares, ADSs or CPOs and the holder's tax basis in his or her TMM Shares, ADSs or CPOs.

**YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING YOUR PARTICULAR TAX CONSEQUENCES.**

*You May Find it Difficult to Sell Your Interests in Grupo TMM.*

We cannot provide any assurance about the liquidity of any market for the Grupo TMM stock, your ability to sell your Grupo TMM stock or the prices at which you will be able to sell your Grupo TMM stock. The liquidity of any market for Grupo TMM stock will depend on the interest of securities dealers in making a market in the stock, any transfer restrictions that may be imposed by the laws of the jurisdiction in which the stock trades and various other factors.

*We May Choose to Defer or Abandon the Merger.*

The merger may be terminated at any time prior to the filing of the documents relating to the merger with the Public Registry of Commerce in Mexico City, by action of the boards of directors of TMM and Grupo TMM. We currently expect the merger to take place soon after the extraordinary meeting. However, the boards of directors may jointly defer the merger or may abandon the merger after approval by the shareholders. The boards of directors may exercise this right if they jointly determine that the merger would, in their view, have material adverse consequences to the shareholders of TMM or Grupo TMM, as the case may be. In addition, we do not intend to consummate the reorganization if the shares of Grupo TMM are not admitted or authorized to trade on the New York Stock Exchange and the Mexican Stock Exchange. If the merger is not effective on or before December 31, 2001, we would need to obtain the consent of TMM's bondholders in order to effect the merger. There can be no assurance that we could obtain their consent, or how much of a fee we would need to pay to obtain their consent.

*The Holders of TMM's Euro Commercial Paper Have Not Consented to The Merger And As A Result We May be Required to Redeem Our Outstanding Euro Commercial Paper Notes*

Under Mexican law, since Grupo TMM and TMM have elected to have the merger be effective upon the registration of the merger with the Public Registry of Commerce, Grupo TMM would be required to pay any amounts due to TMM or Grupo TMM's creditors who request payment of such amounts and who have not consented to the merger. TMM has not obtained the consent to the merger of the holders of its outstanding

Euro Commercial Paper issued under its Euro Commercial Paper Program. Under the Euro Commercial Paper Program, notes may be issued with maturities of up to 360 days for a total of \$150 million. As of September 30, 2001, a total of \$64.6 million of TMM's Euro Commercial Paper was outstanding. Considering the short term nature of our Euro Commercial Paper, we do not expect holders thereof to request payment of the outstanding notes as a result of the merger. We expect to be able to continue to issue notes under our Euro Commercial Paper Program after the merger. However, there can be no assurance that holders of our Euro Commercial Paper will not demand payment as a result of the merger or that Grupo TMM will be able to continue to issue notes after the merger or that we will have sufficient funds to redeem the notes if required to do so. In addition, if Grupo TMM is able to issue notes after the merger, there can be no assurance that the merger will not adversely affect demand for the notes.

### **Factors Relating to TMM**

#### *Our Substantial Indebtedness Could Adversely Affect Our Ability to Pay Interest and Repay Our Indebtedness.*

We have a significant amount of indebtedness which requires significant debt service. As of September 30, 2001, we had consolidated indebtedness of approximately \$1,289.4 million (\$841.2 million corresponding to TFM and \$448.2 million for TMM) and shareholders' equity, including minority interest in consolidated subsidiaries of \$1,228.4 million, resulting in a debt to equity ratio of 105.0%. The level of our indebtedness could have important consequences. For example, it could:

- limit cash flow available for capital expenditures, acquisitions, working capital and other general corporate purposes because a substantial portion of our cash flow from operations must be dedicated to servicing our debt;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates;
- limit our flexibility in planning for, or reacting to, competitive and other changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt and greater operating and financing flexibility than we do; and
- limit, through covenants in our indebtedness, our ability to borrow additional funds.

Our ability to pay interest and to repay or refinance our indebtedness will depend upon our future operating performance which is subject to general economic, financial, competitive, legislative, regulatory, business and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated revenues and operating performance will be realized or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If we are unable to meet our debt service obligations or fund our other liquidity needs, we could attempt to restructure or refinance our indebtedness or seek additional equity capital. Our ability to refinance our debt and take other actions will depend on, among other things, our financial condition at the time, the restrictions in the instruments governing our indebtedness and other factors, including market conditions, beyond our control. We cannot assure you that we will be able to accomplish those actions on satisfactory terms, if at all.

#### *Failure to Comply With Restrictive Covenants in Our Existing Contractual Arrangements Could Accelerate Our Repayment Obligations Under Our Indebtedness.*

The indentures relating to our debt securities and the credit agreement relating to our Euro Commercial Paper Program contain several restrictive covenants, and any additional financing arrangements we enter into may contain additional restrictive covenants. These covenants restrict or prohibit many actions, including our ability to:

- incur indebtedness;
- create or suffer to exist liens;
- make prepayments of particular indebtedness;
- pay dividends;
- make investments;
- engage in transactions with shareholders and affiliates;
- sell assets; and
- engage in mergers and consolidations or in sale-leaseback transactions.

If we fail to comply with these restrictive covenants, our obligation to repay our debt may be accelerated.

*We May Be Unable to Successfully Implement Our Business Strategy and Improve Our Operating Performance.*

During the past two years, we have been implementing a program to refocus our business and restructure our operations with the objective of increasing the profitability of our business. We accelerated this program through the sale of non-strategic and under-performing assets beginning in late 1999 and continuing through 2001, the reduction of outstanding debt, and a corporate reorganization with the goal of reducing administrative expenses by creating a more efficient management structure.

We cannot assure you that we will successfully complete our corporate restructuring or achieve our strategic objectives of reducing corporate overhead costs and improving our operating performance. Our success going forward will depend on a number of factors, including:

- U.S. and Mexican economic conditions;
- the success of TFM, our primary railroad property;
- our ability to continue to restructure our business;
- our ability to compete with other logistics and transportation companies with greater financial resources than ourselves; and
- our ability to contain and reduce corporate overhead costs.

We may not be able to implement our business strategies on a timely basis or at all, nor can we assure you that, if implemented, our strategies will achieve the desired results, as a number of the factors noted above represent variables beyond our control.

In addition, our expansion plans will require substantial capital expenditures and investments, and there can be no assurance that new or expanded businesses will generate net profits or positive cash flow.

*We May Be Unable to Successfully Expand Our Business.*

Our future growth will depend on a number of factors, including:

- identification and continued evaluation of new niche markets;
- identification of joint venture opportunities or acquisition candidates and entering into acquisition or joint ventures on favorable terms;
- the ability to hire and train qualified personnel;
- the successful integration of any acquired businesses with our existing operations; and
- our ability to effectively manage expansion and to obtain required financing.

In order to maintain and improve operating results from new businesses, as well as our existing businesses, we will be required to manage our growth and expansion effectively. However, the management of new businesses involves numerous risks, including difficulties in assimilating the operations and services of the new businesses, the diversion of management's attention from other business concerns, and the disadvantage of entering markets in which we may have no or limited direct or prior experience. Our failure to effectively manage our expansion could have a material adverse effect on our results of operations.

*We Depend on Income From Our Subsidiaries to Meet Our Debt Service Obligations.*

We are primarily a holding company and conduct the majority of our operations and hold a substantial portion of our operating assets through numerous direct and indirect subsidiaries. As a result, we rely on income from dividends and fees related to administrative services provided to our operating subsidiaries for our operating income, including the funds necessary to service our indebtedness. Although TMM has maintained, as controlling shareholder, the ability to declare dividends (assuming the applicable conditions under our debt covenants and Mexican law have been met), our subsidiaries have no obligation to pay amounts to us in order to service our indebtedness. Furthermore, we do not own 100% of all of our subsidiaries and, to the extent that we rely on dividends or other distributions from these subsidiaries, we will only be entitled to a pro rata share of such dividends or other distributions. In addition, under Mexican law, our Mexican subsidiaries may only pay dividends to us from earnings included in financial statements approved by shareholders, after prior existing losses have been made up or absorbed and funds for certain mandatory legal reserves have been set aside, and after shareholders have approved the payment of the relevant dividends. There can be no assurance that our subsidiaries will provide us with funds necessary to service our debt obligations.

In addition, TMM is, and Grupo TMM after the merger will be primarily, a holding company predominantly conducting its operations through and holding a substantial portion of its assets in numerous direct and indirect subsidiaries. Claims of creditors of the Company's subsidiaries, including trade creditors of, and bank and other lenders to, the Company's subsidiaries, will have priority over the claims of the Company as to the assets and cash flow of such subsidiaries.

*Conflicts of Interest or Difficulties Experienced by our Joint Venture Partners, Disagreements With Our Joint Venture Partners or Difficulties We May Experience in Our Other Strategic Relationships Could Hinder Our Expansion Into Target Markets.*

We are a party to a number of joint venture arrangements and expect to enter into other similar arrangements in the future. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our interests or those of the joint venture itself. Any of our joint venture partners may also be unable to meet their economic or other obligations to the venture, and we may be required to fulfill those obligations. Disagreements for these or any other reasons with companies with which we have a strategic alliance or relationship could impair or adversely affect our ability to conduct our business.

*We Have Granted a Call Option on Our Grupo TFM Shares.*

TMM recently established a receivables securitization program, pursuant to which (i) TMM and some of its wholly-owned subsidiaries sold to a trust established under the laws of the United States, certain receivables and collection rights derived from agreements with, or services rendered to, some of their customers, (ii) the trust will issue and sell certificates representing an interest in the trust to certain qualified investors pursuant to an exemption from registration under the U.S. securities laws, and (iii) TMM will receive \$25.0 million net of fees and expenses associated with establishment of the program. Pursuant to certain agreements related to the program, TMM Multimodal, S.A. de C.V., whose voting shares are 100% owned by TMM, granted to the Securitization Trust an option to acquire, upon the occurrence of certain events, that number of Grupo TFM shares owned by TMM Multimodal as may be necessary to provide the trust with sufficient funds to pay in full all amounts outstanding under the certificates. This option is exercisable by the trust upon the occurrence of certain events, including upon the failure of TMM and its subsidiaries under the securitization program to provide sufficient funds to the trust to repay the certificates in full upon certain events of default. Exercise of the option is subject to the transfer restrictions contained in the Bylaws of Grupo TFM.

If the trust were to exercise the option, TMM could lose control of Grupo TFM and of TFM, its most significant subsidiary. Although, TMM does not believe that the option will become exercisable, there can be no assurance that the call option will not be exercised by the trust. The form of agreement under which the trust has been granted the option is included as an exhibit to the Master Trust Agreement, which is included as an Exhibit to the Registration Statement of which this prospectus forms a part.

*Our Principal Shareholder Has and Will Continue to Have Control Over the Company.*

Grupo TMM is TMM's largest shareholder and currently owns, directly, 51.2% of TMM's outstanding Series A Shares. As a result, Grupo TMM currently has, and after the merger certain members of the Serrano

Segovia family will have, the ability to elect at least 8 of the 14 members of the Board of Directors and the ability to approve any action requiring the approval of the shareholders, and to prevent any action proposed by other shareholders. If members of the Serrano Segovia family were to cease to control TMM, and after the merger, Grupo TMM then under certain circumstances TMM or Grupo TMM, as the case may be, may be required to prepay substantial amounts of its indebtedness.

*Significant Competition Could Adversely Affect Our Future Financial Performance.*

Certain of our business segments face significant competition which could have an adverse effect on our results of operations. Our parcel tanker and supply ship services operating in the Gulf of Mexico have faced significant competition mainly from U.S. shipping companies. Although we expect a recently enacted Mexican law restricting cabotage of ships (intra-Mexican movement) at Mexican ports to Mexican-owned vessels carrying the Mexican flag to reduce competition from non-Mexican companies in this sector, there can be no assurance that such competition will be reduced. In our land operations division, our trucking transport and automotive logistics services have faced intense competition, including price competition, from a large number of Mexican, U.S. and international trucking lines. For example, in the fourth quarter of 2000 we lost to a lower bidder our long-term contract with Wal-Mart under which we devoted 120 trucks to deliver consumer goods from Wal-Mart warehouses to retail outlets throughout Mexico. There can be no assurance that we will not lose business in the future due to our inability to respond to competitive pressures by decreasing our prices without adversely affecting our gross margins and operational results.

TFM also faces significant competition in some industry segments from other railroads, in particular *Ferrocarril Mexicano, S.A. de C.V.* ("Ferromex"), which operates the Pacific-North Rail Lines. In particular, TFM has experienced, and continues to experience, competition from Ferromex with respect to the transport of grain, minerals and steel products. The rail lines operated by Ferromex run from Guadalajara and Mexico City to four U.S. border crossings west of Laredo, Texas, providing a potential alternative to TFM's routes for the transport of freight from those cities to the U.S. border. Ferromex directly competes with TFM in some areas of its service territory, including Tampico, Saltillo, Monterrey and Mexico City. Also in direct competition for traffic to and from southeastern Mexico is *Ferrocarril del Sureste, S.A. de C.V.* ("Ferrosur"), which operates the Southeast Rail Lines. Ferrosur, like TFM, serves Mexico City, Puebla and Veracruz.

We operate our port and terminal facilities, as well as our tugboat services under long-term concessions granted by the Mexican government. We have concessions to operate cargo terminals at the ports of Manzanillo, Veracruz and Acapulco, as well as cruise ship terminals on the Caribbean islands of Cozumel, Progreso and Acapulco. We anticipate that over the next several years the government will grant a series of concessions to private entities to operate facilities at ports on the Pacific and Gulf of Mexico coasts. These and any other future concessions and privatizations of ports and related services will increase competition in this sector and could adversely affect our operations.

*Recent Terrorist Activities and Their Consequences Could Adversely Affect Our Operations and Your Investment.*

As a result of the terrorist attacks in New York, Washington, D.C. and Pennsylvania on September 11, 2001, there was increased short-term market volatility, and there may be long-term effects on U.S. and world economies and markets.

Terrorist attacks may negatively affect our operations and your investment. New terrorist attacks, actual or threatened, and related political events may cause a lengthy period of uncertainty that may adversely affect our business. There can be no assurance that there will not be further terrorist attacks against the United States. Political and economic instability in other regions of the world, including the United States and Canada, may also result and could adversely affect our operations. The consequences of terrorism and the responses thereto are unpredictable, and could have an adverse effect on our operations or your investment.

*Downturns in the U.S. Economy or in Trade Between the United States and Mexico Would Likely Have Adverse Effects on Our Business and Results of Operations.*

With the discontinuation of our oceanliner operations and the refocus of our strategy, our business depends more heavily upon trade between Mexico and the United States. As a result, the level and timing of our business activity will be influenced by the level of U.S.-Mexican trade and the effects of NAFTA on such trade. Downturns in the U.S. or Mexican economy or in trade between the United States and Mexico would likely have adverse effects on our business and results of operations. Our business of logistics and

transportation of products traded between Mexico and the United States depends on the U.S. and Mexican markets for these products, the relative position of Mexico and the United States in these markets at any given time and tariffs or other barriers to trade. Also, fluctuations in the Peso-Dollar exchange rate could lead to shifts in the types and volumes of Mexican imports and exports. Although a decrease in the level of exports of some of the commodities that we transport to the United States may be offset by a subsequent increase in imports of other commodities we haul into Mexico and vice versa, any offsetting increase might not occur on a timely basis, if at all. Future developments in U.S.-Mexican trade beyond our control may result in a reduction of freight volumes or in an unfavorable shift in the mix of products and commodities we carry.

*Downturns in Certain Cyclical Industries in Which Our Customers Operate Could Have Adverse Effects on Our Results of Operations.*

The shipping, transportation and logistics industries are highly cyclical, generally tracking the cycles of the world economy. Although transportation markets are affected by general economic conditions, there are numerous specific factors within each particular market segment that may influence operating results. Some of our customers do business in industries that are highly cyclical, including the oil and gas, automotive and agricultural sectors. Any downturn in these sectors could have a material adverse effect on our operating results. Also, some of the products we transport have had a historical pattern of price cyclicity which has typically been influenced by the general economic environment and by industry capacity and demand. For example, global steel and petrochemical prices have decreased in the past. We cannot assure you that prices and demand for these products will not decline in the future, adversely affecting those industries and, in turn, our financial results.

*We Are Exposed to the Risk of Loss and Liability.*

Our business is affected by a number of risks, including mechanical failure of vessels and equipment, collisions, property loss of the vessels and equipment, cargo loss or damage, as well as business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, the operation of any ocean-going vessel is subject to the inherent possibility of catastrophic marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

We maintain insurance to cover the risk of partial or total loss of or damage to all of our assets, including, but not limited to, railtrack, rail cars, port facilities, port equipment, trucks, land facilities, offices and, in particular, we maintain marine hull and machinery and war risk insurance on our vessels, which covers the risk of actual or constructive total loss. Additionally, we have protection and indemnity insurance for damage caused by our operations to third persons. We do not carry insurance covering the loss of revenue resulting from a downturn in our operations or resulting from vessel off-hire time on certain vessels. There can be no assurance that our insurance would be sufficient to cover the cost of damages suffered by us or damages to others, that any particular claims will be paid or that such insurance will continue to be available at commercially reasonable rates in the future.

*We Face Potential Environmental Liability.*

Our operations are subject to Mexican federal and state laws and regulations relating to the protection of the environment. The primary environmental law in Mexico is the General Law of Ecological Balance and Environmental Protection (the "Ecological Law"). The Mexican federal agency in charge of overseeing compliance with, and enforcing the federal environmental laws, is the Ministry of Environmental Protection and Natural Resources (*Secretaría del Medio Ambiente, Recursos y Naturales*, or "Semarnap"). As part of its enforcement powers, Semarnap is empowered to bring administrative and criminal proceedings and impose economic sanctions against companies that violate environmental laws, and temporarily or even permanently close non-complying facilities. Under the Ecological Law, the Mexican government has implemented a program to protect the environment by promulgating rules concerning water, land, air and noise pollution, and hazardous substances. We are also subject to the laws of various jurisdictions and international conferences with respect to the discharge of materials into the environment. While we maintain insurance against certain of these environmental risks in an amount which we believe is consistent with amounts customarily obtained in accordance with industry norms, there can be no assurance that such insurance would be sufficient to cover damages suffered by us. We cannot predict the effect, if any, that the adoption of additional or more stringent environmental laws and regulations would have on our results of operations, cash flows or financial condition.

Under the United States Oil Pollution Act of 1990, or "OPA 90," shipowners and operators could be exposed to substantial liability, and in some cases, unlimited liability for removal costs and damages resulting from the discharge of oil, petroleum or related substances into United States waters by their vessels. In some jurisdictions, including the United States, claims for removal costs and damages would enable claimants to immediately seize the ships of the owning and operating company and sell them in satisfaction of a final judgment. The existence of statutes enacted by individual states of the United States on the same subject, but requiring different measures of compliance and liability, creates the potential for similar claims being brought under state law. In addition, several international conventions that impose liability for the discharge of pollutants have been adopted by other countries. We time-charter to Petróleos Mexicanos ("PEMEX"), the national oil company of Mexico, five tankers, which PEMEX uses to transport refined petroleum products domestically. Pursuant to these time-charters, PEMEX has the right to transport crude oil and operate internationally. We operate five additional tankers (including four parcel tankers) in the international market. See "Information on the Companies -- TMM -- Our Business Operations -- Specialized Maritime Services." If a spill were to occur in the course of operation of one of our vessels carrying petroleum products, and such spill affected the United States or another country that had enacted legislation similar to OPA 90, we could be exposed to substantial or unlimited liability. Additionally, our vessels carry bunkers (ship fuel) and certain goods that, if spilled, under certain conditions, could cause pollution and result in substantial claims against us, including claims under OPA 90 and other United States federal, state and local laws.

*We Are Exposed to a Contingent Obligation to Purchase Shares of TFM Owned by the Government of Mexico.*

The Mexican government retained a 20% interest in TFM (the "Government shares") in connection with the privatization of TFM. By agreement, the Mexican government has reserved the right to sell its equity interest by October 31, 2003 in a public offering, which public offering must be approved by Grupo TFM and its shareholders. If a public offering of TFM shares does not occur by that date, Grupo TFM will have the obligation to purchase the government's interest at the original Peso purchase price per share paid by Grupo TFM, indexed to Mexican inflation. If Grupo TFM does not purchase the Government shares, the government may require TMM and Kansas City Southern Industries, Inc. ("KCSI" and together with TMM, the "Partners"), or either TMM or KCSI alone, to purchase the Government shares at such price and will release Grupo TFM from its obligation. We cannot assure you that we will have sufficient resources to acquire the Government shares if required to do so.

*We Are Exposed to a Call Option on Shares of Our Port Division.*

Pursuant to the agreements signed with one of our strategic partners, Stevedoring Services of America, Stevedoring Services of America has the option to acquire all of the shares of the capital stock of our port division (other than the port of Tuxpan) upon the occurrence of certain events related to our solvency and liquidity at a formula based price. If Stevedoring Services of America is afforded the opportunity to exercise its call option and does so, we will no longer be involved in Port and Terminal operations, other than with respect to the port of Tuxpan and consequently, will lose the revenues related thereto. Although we do not believe that the circumstances will arise that would enable Stevedoring Services of America to exercise its call option, or in the event that such circumstances did arise that Stevedoring Services of America would exercise its call option, there can be no assurance that such circumstances will not arise or that Stevedoring Services of America will not exercise its option.

*Our Significant Subsidiary, TFM, Faces Certain Risks.*

TFM's business is capital intensive and requires ongoing substantial expenditures for, among other things, improvements to roadway, structures and technology, acquisitions, leases and repair of equipment, and maintenance of its rail system.

TFM's business is heavily dependent upon trade between Mexico and the United States. As a result, the level and timing of TFM's business activity is strongly influenced by the level of U.S.-Mexican trade and by the effect of NAFTA on such trade. There can be no assurance that future developments in U.S.-Mexican trade, over which TFM has no control, will not result in a reduction of freight volumes or an unfavorable shift in the mix of products and commodities carried by TFM. In addition, TFM's railroad concession from the Mexican government requires TFM to make investments and undertake capital projects, including capital projects described in a business plan filed every five years with the Mexican government. TFM may defer capital expenditures with respect to its five-year business plan with the permission of the *Secretaría de*

*Comunicaciones y Transportes* (Ministry of Communications and Transport or "Ministry of Transportation"). However, the Ministry of Transportation may not grant this permission, and TFM's failure to comply with the commitments in its business plan could result in the Mexican government revoking the concession.

TMM and KCSI are the principal shareholders of Grupo TFM. Although TMM holds a majority voting interest in Grupo TFM, decisions on certain matters which may be material to TFM's operations and business require the approval of both shareholders or of their representatives on Grupo TFM's board of directors. Differences of views between us and KCSI may result in delayed decisions or in failures to agree which could adversely affect TFM's operations and business. We cannot assure you that we will continue to retain any of our joint venture interests, or continue to own any of our subsidiaries, including our interest in Grupo TFM. A change in the corporate structure of TFM's strategic partners may also adversely affect its operations.

All of the locomotives TFM operates are diesel-powered, and TFM's fuel expenses are significant. TFM currently meets, and expects to continue to meet, its fuel requirements almost exclusively through purchases at market prices from PEMEX, a government-owned entity exclusively responsible for the distribution and sale of diesel fuel in Mexico. TFM is party to a fuel supply contract with PEMEX of indefinite duration. Either party may terminate the contract upon 30 days written notice to the other at any time. If the fuel contract is terminated and TFM is unable to acquire diesel fuel from alternate sources on acceptable terms, TFM's operations could be materially adversely affected. In addition, instability in the Middle East may result in an increase in fuel prices. Since TFM's fuel expense represents a significant portion of its operating expenses, significant increases in the price of diesel fuel could have a material adverse effect on TFM's results of operations.

*Certain Regulatory and Market Factors Could Adversely Affect Our Ability to Expand Our Rail Transportation Operations.*

TFM faces significant competition from trucks and other rail carriers as well as limited competition from the shipping industry in its freight operations. The trucking industry is TFM's primary competition. In February 2001, a NAFTA tribunal ruled in an arbitration between the United States and Mexico that the United States must allow Mexican trucks to cross the border and operate on U.S. highways. NAFTA called for Mexican trucks to have unrestricted access to highways in U.S. border states by 1995 and full access to all U.S. highways by January 2000. However, the United States has not followed the timetable because of concerns over Mexico's trucking safety standards. In August 2001, the U.S. Congress approved a transportation bill that President Bush threatened to veto because it would limit Mexican trucks' access to American roads. Given these recent developments, we cannot assure you that truck transport between Mexico and the United States will not increase substantially in the future. Such an increase could affect TFM's ability to continue converting traffic to rail from truck transport because it may result in an expansion of the availability, or an improvement of the quality, of the trucking services offered in Mexico.

In recent years, there has been significant consolidation among major North American rail carriers. The resulting merged railroads could attempt to use their size and pricing power to block other railroads' access to efficient gateways and routing options that are currently and have been historically available. We cannot assure you that further consolidation will not have an adverse effect on us.

## **Factors Relating to Mexico**

*Mexico is an Emerging Market Economy, With Attendant Risks to Our Results of Operations and Financial Condition.*

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the economy and state-owned enterprises could have a significant impact on Mexican private sector entities in general and on us in particular, as well as on market conditions, prices and returns on Mexican securities, including ours. Our financial condition, results of operations and prospects and, consequently, the market price for our securities, may also be affected by currency fluctuations, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico.

The Mexican economy in the past has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Pesos to Dollars, the Mexican government may institute a restrictive exchange

control policy in the future. Any restrictive exchange control policy could adversely affect our ability to obtain Dollars or to convert Pesos into Dollars for purposes of making interest and principal payments to noteholders, to the extent that we may have to effect those conversions. This could have a material adverse effect on our business and financial condition.

Securities of emerging market companies tend to be influenced by economic and market conditions in other emerging market countries. Emerging market countries have recently been experiencing significant economic downturns and market volatility. These events have had an adverse effect on the economic conditions and securities markets of other emerging market countries, including Mexico.

*Any Devaluation of the Peso Would Cause the Peso Cost of Our Dollar-Denominated Debt to Increase, Adversely Affecting Our Ability to Make Payments on Our Indebtedness.*

After a five-year period of controlled devaluation of the Peso, on December 19, 1994, the value of the Peso dropped sharply as a result of pressure against the currency. Although the Peso has been appreciating relative to the Dollar, any future devaluations in the Peso and currency instability could make it difficult for us to purchase Dollars and to service our Dollar-denominated obligations. Further, any devaluation of the Peso would cause the Peso cost of our Dollar-denominated debt to increase. In addition, currency instability may affect the balance of trade between the United States and Mexico.

*Mexico May Experience High Levels of Inflation in the Future Which Could Adversely Affect Our Results of Operations.*

Mexico has a history of high levels of inflation, and may experience inflation in the future. During most of the 1980s and during the mid- and late 1990s, Mexico experienced periods of high levels of inflation. The annual rates of inflation, for the following years, as measured by changes in the National Consumer Price Index, as provided by Banco de México, were:

1996.....	27.70%
1997.....	15.72%
1998.....	18.61%
1999.....	12.32%
2000.....	8.96%
2001*.....	4.26%

\*January – November

Mexican inflation was 1.12% or 4.48% on an annualized basis for the first quarter of 2001, 0.97% or 3.88% on an annualized basis for the second quarter, and 1.27% or 5.08% on an annualized basis for the third quarter. A substantial increase in the Mexican inflation rate would have the effect of increasing some of our costs, which could adversely affect our results of operations and financial condition, as well as the market value of our securities. High levels of inflation may also affect the balance of trade between Mexico and the United States, and other countries, which could adversely affect our results of operations.

*Political Events in Mexico, Including the Recent Transition to a New Presidential Administration, Could Affect Mexican Economic Policy and Our Operations.*

Mexican political events may affect significantly our operations and the performance of Mexican securities, including our debt securities. In the Mexican national elections held on July 2, 2000, Vicente Fox of the opposition *Partido Acción Nacional* or PAN (National Action Party) won the presidency. His victory ended more than 70 years of presidential rule by the *Partido Revolucionario Institucional* or PRI (Institutional Revolutionary Party). Neither the PRI nor the PAN succeeded in securing a majority in the Mexican Congress or Senate. President Fox assumed office on December 1, 2000.

*Investors May Be Unable to Enforce Judgments Against Us.*

We are a stock corporation organized under the laws of Mexico. Most of our directors and executive officers are residents of Mexico, and all or a significant portion of their assets and most of our assets are located in Mexico. As a result, it may not be possible for investors to effect service of process outside Mexico upon us or our directors or executive officers. In addition, there is doubt as to the enforceability against us and our directors and executive officers, in original actions in Mexican courts, of liabilities predicated solely on the

United States federal securities laws and as to the enforceability against us and our directors and executive officers in Mexican courts of judgments of United States courts obtained in actions predicated upon the civil liability provisions of the United States federal securities laws.

## EXCHANGE RATES AND EXCHANGE CONTROLS

We maintain our financial records in Dollars. However, we keep our tax records in Pesos. We record in our financial records the Dollar equivalent of the actual Peso charges for taxes at the time incurred using the prevailing exchange rate. In 2000, approximately 70% of our net consolidated revenues and 52% of our operating expenses from continuing operations were generated or incurred in Dollars. Most of the remainder of our net consolidated revenues and operating expenses from continuing operations were denominated in Pesos.

The following tables set forth, for the periods and dates indicated, information regarding the noon buying rate for cable transfers payable in Pesos as certified by the Federal Reserve Bank of New York for customs purposes, expressed in Pesos per Dollar. On December 31, 2000, the noon buying rate was 9.631 Pesos per Dollar. On November 30, 2001, the noon buying rate was 9.26 Pesos per Dollar.

Year ended December 31,	Noon Buying Rate <sup>(a)</sup>		Month-end Average <sup>(b)</sup>
	High	Low	
1996	8.045	7.325	7.635
1997	8.410	7.717	7.967
1998	10.630	8.040	9.246
1999	10.600	9.220	9.543
2000	10.140	9.115	9.454
*2001	9.998	8.915	9.341

(a) Source: Federal Reserve Bank of New York.

(b) Average of month – end rates

\* January-November

Month end	Noon Buying Rate <sup>(a)</sup>	
	High	Low
June 30, 2001	9.195	9.000
July 31, 2001	8.970	9.405
August 31, 2001	8.993	9.235
September 30, 2001	9.601	9.235
October 31, 2001	9.615	9.160
November 30, 2001	9.309	9.148

(a) Source: Federal Reserve Bank of New York.

There are currently no exchange controls in Mexico.

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following tables summarize selected consolidated financial data for each of TMM and Grupo TMM for each of the fiscal years ended December 31, 1996 through 2000 and for the six months ended June 30, 2000 and June 30, 2001. The financial information presented for the fiscal years ended December 31, 2000, 1999, and 1998 for TMM was derived from the TMM Financial Statements, and the financial information presented for the fiscal years ended December 31, 2000, 1999, and 1998 for Grupo TMM was derived from the Grupo TMM Financial Statements contained elsewhere herein. Effective December 31, 2000, TMM purchased Grupo TMM's equity interest in Grupo TFM and since such date consolidates the financial statements of Grupo TFM, which financial statements have been consolidated by Grupo TMM since June 1997. The financial information for the six months ended June 30, 2000 and June 30, 2001 is unaudited and may not be indicative of results for the full fiscal year.

The following data should be read in conjunction with, and is qualified in its entirety by reference to "Operating and Financial Review and Prospects" and to the TMM Financial Statements and the Grupo TMM Financial Statements and the related notes thereto included elsewhere herein.

The TMM Financial Statements and the Grupo TMM Financial Statements have been prepared in accordance with International Accounting Standards ("IAS"), which differ in certain significant respects from United States Generally Accepted Accounting Principles ("U.S. GAAP"). Note 16 to the Grupo TMM Financial Statements and Note 30 to the TMM Financial Statements provide a description of the principal differences between IAS and U.S. GAAP as they relate to Grupo TMM and TMM, respectively and a reconciliation to U.S. GAAP of net income (loss) and stockholders' equity.

### TMM SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in millions except ratios and per share data)

	Six Months Ended June 30,		Year Ended December 31,				
	2001 <sup>(*)</sup>	2000	2000	1999 <sup>(*)</sup>	1998 <sup>(*)</sup>	1997 <sup>(*)</sup>	1996 <sup>(*)</sup>
	(Unaudited)						
<b>CONSOLIDATED INCOME STATEMENT DATA (IAS) :</b>							
Revenues from Freight and Services <sup>(a)</sup> .....	\$ 491.4	\$ 170.2	\$ 358.6	\$ 329.3	\$ 318.6	\$ 275.5	\$ 274.3
Operating Income .....	91.7	17.2	31.0	25.4	48.7	22.0	33.2
Financial Income – Net .....	4.6	2.4	7.8	5.3	2.5	12.4	53.0
Interest Expense <sup>(b)</sup> .....	67.3	31.4	58.5	66.3	64.8	53.7	30.7
Other Income (expense) –Net <sup>(c)</sup> .....	51.4	13.5	26.7	8.0	(0.6)	0.0	23.6
Income (Loss) Before Taxes .....	80.4	1.8	7.0	(27.6)	(14.2)	(19.3)	79.1
(Provision) benefits for Taxes .....	(13.7)	8.5	8.9	3.3	15.0	(13.0)	1.8
Income (Loss) Before Minority Interest .....	66.7	10.3	15.9	(24.3)	0.8	(32.3)	80.9
Minority interest .....	59.7	5.8	13.5	8.5	13.3	9.8	47.4
Interest in TFM .....	0.0	10.9	16.0	17.4	5.4	(13.7)	0.0
Net Income (Loss) from continuing operations .....	7.0	15.5	18.3	(15.4)	(7.2)	(55.8)	33.5
Net Income (Loss) from discontinued operations .....	0.0	0.0	(5.0)	(129.7)	(5.2)	24.5	19.9
Net Income (Loss) .....	7.0	15.5	13.3	(145.1)	(12.4)	(31.3)	53.4
Income (Loss) per Share from continuing operations .....	0.12	0.27	0.33	(0.27)	(0.13)	(0.98)	0.59
Income (Loss) per Share from discontinued operations .....	0.00	0.00	(0.09)	(2.29)	(0.09)	0.43	0.35
Net Income (Loss) per Share .....	0.12	0.27	0.24	(2.56)	(0.22)	(0.55)	0.94
Dividends per Share .....	0.0	0.0	0.0	0.0	0.0	0.0	0.35
Book Value per share .....	2.847	3.007	2.723	2.482	5.046	5.265	5.955
Weighted Average Shares Outstanding (000s) <sup>(d)</sup> .....	56,689	56,689	56,689	56,598	56,598	56,598	56,928
<b>U.S. GAAP<sup>(e)</sup></b>							
Revenues from Freight and Services <sup>(a)</sup> .....	\$ 491.4	\$ 170.2	\$ 358.6	\$ 329.3	\$ 318.6	\$ 275.5	\$ 274.3
Operating Income .....	93.9	17.5	32.3	29.6	35.4	14.8	32.7
Income (Loss) Before Taxes .....	88.4	(13.5)	(4.1)	(36.9)	(39.6)	(28.5)	82.0
Net Income (Loss) from continuing operations .....	3.0	3.7	9.8	(16.1)	(31.5)	(46.5)	77.0
Net Income (Loss) from discontinued operations .....	0.0	0.0	(4.2)	(155.6)	(7.4)	13.6	(20.2)
Net Income (Loss) .....	3.0	3.7	5.5	(171.7)	(38.9)	(32.9)	56.8
Income (Loss) per Share from continuing operations .....	0.05	0.07	0.17	(0.28)	(0.56)	(0.82)	1.35
Income (Loss) per Share from discontinued operations .....	0.00	0.00	(0.07)	(2.75)	(0.13)	0.24	(0.35)
Net Income (Loss) per Share .....	0.05	0.07	0.10	(3.03)	(0.69)	(0.58)	1.00

	Six Months Ended June 30,		Year Ended December 31,				
	2001 <sup>(*)</sup>	2000	2000	1999 <sup>(*)</sup>	1998 <sup>(*)</sup>	1997 <sup>(*)</sup>	1996 <sup>(*)</sup>
	(Unaudited)						
<b>BALANCE SHEET DATA (at end of period) (IAS):</b>							
Cash and cash equivalents.....	\$ 90.3	--	\$ 92.3	\$ 88.7	\$ 88.6	\$ 111.0	\$ 511.3
Total Current Assets.....	378.5	--	346.8	243.2	204.9	282.0	570.0
Long term investments.....	0.0	--	1.7	6.7	0.0	0.0	0.0
Due from the Mexican Government .....	82.8	--	0.0	0.0	0.0	0.0	0.0
Property, Machinery and Equipment-Net .....	671.8	--	650.9	169.8	222.7	213.2	196.6
Concession rights and related assets-Net .....	1,299.1	--	1,327.7	15.2	14.1	20.0	13.6
Assets attributable to discontinued operation.....	3.0	--	4.0	234.6	467.5	426.6	408.6
Total Assets.....	2,734.5	--	2,643.6	1,112.5	1,321.5	1,329.9	1,241.2
Current portion of Long-Term Debt .....	67.9	--	72.1	219.0	91.7	15.6	90.0
Long-Term Bank Loans and Other Obligations.....	1,263.9	--	1,199.3	376.6	588.3	628.2	591.5
Liabilities attributable to discontinued operations.....	0.9	--	4.1	159.6	119.3	109.1	69.2
Minority interest .....	1,059.2	--	1,009.8	64.7	61.9	47.6	41.0
Capital Stock.....	105.9	--	105.7	105.7	105.7	105.7	105.8
Stockholders' Equity.....	161.4	--	154.4	140.5	285.6	298.0	339.0
<b>U.S. GAAP<sup>(*)</sup></b>							
Total Assets.....	\$2,589.4	--	\$2,506.9	\$1,089.7	\$1,324.3	\$1,289.8	\$1,227.5
Long-Term Bank Loans and Other Obligations.....	1,267.3	--	1,199.3	376.6	588.3	628.2	591.5
Minority interest .....	1,009.7	--	964.1	61.1	65.7	45.5	41.7
Capital Stock.....	105.9	--	105.7	105.7	105.7	105.7	105.8
Stockholders' Equity.....	113.5	--	110.5	104.5	276.2	315.2	356.4
<b>OTHER DATA (IAS)(unaudited):</b>							
Incremental Capital Investments <sup>(f)</sup> .....	\$ 51.0	\$ 13.4	\$ 40.3	\$ 34.4	\$ 56.5	\$ 378.5	\$ 43.9
Depreciation and Amortization .....	52.1	12.7	27.0	26.9	33.6	28.5	27.6

(\*) Information was restated, as required by IAS 35 and IAS 38, in order to show the effect of discontinued businesses and intangible assets, respectively. See "Operating and Financial Review and Prospects." TMM restated the consolidated financial statements of prior years to include in the tax base the gain on the sale of fixed assets that was omitted from the computation of deferred taxes in one of the subsidiaries in 1999 and to correct for a mathematical error in the computation in order to present deferred taxes and operations in accordance with international accounting standards in 1998. This resulted in a decrease in the deferred tax asset and a charge to results of operations of \$6.9 million in 1999 and \$0.8 million in 1998.

(\*\*) Effective December 31, 2000, TMM purchased Grupo TMM's equity interest in Grupo TFM and now consolidates the financial statements of Grupo TFM (which have been consolidated by Grupo TMM since June 1997).

- (a) Includes revenues from GRC of \$53.6 million in fiscal year 1996, includes gross profit from GRC of \$7.8 million in fiscal year 1996. Effective May 31, 1996, TMM sold its interest in GRC.
- (b) Interest expense net of exchange gains and losses.
- (c) Includes, gain on the sale of assets and premium on the sale of shares of a subsidiary in 2000, a gain on the sale of shares of a subsidiary in 2000 and 1999, and a loss on the sale of a subsidiary in 1996.
- (d) Based on the weighted average of outstanding shares during each period.
- (e) See Note 30 of the Notes to the TMM Financial Statements.
- (f) Incremental capital investments for 2000 include \$2.6 million in railroad improvement, \$12.0 million in port and terminal facilities and \$1.7 million in the Tex-Mex railroad improvements, \$20 million for the investment in Grupo TFM and \$4.0 million in other investments. For 1999, incremental capital investments includes, \$6.3 million in railroad improvement, \$13.2 million in port and terminal facilities and \$9.2 million in a car carrier vessel; for 1998 incremental capital investments includes, \$14.5 million in the Tex-Mex railroad improvements, \$14.1 million in ports and terminals, \$6.6 million in liquid storage, \$4.2 million in supply ships and improvements, \$0.5 million in logistics, \$4.7 million in other maritime operations; for 1997, incremental capital investments includes \$301.4 million for the investment in Grupo TFM, \$14.8 million for the acquisition of vessels, and \$8.5 million (net of cash acquired) for the acquisition of a 99.7% interest in Gran Portuaria, S.A. and 28.6% in Terminal de Contenedores de Cartagena, S.A. For 1996, it includes \$13.9 million, representing a payment for concessions and \$2.2 million for investment in Grupo TFM.

**Grupo TMM S.A. de C.V.**  
**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA**  
(Dollars in millions except per share data)

	Six Months Ended		Years Ended December 31,				
	June 30,		2000	1999	1998	1997	1996
	2001	2000					
	(Unaudited)						
<b>CONSOLIDATED INCOME STATEMENT</b>							
<b>DATA (IAS)</b>							
Transportation and service revenues <sup>(a)</sup> .....	\$491.4	\$475.8	\$989.9	\$844.7	\$740.7	\$477.3	\$274.3
Operating Income .....	91.7	110.3	197.6	148.3	111.1	34.7	33.2
Interest Income .....	4.6	3.2	7.7	7.1	12.6	12.9	53.0
Interest Expense Net <sup>(b)</sup> .....	67.4	84.2	167.1	169.8	185.2	114.6	30.7
Other Income (Expense) -Net <sup>(c)</sup> .....	51.4	2.9	3.7	3.8	(8.7)	(0.7)	23.6
Income (Loss) Before benefit (provision) for income taxes, minority interest and discontinued operations.....	80.4	32.2	41.9	(10.5)	(70.2)	(67.8)	79.1
(Provision) Benefit for income taxes.....	(13.7)	14.8	23.0	47.3	90.3	(5.3)	5.2
Income (Loss) Before Minority Interest and discontinued operations.....	66.7	46.9	64.9	36.7	20.1	(73.1)	84.3
Minority interest .....	(64.1)	(40.4)	(57.6)	39.9	(15.9)	37.9	(40.1)
Income (Loss) before discontinued operations.....	2.6	6.5	7.2	76.6	4.2	(35.2)	44.2
(Loss) Income from discontinued operations.....	(3.9)	(7.1)	(5.5)	(139.3)	(13.8)	13.0	(27.7)
Net (Loss) Income for the period.....	(1.3)	(0.6)	1.7	(62.6)	(9.6)	(22.2)	16.5
Income (Loss) per Share from continuing operations.....	0.149	0.372	0.417	5.589	1.308	(10.938)	13.732
(Loss) Income per Share from discontinued operations.....	(0.225)	(0.406)	(0.318)	(10.160)	(4.288)	4.052	(8.604)
Net (Loss) income per share.....	(0.076)	(0.034)	0.099	(4.571)	(2.980)	(6.886)	5.128
Dividends per Share .....	0.00	0.00	0.00	0.00	0.00	0.00	1.283
Book Value per share .....	0.464	0.407	0.539	0.555	14.378	17.422	24.317
Weighted Average Shares Outstanding (000s) <sup>(d)</sup> .....	17,442	17,442	17,442	13,705	3,220	3,220	3,220
<b>U.S. GAAP<sup>(e)</sup>:</b>							
Transportation and service revenues .....	491.4	475.8	989.9	844.7	740.7	--	--
Operating Income .....	93.9	111.7	170.9	135.4	107.7	--	--
Income (Loss) Before benefit (provision) for income taxes, minority interest and discontinued operations.....	88.4	18.9	43.8	(22.8)	(78.6)	--	--
Net Income (Loss) from continuing operations.....	1.0	1.2	8.5	94.4	(3.6)	--	--
Net (Loss) Income from discontinued operations.....	(3.9)	(7.1)	(4.7)	(165.2)	(16.0)	--	--
Net (Loss) Income for the period.....	(2.9)	(5.9)	(1.3)	(70.8)	(19.7)	--	--
Income (Loss) per Share from continuing operations.....	0.059	0.065	0.491	6.891	(1.124)	--	--
(Loss) Income per Share from discontinued operations.....	(0.225)	(0.405)	(0.272)	(12.054)	(4.980)	--	--
Loss per share from extraordinary item.....			(0.291)				
Net (Loss) per Share.....	(0.166)	(0.340)	(0.072)	(5.163)	(6.104)	--	--
<b>BALANCE SHEET DATA (at end of period) (IAS):</b>							
Cash and cash equivalents.....	90.3	--	92.3	99.6	97.7	121.4	511.9
Total Current Assets.....	383.3	--	357.0	504.5	436.8	406.7	578.1
Property, Machinery and, Equipment-Net.....	671.8	--	650.9	636.1	699.9	639.8	196.6
Concession rights and related assets-Net.....	1,299.1	--	1,327.7	1,382.6	1,424.0	1,472.4	13.6
Discontinued assets .....	14.1	--	14.7	253.0	510.1	457.2	429.8
Total Assets.....	2,758.4	--	2,669.2	2,946.6	3,126.9	3,097.6	1,278.6
Current portion of long-term Debt.....	67.9	--	72.1	404.7	233.2	86.0	90.0
Long-Term debt .....	1,220.4	--	1,192.8	1,045.2	1,315.5	1,351.6	584.8
Liabilities attributable to discontinued operations.....	78.1	--	76.6	243.9	233.2	214.8	154.2
Minority interest .....	1,158.6	--	1,104.9	1,024.5	1,057.2	1,050.7	254.6
Capital Stock .....	29.9	--	29.9	29.9	5.9	5.9	5.9
Stockholders' Equity .....	8.1	--	9.4	7.6	46.3	56.1	78.3
<b>U.S. GAAP<sup>(e)</sup>:</b>							
Total Assets.....	2,658.9	--	2,577.2	2,862.3	--	--	--
Long-Term debt .....	1,220.4	--	1,192.8	1,045.2	--	--	--
Minority equity.....	1,081.6	--	1,033.6	955.5	--	--	--
Capital Stock .....	29.9	--	29.9	29.9	--	--	--
Stockholders' Equity .....	(12.2)	--	(9.3)	(8.1)	--	--	--

	Six Months Ended		Years Ended December 31,				
	June 30,						
	2001	2000	2000	1999	1998	1997	1996
	(Unaudited)						
<b>OTHER DATA (IAS)(unaudited):</b>							
Incremental Capital Investments <sup>(d)</sup> .....	51.0	29.1	105.7	83.8	152.7	452.8	43.90
Depreciation and Amortization.....	52.1	50.4	102.4	100.2	102.0	62.5	27.60

- (a) Includes revenues from GRC of \$53.6 million in fiscal year 1996, includes gross profit from GRC of \$7.8 million in fiscal year 1996. Effective May 31, 1996, TMM sold its interest in GRC.
- (b) Interest expense net of exchange gains and losses.
- (c) Includes mainly, In June 2001: gain on sale of fixed assets; in June 2000: gain on sales of assets; in 2000: gain on sale of assets, premium in sale of shares of subsidiary and gain on sale of subsidiaries; in 1999: gain on sale of subsidiaries and a loss on the sale of a subsidiary in 1996.
- (d) Based on the weighted average of outstanding shares during each period, net of the investment in a subsidiary in the Grupo TMM stock, and restated to reflect the reverse split-up which occurred in October, 2001.
- (e) See Note 16 of the Notes to the Grupo TMM Financial Statements.
- (f) Incremental capital investments for 2000 include \$2.6 million in railroad improvement, \$12.0 million in port and terminal facilities and \$1.7 million in the Tex-Mex railroad improvements, \$20 million for the investment in Grupo TFM and \$4.0 million in other investments. For 1999, incremental capital investments includes, \$6.3 million in railroad improvement, \$13.2 million in port and terminal facilities and \$9.2 million in a car carrier vessel; for 1998 incremental capital investments includes, \$14.5 million in the Tex-Mex railroad improvements, \$14.1 million in ports and terminals, \$6.6 million in liquid storage, \$4.2 million in supply ships and improvements, \$0.5 million in logistics, \$4.7 million in other maritime operations; for 1997, incremental capital investments includes \$301.4 million for the investment in Grupo TFM, \$14.8 million for the acquisition of vessels, and \$8.5 million (net of cash acquired) for the acquisition of a 99.7% interest in Gran Portuaria, S.A. and 28.6% in Terminal de Contenedores de Cartagena, S.A. For 1996, it includes \$13.9 million, representing a payment for concessions and \$2.2 million for investment in Grupo TFM.

**GRUPO TMM SELECTED CONSOLIDATED OPERATING DATA**  
(Dollars in millions, except Volumes Shipped)

	Six Months Ended June 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
<b>REVENUES</b>							
Specialized Maritime Services <sup>(a)(c)</sup> .....	\$ 57.8	\$ 61.5	\$133.6	\$ 123.9	\$161.5	\$145.8	\$184.6
Logistics Operations .....	32.9	44.1	84.0	91.3	53.0	47.6	36.8
Port and Terminal Operations .....	49.0	40.1	86.5	72.5	64.2	54.9	33.8
TFM <sup>(b)</sup> .....	327.9	310.0	640.5	524.5	431.3	206.4	0.0
The Texas Mexican Railway <sup>(b)</sup> .....	29.1	26.9	58.1	51.1	48.9	33.7	20.7
Intersegmental.....	(5.3)	(6.8)	(12.8)	(18.6)	(18.2)	(11.1)	(1.6)
<b>Total</b> .....	<b>\$491.4</b>	<b>\$475.8</b>	<b>\$989.9</b>	<b>\$844.7</b>	<b>\$740.7</b>	<b>\$477.3</b>	<b>\$274.3</b>
<b>OPERATING PROFIT</b>							
Specialized Maritime Services <sup>(a)(c)</sup> .....	\$ (0.7)	\$ (1.0)	\$ 0.4	\$ (7.5)	\$ 26.1	\$ 31.6	\$ 46.2
Logistics Operations .....	2.6	4.5	3.2	5.8	2.8	3.6	8.8
Port and Terminal Operations <sup>(d)</sup> .....	15.8	12.5	27.6	23.4	25.2	17.1	14.6
TFM <sup>(b)</sup> .....	75.1	93.0	166.5	122.9	62.4	15.9	
The Texas Mexican Railway <sup>(e)</sup> .....	(1.1)	0.9	0.7	3.6	(3.2)	1.8	6.3
Intersegmental.....	(0.0)	0.4	(0.8)	0.1	(2.2)	(35.3)	(42.7)
<b>Total</b> .....	<b>\$ 91.7</b>	<b>\$110.3</b>	<b>\$197.6</b>	<b>\$148.3</b>	<b>\$111.1</b>	<b>\$ 34.7</b>	<b>\$ 33.2</b>

- (a) Specialized maritime services primarily consist of car carrier, dry bulk and refined petroleum products.
- (b) The transport railway to company consist of the Texas-Mexican Railway Company ("Tex-Mex") and TFM.
- (c) Includes \$1.4 million gain on the sale of vessels in June 2001, \$3.5 million loss on the sale of vessels in 1999, includes gain on sale of vessels of \$13.7 million in 1998.
- (d) Includes a gain on sale of fixed assets of \$1.9 million in 1999
- (e) Includes a loss of \$1.7 million as a result of reorganization costs in 2000, includes gain on the sale of fixed assets of \$0.7 million in 1999.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following tables set forth selected pro forma financial data for Grupo TMM and TMM, taking into account the merger as if it had occurred on January 1, 2000 for the year ended December 31, 2000 and for the six-month period ended June 30, 2000 and as if it had occurred on January 1, 2001 for the six-month period ended June 30, 2001. The following tables also reflect the spin-off or other discharge of Grupo TMM's assets and liabilities as if they had occurred prior to the merger. The unaudited pro forma financial information does not purport to represent what our financial position or results of operations actually would have been had the merger occurred as of or prior to the dates indicated, or to project our financial position or results of operations for any future date or period. The pro forma adjustments are based on available information and certain assumptions that we currently believe are reasonable under the circumstances. The unaudited pro forma financial information should be read in conjunction with the separate historical consolidated financial statements of Grupo TMM and TMM and other financial data and discussions contained elsewhere herein.

### PRO FORMA COMBINED CONDENSED BALANCE SHEETS AS OF JUNE 30, 2001

(Dollars in thousands)  
(Unaudited)

	<u>Grupo TMM Actual</u>	<u>Pro Forma Spin-Off Adjustments</u>	<u>Pro Forma Grupo TMM After Spin-Off</u>	<u>Pro Forma Merger Adjustments</u>	<u>Pro Forma Combined Grupo TMM</u>
<b><u>Assets</u></b>					
Current Assets:					
Cash and cash equivalents .....	\$ 90,269		\$ 90,269		\$ 90,269
Accounts receivable - Net .....	241,235		241,235		241,235
Materials, supplies and other current assets....	47,002		47,002		47,002
Discontinued assets .....	<u>4,836</u>	<u>\$ (4,836)</u>	<u>          </u>		<u>          </u>
Total current assets .....	383,342	(4,836)	378,506		378,506
Due from Mexican Government .....	82,803		82,803		82,803
Concession rights, related assets, property, machinery and equipment – Net .....	2,065,596		2,065,596		2,065,596
Deferred income taxes .....	217,420		217,420		217,420
Discontinued non-current assets .....	<u>9,254</u>	<u>(6,254)</u>	<u>3,000</u>		<u>3,000</u>
Total assets .....	<u>\$2,758,415</u>	<u>\$ (11,090)</u>	<u>\$2,747,325</u>		<u>\$2,747,325</u>
<b><u>Liabilities and stockholders equity</u></b>					
Short-term liabilities:					
Current portion of long-term debt .....	\$ 67,939		\$ 67,939		\$ 67,939
Accounts payable and accrued expenses .....	178,410	\$ (40)	178,370		178,370
Discontinued short-term liabilities .....	<u>61,255</u>	<u>(60,316)</u>	<u>939</u>		<u>939</u>
Total short-term liabilities .....	<u>307,604</u>	<u>(60,356)</u>	<u>247,248</u>		<u>247,248</u>
Long-term debt .....	1,220,383		1,220,383		1,220,383
Dividends payable .....	9,803		9,803		9,803
Other long-term liabilities .....	37,139	(630)	36,509		36,509
Discontinued long-term liabilities .....	<u>16,866</u>	<u>(16,866)</u>	<u>          </u>		<u>          </u>
Total long-term liabilities .....	<u>1,284,191</u>	<u>(17,496)</u>	<u>1,266,695</u>		<u>1,266,695</u>
Minority interest .....	1,158,563		1,158,563	(90,062)	1,068,501
<b><u>Stockholders' equity</u></b>					
Total stockholders' equity .....	<u>8,057</u>	<u>66,762</u>	<u>74,819</u>	<u>90,062</u>	<u>164,881</u>
Total liabilities and stockholders' equity .....	<u>\$2,758,415</u>	<u>\$ (11,090)</u>	<u>\$2,747,325</u>	<u>          </u>	<u>\$2,747,325</u>

*See accompanying notes to unaudited pro forma financial information.*

**PRO FORMA COMBINED CONDENSED INCOME STATEMENTS AS OF JUNE 30, 2001**

(Dollars in millions except per share data)  
(Unaudited)

	<b>Six Months Ended June 30, 2001</b>		
	<b><u>Grupo TMM Actual</u></b>	<b><u>Pro Forma Merger Adjustments</u></b>	<b><u>Pro Forma Combined Grupo TMM</u></b>
Transportation and service revenues .....	<u>\$491,442</u>		<u>\$491,442</u>
Costs and operating expenses:			
Costs and operating expenses .....	349,634		349,634
Depreciation and amortization.....	<u>50,091</u>		<u>50,091</u>
Total costs and operating expenses .....	399,725		399,725
Operating income .....	91,717		91,717
Other income (expense)– Net .....	51,360		51,360
Net comprehensive financing cost.....	(62,725)		(62,725)
Provision for income taxes .....	<u>(13,654)</u>		<u>(13,654)</u>
Income before minority interest and discontinued operations .....	66,698		66,698
Minority interest .....	<u>(64,103)</u>	<u>\$ 4,433*</u>	<u>(59,670)</u>
Income before discontinued operations .....	<u>2,595</u>	<u>4,433</u>	<u>7,028</u>
Earnings (loss) per Share from continuing operations.....	0.149		0.123

\* Reflects the minority interest of TMM's shareholders, other than Grupo TMM.

*See accompanying notes to unaudited pro forma financial information.*

**PRO FORMA COMBINED CONDENSED INCOME STATEMENTS AS OF JUNE 30, 2000**

(Dollars in millions except per share data)  
(Unaudited)

	<b>Six Months Ended June 30, 2000</b>		
	<b><u>Grupo TMM Actual</u></b>	<b><u>Pro Forma Merger Adjustments</u></b>	<b><u>Pro Forma Combined Grupo TMM</u></b>
Transportation and service revenues .....	<u>\$475,784</u>		<u>\$475,784</u>
Costs and operating expenses:			
Costs and operating expenses .....	316,642		316,642
Depreciation and amortization.....	<u>48,860</u>		<u>48,860</u>
Total costs and operating expenses .....	365,502		365,502
Operating income .....	110,282		110,282
Other income (expense)– Net .....	2,874		2,874
Net comprehensive financing cost.....	(81,007)		(81,007)
Benefit for income taxes .....	<u>14,773</u>		<u>14,773</u>
Income before minority interest and discontinued operations .....	46,922		46,922
Minority interest .....	<u>(40,442)</u>	<u>\$ 8,977*</u>	<u>(31,465)</u>
Income before discontinued operations .....	<u>6,480</u>	<u>8,977</u>	<u>15,457</u>
Earnings (loss) per Share from continuing operations.....	0.372		0.273

\* Reflects the minority interest of TMM's shareholders, other than Grupo TMM.

*See accompanying notes to unaudited pro forma financial information.*

**PRO FORMA COMBINED CONDENSED INCOME STATEMENTS AS OF DECEMBER 31, 2000**

(Dollars in millions except per share data)  
(Unaudited)

	<b>Year Ended December 31, 2000</b>		
	<b>Grupo TMM Actual</b>	<b>Pro Forma Merger Adjustments</b>	<b>Pro Forma Combined Grupo TMM</b>
Transportation and service revenues .....	<u>\$989,934</u>		<u>\$989,934</u>
Costs and operating expenses:			
Costs and operating expenses .....	692,494		692,494
Depreciation and amortization .....	<u>99,888</u>		<u>99,888</u>
Total costs and operating expenses .....	792,382		792,382
Operating income .....	197,552		197,552
Other income (expense)– Net .....	3,693		3,693
Net comprehensive financing cost .....	(159,385)		(159,385)
Benefit for income taxes .....	<u>23,048</u>		<u>23,048</u>
Income before minority interest and discontinued operations .....	64,908		64,908
Minority interest .....	<u>(57,643)</u>	<u>\$ 6,979*</u>	<u>(50,664)</u>
Income before discontinued operations .....	<u>7,265</u>	<u>6,979</u>	<u>14,244</u>
Earnings (loss) per Share from continuing operations .....	0.417		0.250

\* Reflects the minority interest of TMM's shareholders, other than Grupo TMM.

*See accompanying notes to unaudited pro forma financial information.*

## **NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **Note 1 The Merger Agreement**

The terms of the merger are set forth in a Merger Agreement by and between TMM and Grupo TMM. The Merger Agreement provides for the merger of TMM with and into Grupo TMM, with Grupo TMM surviving. All of the assets, privileges and rights, and all of the liabilities of TMM will be transferred to Grupo TMM upon the effectiveness of the merger. This will be reflected as a reduction in minority interest and an increase in shareholders' equity of \$90.1 million. Each Series A Share of the capital stock of TMM (other than the Shares owned by Grupo TMM) will be exchanged for one Series A Share of the capital stock of Grupo TMM, and each Series L Share of the capital stock of TMM will be exchanged for one Series L Shares of the capital stock of Grupo TMM. Grupo TMM will have outstanding the same number of Series A and Series L Shares as TMM will have outstanding immediately prior to the merger.

### **Note 2 Periods Combined**

The unaudited pro forma combined condensed consolidated balance sheet as of June 30, 2001, assumes the merger had occurred on June 30, 2001. The unaudited pro forma combined condensed consolidated statements of income for the year ended December 31, 2000 and for the six months ended June 30, 2000 and 2001 assume the merger had occurred on January 1, 2000.

### **Note 3 Pro forma Spin-off Adjustments**

It is assumed that all of the assets, including \$11.1 million of discontinued assets, and all of the liabilities, including \$0.04 million of accounts payable and accrued expenses and \$0.6 million of other long term liabilities and \$16.9 million of the discontinued operations of Grupo TMM as of June 30, 2001 were transferred on such date to Promotora Servia S.A. de C.V. The remaining \$3.0 million of discontinued non-current assets and \$0.9 million of discontinued short term liabilities represents the liner business and other discontinued operations related to TMM.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the TMM Financial Statements and the Grupo TMM Financial Statements and the notes thereto appearing elsewhere in this prospectus. The TMM Financial Statements and the Grupo TMM Financial Statements have been prepared in accordance with IAS, which differ in certain respects from U.S. GAAP. Note 16 of the Notes to the Grupo TMM Financial Statements and Note 30 of the Notes to the TMM Financial Statements appearing elsewhere in this prospectus provides a description of the principal differences between IAS and U.S. GAAP as they relate to Grupo TMM and TMM, and a reconciliation to U.S. GAAP of net income and total stockholders' equity. The TMM financial statements for the periods ended June 30, 2001 and 2000, and for the periods ending December 31, 2000, 1999 and 1998 were restated in order to be comparable. Pursuant to an authorization from the CNBV, Grupo TMM and TMM prepare their financial statements in U.S. dollars under IAS.*

### **Basis of Presentation**

In 1991, Grupo TMM increased its interest in TMM to a controlling position, and since that time Grupo TMM's business activities have consisted principally of holding its controlling interest in TMM and developing and expanding TMM's business. Grupo TMM's other business activities consist primarily of holding and managing commercial real estate investments. Assets relating to Grupo TMM's activities, other than its interest in TMM and the related management services contract, comprised less than 1% of Grupo TMM's total consolidated assets as of December 31, 2000. In connection with, and as a condition to, the merger, Grupo TMM will transfer all of its assets and liabilities (other than its TMM Series A shares) to a company owned by the pre-merger shareholders of Grupo TMM. On this basis, we present the discussion of Grupo TMM's and TMM's operating and financial condition, results and prospects by focusing on TMM and its subsidiaries, including Grupo TFM, and separately discuss below under "-- Grupo TMM" any differences between the consolidated operating and financial condition, results and prospects of TMM and of Grupo TMM. As such, except for the discussion under "-- Grupo TMM," the following discussion relates to TMM and its subsidiaries including Grupo TFM.

Effective December 31, 2000, TMM purchased Grupo TMM's equity interest in Grupo TFM and now consolidates the financial statements of Grupo TFM (which have been consolidated by Grupo TMM since June 1997). Therefore, in order to give a more meaningful comparison, the following discussion gives effect on a pro forma basis to the consolidation of Grupo TFM in TMM's results of operations since 1997. We refer you to Notes 1 & 2 of the Notes to the Grupo TMM Financial Statements appearing elsewhere in this prospectus for further information about the Grupo TMM assets and liabilities that will be transferred before the merger.

### **Discontinued Operations**

As of January 1, 2000, we discontinued our ocean liner operations upon completion of the sale of our 50% interest in Americana Ships to our joint venture partner, CP Ships. As a result, under IAS 35, "Discontinued Operations," we are required to restate our financial statements covering periods before the sale to distinguish our continuing business operations from the businesses in which we no longer participate in order to make them comparable to our financial statements for periods after the sale. Therefore, the financial data presented below for each of the two years ended December 31, 1999 and 1998 have been restated to reflect the discontinuation of our liner operations.

### **Accounting Changes**

We were required to adopt IAS 39, "Financial Instruments: Recognition and Measurement," effective January 1, 2001. Under the provisions of this standard, derivatives are always treated as held for trading unless their use qualifies them for hedge accounting. All contractual rights or obligations under derivatives are recognized on the balance sheet as assets or liabilities. Further, gains and losses resulting from financial assets and liabilities are required to be disclosed, whether included in the income statement or in stockholders' equity. IAS 39 supplements the disclosure requirements of IAS 32, "Financial Instruments: Disclosures and Presentation." The effect of adoption of this standard was not significant.

As of December 31, 2000, the Company applied the guidelines of IAS 38, "Intangible Assets", which was issued on July 1, 1999. This standard determines the book treatment of intangible assets and requires that companies recognize intangible assets only if the intangible assets meet certain requirements, and establishes that disbursements made to provide the Company with future economic benefits, but that do not create or

acquire assets, either intangible or of any other type, be recognized in the statement of operations when they are incurred.

In 1998, we adopted IAS 12, which regulates accounting for deferred income taxes.

On December 2000, we adopted IAS 19, "Benefits for Employees," which regulates accounting standards for employee benefits.

## **General**

### *Net Consolidated Revenues*

We generate revenues from a diverse customer base, which requires the movement of products from our rail, trucking and logistics facilities, ports and terminals and specially designed ships. We have long-term contracts with many of these customers.

### *Cost of Freight and Services*

The principal components of our cost of freight and services are vessel and asset costs (including operating charters and operating costs), inland transportation, depreciation and fuel. Our fuel costs are subject to significant fluctuations and have increased since 1995. At different times, vessels that we own or that we charter and operate under capitalized leases may represent a larger or smaller portion of our fleet. We include rentals for chartered vessels in the cost of freight and services, and financing expenses relating to our owned and capital leased vessels in our financial expense. The operating margins for our specialized maritime services and land transportation services are especially higher than the operating margins were for our liner service, reflecting the more specialized nature of these services, with the exception of our car carrier division which has in recent years suffered from an imbalance in trade lane flow and general over capacity. Currency fluctuations also impact our operating expenses in the markets in which we do business. We generally do not hedge our non-Dollar-denominated expenses.

### *Financial Income (Expense)*

Our financial income (expense) consists of investment income, interest expense and exchange gains and losses. We invest our available cash balances principally in short-term Dollar instruments and U.S. government obligations. Since January 1995, we have maintained relatively small Peso-denominated positions on a short-term basis. We realize an exchange gain or loss when our non-Dollar denominated monetary assets and liabilities appreciate or depreciate relative to the Dollar. We also realize exchange gain or loss based upon the effect of exchange rate fluctuations on our working capital position.

### *Sale of Interest in Americana Ships*

In January 2000, we entered into an agreement with CP Ships for the sale of TMM's 50% equity participation in Americana Ships for \$65.0 million. This transaction was completed during the first quarter of 2000. The sale of Americana Ships represents a further step in the strategic redefinition of TMM through the restructuring of our operations. As part of this process, we established an additional reserve of \$5.0 million as of December 31, 2000, to cover possible losses on the sale of assets mainly related to our liner business.

### *Bimmsa Receivable*

We were a party to a 50-50 joint venture with Bufete Industrial, S.A. ("Bufete"). Bufete de Infraestructura Marítima Mexicana, S.A. de C.V. ("Bimmsa"), the joint venture company formed by TMM and Bufete, entered into a contract to construct undersea pipelines for PEMEX. Beginning in 1998, we provided vessels and other maritime equipment and services to Bimmsa to support this construction project. On October 25, 1999, this contract was terminated by mutual consent of Bimmsa and PEMEX. Under the termination agreement and applicable Mexican law, Bimmsa was required to deliver the pipeline project to PEMEX, and PEMEX agreed to negotiate certain claims being made by Bimmsa for costs incurred by Bimmsa as a result of various modifications by PEMEX to the timing and contractual specifications for the project. These claims represented amounts due to various creditors of Bimmsa, including TMM. As of December 31, 2000, TMM reserved the amount of \$28.0 million which represented the total balance of TMM's account receivable from Bimmsa.

## Results of Operations

The following table sets forth TMM's consolidated revenues and operating profit by business segment and the revenues and gross profit for TFM.

### **TMM Operations -- Summary Operating Information** (in millions of dollars)

	<b>Six Months Ended June 30,</b>				<b>Year Ended December 31,</b>					
	<b>2001</b>		<b>2000</b>		<b>2000</b>		<b>1999<sup>(a)</sup></b>		<b>1998<sup>(a)</sup></b>	
	<b>Revenues</b>	<b>Operating Profit</b>	<b>Revenues</b>	<b>Operating Profit</b>	<b>Revenues</b>	<b>Operating Profit</b>	<b>Revenues</b>	<b>Operating Profit</b>	<b>Revenues</b>	<b>Operating Profit</b>
Specialized Maritime Services.....	\$ 57.8	(\$0.7)	\$ 61.5	(\$1.0)	\$133.6	\$0.4	\$123.9	\$(7.5)	\$161.5	\$26.1
Logistics Operations.....	32.9	2.6	44.1	4.5	84.0	3.2	91.3	5.8	53.0	2.3
Port and Terminal Operations.....	49.0	15.8	40.1	12.5	86.5	27.6	72.5	23.4	64.2	25.1
TFM.....	327.9	75.1	310.0	93.0	640.5	166.5	524.5	122.9	431.3	62.1
Tex-Mex Railway.....	29.1	(1.1)	26.9	0.9	58.1	0.7	51.1	3.6	48.9	(3.1)
Intersegmental Revenues.....	(5.3)	-	(6.8)	0.4	(12.8)	(0.8)	(18.6)	0.1	(18.2)	(2.1)
Total Consolidated Revenues.....	\$491.4	\$ 91.7	\$475.8	\$110.3	\$989.9	\$197.6	\$844.7	\$148.3	\$740.7	\$111.1

(a) Operating results are as reported in the TMM Financial Statements which were restated for 1999 and 1998 to exclude revenues from TMM's liner services.

### **Six Months ended June 30, 2001 Compared to Six Months ended June 30, 2000**

#### **Consolidated Operating Results – General**

TMM's consolidated net revenues for the first six months of 2001 were \$491.4 million, which represents an increase of 3.3% compared to consolidated net revenues of \$475.8 million during the first six months of 2000. Several divisions increased their revenues, including: TFM (5.8%), port and terminal operations (22.2%) and the Tex-Mex Railway (8.2%). Revenues of TMM's logistics operations and specialized maritime services declined by 27.5% and 6.0%, respectively, compared to the first half of 2000. TMM's logistics operations revenues were negatively impacted during the first half of 2001 by the sale of its truck brokerage and agency services to CP Ships which caused a reduction of \$12.5 million in revenues in the logistics operations division and by the loss of a Cifra/Wal-Mart contract that produced approximately \$10 million in revenues per year. Specialized maritime services revenues were negatively impacted by a phasing out of unprofitable segments and programs throughout the fourth quarter of 2000 and the first and second quarters of 2001.

Consolidated operating profit for the first six months of 2000 was \$110.3 million, declining by 16.9% to \$91.7 million for the first six months of 2001. This decline is due in part to the sales of assets in the logistics operations and specialized maritime operations division and also to a decline in U.S.-Mexican trade.

Despite the impact of the overall economic slow down, TMM's port and terminal operations continue to grow rapidly, as Manzanillo is well positioned as a trans-shipment terminal and will, we believe, continue to compete with U.S. ports for that business segment. Cruise ship activity continues to grow in 2001 as compared to 2000.

Net financial expense incurred in the first six months of 2001 was \$62.7 million, as compared to \$81.0 million for the same period last year. This substantial decline is due in part to the fact that we paid our Yankee bonds in October of 2000, which reduced interest expenses going forward. In the first six months of 2001, net income decreased to a net loss of \$1.3 million compared to a net loss of \$0.6 million for the same period last year. Net profit before discontinued operations in the first six months of 2001 was \$2.6 million, compared to a net profit before discontinued operations in the first six months of 2000 of \$6.5 million. Other income for the period was \$51.4 million for 2001 compared to other income (net) of \$2.9 million in 2000.

#### **Results by Business Units**

##### *Specialized Maritime Services*

For the first six months of 2001, specialized maritime services revenues amounted to \$57.8 million and accounted for 11.8% of the total net consolidated revenues. This total represents a decrease from total specialized maritime services revenues of \$61.5 million for the first six months of 2000. This decrease in

revenues was mainly caused by the Company's deliberate exit from the unprofitable car carrier and bulk shipping services lanes. This division currently operates only one car carrier compared to three operated in 2000. Three PEMEX contract leases were renewed over the course of the first two months of 2001, and a new partial tanker contract was entered into with a large chemical producer during the fourth quarter of 2000. Tugboat revenues increased due to price adjustments, and the car carrier division alliances with Nippon Yusen Kaisha were restructured to better utilize the remaining car carrier routes, which reduced losses.

#### *Logistics Operations*

In the first six months of 2001, total logistics operations revenues amounted to \$32.9 million and accounted for 6.7% of the net consolidated revenues. This total represents a decrease of 25.4% from the total logistics operations revenues during the first six months of 2000 of \$44.1 million. Operating profit for the logistics operations was \$2.6 million during the first six months of 2001 compared to \$4.5 million for the same period in 2000.

Logistics operations revenues were negatively impacted during the fourth quarter of 2000 by a loss of the CIFRA-Wal-Mart contract (\$10 million), which was replaced with new customers such as Carrefour, Ford, Allied and Allied Domecq. These revenue mix changes resulted in revenue and gross profit adjustments for the trucking division, but the primary cause for adjustments affecting 2001 results occurred as a result of CP Ships' acquisition of TMM's agency and truck brokerage business, which reduced the revenue base for the year 2000 by approximately \$12 million going forward. TMM's logistics operations division is serving as the agent for those products. The Roadrailer program has grown from a very limited amount of traffic in the first quarter of 2001 to 1,140 loads in September, increasing to 1,250 loads in October.

#### *Port and Terminal Operations*

For the first six months of 2001, total port and terminal operations revenues amounted to \$49.0 million and accounted for 10.0% of net consolidated revenues. This total represented an increase of 22.2% from the total port and terminal operations revenues of \$40.1 million for the same period in 2000. Operating terminal operations increased to \$15.8 million during the first six months of 2001 from \$12.5 million for the same period in 2000. As stated earlier, port operations continued to expand both from a freight and cruise terminal perspective.

#### *Railroad Operations*

##### Grupo TFM.

TFM reported net revenues of \$327.9 million in first six months of 2001 compared with \$310.0 million in the first six months of 2000, an increase of 5.8%. Operating income for the first six months of 2001 was \$75.1 million, compared with \$93.0 million for the same period in 2000. Net income for the first six months of 2001 was \$54.4 million, as compared with \$29.1 million for the same period of 2000, an increase of 86.9%.

In spite of slower economic growth in Mexico and the United States, TFM's revenues continued to grow by 5.8% for the first six months of 2001 compared to the same period last year. This growth was also reflected in the tons/kilometer indices.

The operating ratio for Grupo TFM for the first six months of 2001 increased to 77.1%, improving from 70.0% for the same period of 2000. Operating profit and ratios continue to improve through the tightening of operating controls related to car hire and continued fuel efficiency.

##### Tex-Mex.

Tex-Mex revenue increased to \$29.1 million during the first six months of 2001 compared to \$26.9 million for the same period in 2000. The volume increase was caused by greater use from BNSF and KCSI. This division incurred an operating loss of \$1.1 million for the first six months of 2001 compared to an operating profit of \$0.9 million for the same period in 2000. Tex-Mex needed to upgrade its track to keep up with the growth in use and the construction of new track increased costs by approximately \$4 million.

## **Fiscal Year ended December 31, 2000 compared to Fiscal Year ended December 31, 1999**

### **Consolidated Operating Results - General**

Consolidated net revenues for TMM in the year 2000 were \$989.9 million, which represents an increase of 17.2% from consolidated net revenues of \$844.7 million for 1999. Revenues generated by the ports and terminals unit continued to increase, as the size and scope of the business has expanded. Specialized maritime services operations were impacted by growth in the chemical and petroleum industry, due in part to price improvements caused by the New Navigation Law and overall activity in oil exploration and transport. Tex-Mex continued to grow as BNSF and KCSI increased their volume over Tex-Mex as connector to TFM. Total costs and operating expenses increased to \$792.4 million in 2000 compared to \$696.4 million in 1999, increasing 13.8%. Consolidated operating income was \$197.6 million in 2000, resulting in an operating profit margin of 20.0%, due to improved performance in port and terminal and specialized maritime services operations. TMM recorded consolidated operating income of \$148.3 million in 1999 which represented an operating profit margin of 17.6%. Net financial expense incurred in year 2000 was \$159.4 million, compared to net financial expense of \$162.7 million for 1999.

Net financial expenses for 2000 were \$159.4, compared to \$162.7 million in 1999. Net financial expense included a net exchange and derivative loss of \$1.4 million in year 2000, and an exchange and derivative loss of \$1.9 million in 1999. TMM recorded a net profit before discontinued operations of \$7.3 million for year 2000, compared to a net profit before discontinued operations of \$76.6 million for 1999. TMM's net income for 2000 was \$1.7 million, compared to a net loss of \$62.6 million in 1999, which included a provision for charges of \$139.3 million from discontinued operations, net of a benefit of deferred taxed for approximately \$51.4 million.

TMM's other income (net) was \$3.7 million for 2000 compared to other income (net) of \$3.8 million in 1999. In 2000, TMM registered a gain of \$8.4 million as a result of a premium for the sale of shares in one of its subsidiaries.

### **Results by Business Units**

#### *Specialized Maritime Services*

In 2000, total specialized maritime services revenues amounted to \$133.6 million and accounted for 13.5% of net consolidated revenues. This represented an increase of 7.8% from total specialized maritime services revenues of \$123.9 million recorded in 1999. Operating profit increased to \$0.4 million in 2000 from an operating loss of \$7.5 million in 1999.

Positive trends in revenues during the fourth quarter of 2000 were impacted by overall market expansion in the supply ship area. Three PEMEX contract leases were renewed and new parcel tanker dedicated contracts were entered into with large chemical producers and distributors during the fourth quarter of 2000. Tugboat revenues increased due to increases in tariffs. In the car carrier division, an alliance with Nippon Yusen Kaisha restructured and better utilized our car carrier routes, decreasing previously reported losses.

#### *Logistics Operations*

In 2000, total logistic operations revenues amounted to \$84.0 million and accounted for 8.5% of net consolidated revenues. This represents a decrease of 8.0% from total logistics operations revenues of \$91.3 million recorded in 1999.

Operating profit from logistics operations was \$3.2 million in 2000 compared to \$5.8 million recorded in 1999. Logistics operations during the fourth quarter were impacted by a loss of the Cifra/Wal-Mart contract, which was replaced by new customers such as Carrefour, Ford, and Allied Domecq. This loss impacted operating results, revenue and operating profits within the trucking division. As a result of CP Ships' acquisition of TMM's container ships and related logistics agency business, revenues and operating profit comparisons for 2000 as compared to 1999 were distorted, as revenues which were previously accounted for in the logistics division were transferred to CP Ships. The Roadrailer and customs agency products are anticipated to increase revenue and operating profit in this division in 2001.

### *Port and Terminal Operations*

In 2000, total port and terminal operations revenues amounted to \$86.5 million and accounted for 8.7% of net consolidated revenues. This represented an increase of 19.3% from total port and terminal operations revenues of \$72.5 million recorded in 1999.

Operating profit from port and terminal operations increased to \$27.6 million in 2000 from \$23.4 million in 1999. Operating profit margin for these operations decreased slightly to 31.9% in 2000 compared to 32.3% in 1999.

In 2000, Manzanillo's berth availability increased from two to three positions, allowing this port franchise to continue to increase its customer base. In November of 2000, two new clients began operations in Manzanillo including: Maersk-Sealand, a liner company, and additional activities for Tricon, a freight forwarder, both of which deliver merchandise from Far East manufacturers. Manzanillo experienced revenue increases, as volume averaged 23,670 container movements per month in year 2000 and 19,000 in 1999. In addition, warehousing contributed to these increases. Progreso was added to our activity base in 2000 while all other port operations remained stable. Veracruz auto services received or exported through our warehouse approximately 343,000 cars per year in 2000. In 2001 TMM plans to diversify operations at Veracruz to include steel products and minerals.

### *Railroad Operations*

Grupo TFM and TFM. Consolidated net revenues for 2000 were \$640.5 million, which represented an increase of 22.1% from consolidated net revenues of \$524.5 million for 1999. The increase was mainly due to NAFTA, port growth and the continued shift from truck to rail transport of freight. Consolidated operating income increased, as did operating profit margin. Operating income was \$166.5 million for 2000, resulting in an operating profit margin of 26.0%, compared to operating income of \$122.9 million recorded in 1999 which represented an operating profit margin of 23.4%.

Net financial expense incurred in 2000 was \$108.7 million, compared to net financial expense of \$101.7 million for 1999. Net financial expense included a net exchange loss of \$1.4 million in 2000 and a net exchange loss of \$0.1 million in 1999. In 2000, net income was \$42.7 million, compared to net income of \$46.4 million in 1999.

Tex-Mex. In 2000, total railroad operations revenues amounted to \$58.1 million and accounted for 5.9% of net consolidated revenues. This represented an increase of 13.7% from total rail operations revenues of \$51.1 million recorded in 1999.

Operating profit from railroad operations decreased to \$0.7 million in 2000 from \$3.6 million in 1999. Derailments and traffic congestion in the fourth quarter contributed to these reductions.

Tex-Mex continued to grow year-to-year. During the fourth quarter of 2000, Tex-Mex experienced an abnormally high level of derailments. These events cost Tex-Mex, in the last few weeks of December, \$1.6 million of direct costs and affected other cost categories. The Mex-Rail Board authorized \$8.0 million of additional capital to be invested immediately in order to protect the continued growth of Tex-Mex revenues.

## **Fiscal Year ended December 31, 1999 compared to Fiscal Year ended December 31, 1998**

### **Consolidated Operating Results – General**

Consolidated net revenues for TMM in 1999 were \$844.7 million, which represents an increase of 14.0% from consolidated net revenues of \$740.7 million for 1998. The increase is primarily due to an increase in revenues from land transportation of containers within Mexico, which was partially offset by a decrease in revenues from specialized maritime operations. Consolidated operating income was \$148.3 million in 1999, resulting in an operating profit margin of 17.6%, compared to consolidated operating income of \$111.1 million recorded in 1998, which represented an operating profit margin of 15.0%.

Net financial expense in 1999 decreased 5.8% to \$162.7 million, compared to net financial expense of \$172.7 million for 1998. Net financial expense included a net exchange and derivative loss of \$1.9 million in 1999 and a net exchange and derivative loss of \$17.1 million in 1998. TMM incurred a net loss of \$62.6 million in 1999, which included a provision for non-recurring charges of \$139.3 million from discontinued operations net of a benefit from deferred income taxes of approximately \$51.4 million. TMM incurred a net

loss of \$9.6 million in 1998, which included a loss of \$13.8 million from discontinued operations, net of a benefit from deferred income taxes of \$11.2 million.

TMM's other income (net) was \$3.8 million in 1999 compared to other income (net) of \$8.7 million in 1998. Other income (net) in 1999 included a gain on the sale of certain assets.

### **Results by Business Units**

#### *Specialized Maritime Services*

In 1999, total specialized maritime services revenues were \$123.9 million and accounted for 14.7% of net consolidated revenues. This represented a decrease of 23.3% from total specialized maritime services revenues of \$161.5 million recorded in 1998. The decrease resulted from lower activities in car carriers due to depressed South American market conditions that prevailed during the year and decreased activities in supply vessels and product tankers.

This division reported an operating loss of \$7.5 million in 1999 compared to an operating profit of \$26.1 million in 1998, principally due to lower margins in car carriers and supply ships. Operating profits in 1999 included a gain of \$13.7 million for the sale of four vessels. Lower car carrier margins were due to decreased rates and lower volumes transported to South America, while supply ship margins were affected by depressed market conditions worldwide.

#### *Logistics Operations*

In 1999 total logistics operations revenues were \$91.3 million and accounted for 10.8% of net consolidated revenues. This reflected an increase of 72.3% from total logistics operations revenues of \$53.0 million in 1998. The increase resulted largely from increased land transportation of containers within Mexico, and represented an expansion of logistics contracts throughout Mexico.

Operating profit for this division increased to \$5.8 million in 1999 from \$2.8 million in 1998

#### *Port and Terminal Operations*

In 1999, total port and terminal operations revenues amounted to \$72.5 million and accounted for 8.6% of net consolidated revenues. This reflected an increase of 12.9% from total port and terminal operations revenues of \$64.2 million in 1998. Port revenues were directly impacted by increased trade volume.

Operating profit for this division was of \$23.4 in 1999 compared to \$25.2 million in 1998

#### *Railroad Operations*

Grupo TFM and TFM. Consolidated net revenues for 1999 were \$524.5 million, representing an increase of 21.6% from consolidated net revenues of \$431.3 million for 1998. Operating income was \$122.9 million in 1999, resulting in an operating profit margin of 23.4%, compared to operating income of \$62.4 million recorded in 1998, representing an operating profit margin of 14.5%.

Net financial expense incurred in 1999 was \$101.7 million, compared to net financial expense of \$110.4 million for 1998. Net financial expense included a net exchange loss of \$0.1 million in 1999, and a net exchange loss of \$10.9 million in 1998. In 1999, net income was \$46.4 million compared to net income of \$14.3 million in 1998.

Tex-Mex. In 1999, total railroad operations revenues amounted to \$51.1 million and accounted for 6.0% of net consolidated revenues. This represented an increase of 4.5% from total rail operations revenues of \$48.9 million recorded in 1998, mainly due to the increased use of Tex-Mex by BNSF and KCSI as a connection to TFM. Operating profit was \$3.6 million in 1999 compared to (\$3.2) million in 1998.

### **Liquidity And Capital Resources**

Our business is capital intensive and requires ongoing expenditures for, among other things, improvements to ports and terminals, structures and technology, capital expenditures, leases and repair of equipment, and maintenance of our vessels. Our principal sources of liquidity consist of cash flow from operations, existing cash balances, sales of assets and debt financing.

*TMM's Cash Flows From Operating Activities*

We generated positive cash flows from operating activities in 1999 and 2000. Net cash provided by operating activities amounted to \$57.0 million for 1999 compared to net cash provided by operating activities of \$55.1 million for 1998. Cash flows from operating activities amounted to \$187.8 million for 2000 compared to \$57.0 million for 1999. The large increase in 2000 resulted mainly from improved results and the reduction of accounts receivables. Cash flows from operating activities for June 30, 2001 were \$45.5 million.

The following table summarizes cash flows from operating activities for the periods indicated.

	<b>Six Months Ended June 30,</b>		<b>Year Ended December 31,</b>		
	<b>2001</b>	<b>2000</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	(unaudited)		(in thousands)		
Net income before discontinued operations.....	\$ 2,595	\$ 6,480	\$ 7,265	\$ 76,611	\$ 4,215
Depreciation and amortization.....	52,081	50,375	102,425	100,179	102,007
Amortization of discount on senior secured debentures and commercial paper.....	30,971	19,812	45,665	36,145	32,248
Amortization of deferred financing cost.....	1,569	3,121	14,307	6,166	5,830
Provision (Benefit) for deferred income taxes.....	13,654	(14,773)	(23,048)	(47,262)	(90,333)
Provision for doubtful accounts.....	2,187	2,755	26,098	5,505	3,951
Minority interest.....	64,103	40,442	57,643	(39,873)	15,885
Loss (Gain) on sale of property, machinery and other assets-net .....	(60,744)	(311)	(25,483)	(305)	(11,064)
Changes in operating assets and liabilities .....	(60,932)	(38,331)	(17,072)	(80,128)	(7,627)
Net cash provided by (used in) operating activities .....	<u>\$ 45,484</u>	<u>\$69,570</u>	<u>\$187,800</u>	<u>\$ 57,038</u>	<u>\$ 55,112</u>

*TMM's Cash Flows From Investing Activities*

Net cash used in investing activities for the six months ended in June 30, 2001 was \$39.1 million.

Net cash provided by investing activities in 2000 was attributable mainly to aggregate sales of shares in subsidiaries, sales of marketable securities, sales of machinery and equipment, and sale of other assets of \$181.7 million, partially offset by capital expenditures consisting of expansions and remodeling of port facilities, purchase of machinery and equipment and other assets, purchase of marketable securities and investment in shares of subsidiaries. As of June 30, 2001, we had incurred \$51.0 million in capital expenditures. Most of the capital expenditure commitments budgeted for 2001 relate to port, logistic and railroad (Tex-Mex) activities.

Net cash provided by investing activities in 1999 was \$31.7 million. In 1999, we made capital expenditures in an aggregate amount of \$83.8 million. Substantially all of these expenditures were for the purchase and remodeling of vessels, improvements in railroad equipment and expansions of port and terminal facilities. Our capital expenditures were offset by sales of vessels and equipment and sales of marketable securities.

*TMM's Cash Flows From Financing Activities*

For the six months ended June 30, 2000, cash used in financing activities was \$8.5 million, which was primarily used for payments on capital lease obligations and short term bank borrowings.

In 2000, cash used in financing activities amounted to \$250.7 million. In October of 2000, we repaid our 8½% Notes for a total of \$149.1 million. As of December 31, 2000, TMM had cash and short-term investments totaling \$92.3 million. As of December 31, 2000, TMM's short-term debt totaled \$72.1 million, denominated and payable in dollars.

Cash used in financing activities in 1999 amounted to \$110.8 million. Cash flows from financing activities in 1998 reflected net additional financing of \$33.9 million in bank loans, receivables financing.

We believe that cash flow from operations and existing cash balances will be sufficient to provide for our liquidity needs for the foreseeable future. However, TMM may need to incur additional debt to finance its acquisition of the Mexican government's interest in Grupo TFM. See "-- Risk Factors" and "-- Information on the Companies -- TMM -- Rail Transportation."

Under our Euro Commercial Paper Program, notes may be issued with maturities of up to 360 days for a total of \$150.0 million. As of June 30, 2001, a total of \$64.9 million of our Euro Commercial Paper was outstanding.

The amended and restated indentures relating to our 10 ¼% Senior Notes due 2006 and our 9 ½% Notes due 2003 contain covenants that, among other things, restrict or prohibit our ability to incur additional indebtedness, create or suffer to exist liens on our property, make prepayments of particular indebtedness, pay dividends, make investments, engage in transactions with stockholders and affiliates, issue capital stock, sell assets and engage in mergers and consolidations or in sale-leaseback transactions.

We do not believe that inflation has had a significant impact on our results of operations.

#### *Certain Indebtedness*

In October 1993, we issued \$150 million aggregate principal amount of our 8½% Notes due 2000 under an indenture between TMM and Citibank, N.A. ("Citibank"), as trustee. These notes matured on October 15, 2000, and were paid in full.

Additionally, in April 1999, the company entered into an Euro Commercial Paper Program. This program consists of several issues of commercial paper for a maximum aggregate principal amount of \$150 million. The amount issued as of December 31, 2000 was \$59.6 million and the amount issued as of September 30, 2001 was \$64.6 million.

In November 1996, we issued \$200 million aggregate principal amount of our 10% Senior Notes due 2006 under an indenture between TMM and The Bank of New York, as trustee. These notes mature on November 15, 2006. The indenture contains certain restrictive covenants which, among other things, limit our ability, and that of our subsidiaries, to pay dividends and make certain restricted payments, sell assets, incur liens, engage in sale and leaseback transactions, incur additional indebtedness, make certain investments, and engage in certain transactions with affiliates.

In May 1993, we issued \$200 million aggregate principal amount of our 9¼% Notes due 2003. These notes mature on May 15, 2003. We repurchased \$23.1 million of these Notes in 1994 and currently the aggregate principal amount outstanding is \$176.9 million. The indenture relating to these Notes contains restrictions substantially similar to the indenture for the 10% Senior Notes due 2006 described above. Interest rates on both the 2003 and 2006 notes were increased through the Consent Solicitation from 10% to 10¼%, and from 9¼% to 9½%, respectively.

For a description of other indebtedness of TMM, see Note 7 to the TMM Financial Statements.

In the six months ended in June 30, 2001, cash used in financial activities was \$8.5 million compared to cash used in financial activities of \$100.4 million in the same period of 2000. This decrease resulted mainly from payments under revolving credit facilities, payments under long-term debts and cash delivered from sales of account receivables.

#### *Share Repurchase*

We have authorized a plan for the repurchase of up to \$21.6 million of our Mexican Stock Exchange listed shares from time to time at market prices.

### **Grupo TMM**

There are two material differences between the consolidated financial statements of TMM and those of Grupo TMM. Prior to the *escisión* (split-up), Grupo TMM accrued revenues under the Management Contract, which revenues are reflected in the TMM Financial Statements as administrative expenses and were used by Grupo TMM to cover its financial expenses (which are not reflected in TMM's consolidated financial statements) related primarily to the debt which is being transferred to Promotora Servia as a result of the *escisión*. Grupo TMM's net results also differ from those of TMM in that those of Grupo TMM reflect, under the line item "Minority Interest", in addition to the Minority Interest reflected on TMM's financial statements, that percentage of TMM owned by the public.

**Research And Development, Patents And Licenses, Etc.**

Not applicable.

**Trend Information**

Please see "Our Business Operations."

## THE REORGANIZATION

### General

The boards of directors of TMM and Grupo TMM have unanimously approved the proposed corporate reorganization and merger so that TMM will be merged with and into Grupo TMM. Each TMM shareholder will, after the merger, continue to own, as a shareholder of Grupo TMM, the same relative economic interest in Grupo TMM.

### Background And Reasons For The Reorganization

The primary purpose of the merger is to achieve tax and corporate governance efficiencies as more fully described below. The merger is also part of a broader company-wide restructuring plan launched by TMM's management in 1998 with the strategic objectives of (i) divesting under-performing businesses and continuing the expansion of historically higher-margin businesses, (ii) continuing the development of TMM as the largest Mexican provider of an integrated array of transportation and logistics services, and (iii) streamlining TMM's corporate structure to realize tax and corporate governance efficiencies.

It is anticipated that the merger will result in benefits for all of the shareholders involved in the merger. However, we cannot assure you that these benefits will be realized.

The principal benefits of the merger include:

- the extension of the benefits derived from the tax consolidation to all of TMM's shareholders;
- the creation of a new company that represents our re-directed principal objectives - distancing ourselves from unprofitable businesses and assets and instead concentrating on the expansion of our more profitable services; and
- aligning the interests of our controlling shareholders more closely with those of our minority shareholders.

### *Tax Consolidation Regime*

As a result of the merger, we will extend the benefits that are derived from the tax consolidation of Grupo TMM and its subsidiaries to all of TMM's shareholders. At the end of 1991, Grupo TMM obtained authorization to consolidate its tax returns with those of its subsidiaries (the "Tax Consolidation") from the *Secretaría de Hacienda y Crédito Público* (the "Ministry of Finance and Public Credit"). Applicable law prevents any company from consolidating its tax returns if it is controlled by another company. Consequently, TMM is unable to consolidate the results of its subsidiaries for tax purposes because it is controlled by Grupo TMM. Grupo TMM's tax consolidation will not be affected by the merger. Consequently, after the merger TMM's shareholders should receive the benefits of Grupo TMM's tax consolidation status.

In general terms and in accordance with the Tax Consolidation, Grupo TMM is authorized to calculate and determine its tax returns on a consolidated basis with its subsidiaries. Therefore, Grupo TMM may offset up to 60% of its direct or indirect participation in the profits generated by its subsidiaries, against up to 60% of its direct or indirect participation in the losses incurred by its other subsidiaries, including Grupo TMM's profits and losses. The possibility of realizing these benefits is subject to Grupo TMM's and its subsidiaries' results of future operations.

TMM has agreed to pay for part of these benefits from Grupo TMM in accordance with an agreement executed by both parties. See "Material Contracts Between Grupo TMM and TMM".

### *A New Stage for Our Group*

The restructuring of TMM began in 1998 and involved the sale of unprofitable businesses and assets in order to continue expansion in profitable businesses. TMM's actual operations are focused on integrated multimodal transportation and logistics services. TMM is distancing itself from the maritime container business but is doing so without losing its contacts in this business. TMM maintains its maritime container contacts through its strategic alliances and the operations of its business units and divisions. TMM's concentration in profitable niches of the shipping industry, combined with its principal logistics, cargo transport services by truck and rail, and port operations make TMM the largest multi-modal integrated transportation and logistics company in Mexico.

As a result of the merger, TMM's corporate structure will be simplified and the interests of its controlling shareholders will be more closely aligned with those of its minority shareholders.

### **Consent of Creditors**

Under Mexican law, TMM would be required to pay any amounts due to its creditors who request payments of such amounts and who have not consented to the merger.

In the first quarter of 2001, TMM completed a consent solicitation (the "Consent Solicitation") of the holders of its 9¼% Notes due 2003 (the "2003 Notes") and 10% Senior Notes due 2006 (the "2006 Notes," together with the 2003 Notes, collectively, the "Notes") to amend and waive certain covenants and provisions of the indentures governing the Notes, in order to permit TMM and its affiliates to effect a corporate restructuring designed to achieve certain financial and tax advantages and corporate governance efficiencies. These amendments and waivers became effective January, 2001, upon receipt by TMM of consents of a majority of the holders of each series of Notes. As consideration for receipt of these consents, TMM (i) increased the interest rate payable to all holders of each series of Notes by 25 basis points, and (ii) paid to consenting holders a cash fee of \$2.50 per \$1000 principal amount of Notes for which they delivered consents on or before the expiration of the Consent Solicitation. Accordingly, the interest rate on the 2003 Notes and 2006 Notes was increased to 9½% and 10¼%, respectively, with interest accruing at the new rates beginning on November 15, 2000, which was the last interest payment date prior to the effective date of the amendments and waivers obtained in the Consent Solicitation.

Through successful completion of the Consent Solicitation, TMM obtained the holders' consent to amendments and one time waivers of certain provisions of the indentures to allow TMM to effect the merger on or before December 31, 2001.

TMM has also obtained Banca Mifel's (a creditor to which TMM owes \$2.0 million) consent to the merger.

TMM has not obtained the consent to the merger from holders of its outstanding Euro Commercial Paper issued under its Euro Commercial Paper Program. Under the Euro Commercial Paper Program, notes may be issued with maturities of up to 360 days for a total of \$150 million. As of September 30 2001, a total of \$64.6 million of TMM's Euro Commercial Paper was outstanding. Considering the short term nature of our Euro Commercial Paper, we do not expect holders thereof to request payment of the outstanding notes as a result of the merger. We also expect to be able to continue to issue notes under our Euro Commercial Paper Program after the merger. However, there can no assurance that holders of our Euro Commercial Paper will not demand payment as a result of the merger or that Grupo TMM will be able to continue to issue notes after the merger or that we will have sufficient funds to redeem such notes if required to do so. In addition, if Grupo TMM is able to issue notes after the merger, there can be no assurance that the merger will not adversely affect demand for the notes.

We do not have any other creditors, other than those described above that we would be required to pay as a result of the merger and the creditors of our subsidiaries are not entitled to object to, nor demand payment as a result of, the merger.

### **Description of the Merger**

In preparation for the merger, the shareholders of Grupo TMM will approve the *escisión* (split-up) of Grupo TMM into two companies, Grupo TMM and a newly formed corporation, Promotora Servia, S.A. de C.V. ("Promotora Servia"). Under the terms of the *escisión*, Grupo TMM will transfer all of its assets, rights and privileges (other than the Series A Shares of TMM that it owns) and all of its liabilities to Promotora Servia. The transfer of assets to Promotora Servia will be made without recourse and without representation or warranty of any kind and all of Grupo TMM's creditors expressly and irrevocably consented to the transfer of the liabilities to Promotora Servia. The consent of such creditors will be formalized through assignment of debt agreements executed by Grupo TMM, Promotora Servia, and the corresponding creditors or guarantors for each such liability or obligation or through written creditor consents. The *escisión* must become effective as a condition to the merger.

The principal assets which Grupo TMM will transfer to Promotora Servia under the terms of the *escisión* are its investment in an office building located at Génova No. 2, Colonia Juárez, Mexico City, Mexico and other property and subsidiaries which, in the aggregate, do not represent a significant part of the assets of Grupo TMM. In addition, Grupo TMM will transfer to Promotora Servia its rights to receive certain payments

from TMM under two contracts. The first payment of \$17.5 million is pursuant to an agreement terminating the management agreement between TMM and Grupo TMM. The second payment in the amount of \$9.4 million will be paid to Grupo TMM on or before September 7, 2002, pursuant to a contract providing for the transfer to TMM of certain of the benefits derived from Grupo TMM's ability to consolidate the results of its subsidiaries and affiliates. See "Material Contracts Between TMM and Grupo TMM" for more information.

The payment obligations of Promotora Servia under the transferred liabilities or obligations are secured by a pledge (or other equivalent encumbrance) of certain of the Series A Shares of the capital stock of TMM owned by Grupo TMM. The corresponding creditors will consent to the merger, and will expressly and irrevocably agree that upon effectiveness of the merger, the Series A Shares of the capital stock of TMM owned by Grupo TMM that are securing the repayment obligations of Promotora Servia, will be cancelled without further liability of any kind on the part of Grupo TMM, which shall be fully released and discharged with respect thereto. As security for the payment obligations of Promotora Servia under certain of the assumed liabilities or obligations of Grupo TMM, certain members of the Serrano Segovia family have agreed to pledge an equal and proportionate number of shares of the capital stock of Grupo TMM that will be owned by them.

As a result of the *escisión* of Grupo TMM, Grupo TMM will have no liabilities and will hold, as its sole asset 21,854,504 TMM Series A Shares, representing approximately 51.2% of the outstanding Series A Shares of TMM and approximately 38.4% of the total outstanding capital stock of TMM and certain rights to use loss carryforwards for Mexican tax purposes.

Pursuant to the terms of the merger, TMM will be merged with and into Grupo TMM, with Grupo TMM surviving. As a result of the merger, Grupo TMM, whose share capital immediately prior to the merger will consist of 21,854,504 Series A Shares, will issue 20,867,849 new Series A Shares and 14,240,784 Series L Shares in exchange for the outstanding Shares and ADSs of TMM (other than the Shares and ADSs owned by Grupo TMM) on a share-for-share basis. Your relative economic interest in TMM will not change as a result of the merger.

### **Interests of Certain Persons in the Reorganization**

In considering whether to approve the merger, the shareholders of TMM should be aware that certain of the executive officers and directors of TMM have interests in the merger that are in addition to the interests of the shareholders of TMM generally.

In connection with the merger, Promotora Servia, the entity to which Grupo TMM is transferring its discontinued operations, may be entitled to receive up to an aggregate of \$26.9 million from TMM and following the merger, Grupo TMM. The payments are further described below under "Material Contracts between TMM and Grupo TMM." Mr. José F. Serrano, the Chairman and Chief Executive Officer of TMM and Mr. Ramón Serrano Segovia, a Director of TMM who are shareholders of Grupo TMM prior to the merger, will also be shareholders of Promotora Servia.

### **Resales of Grupo TMM Stock**

All shares of Grupo TMM stock received by TMM shareholders in the merger will be registered under the Securities Act and will be freely tradable without restriction by persons who will not be affiliates of Grupo TMM after the merger and who were not affiliates of TMM on the date of the extraordinary meeting of the shareholders of TMM at which the merger is approved. Any of those affiliates may resell the Grupo TMM stock received by it in exchange for TMM stock only if the shares are registered for resale under the Securities Act or an exemption from registration under the Securities Act is available. Those shareholders may be permitted to effect resales under the safe harbor provisions of Rule 145 under the Securities Act or in the case of persons who become affiliates of Grupo TMM, Rule 144 under the Securities Act. Persons who may be deemed to be affiliates of Grupo TMM or TMM generally include individuals or entities that control, are controlled by or are under common control with Grupo TMM or TMM, as applicable, and may include some officers and all directors of that party as well as its principal shareholders. We recommend that such persons obtain advice of securities counsel before making any resale.

### **The Merger Agreement**

The Merger Agreement (*convenio de fusión*) provides for the merger of TMM with and into Grupo TMM, with Grupo TMM surviving (*fusionante*). Under the terms of the Merger Agreement, all of the assets, privileges and rights, and all of the liabilities of TMM will be transferred to Grupo TMM upon the effectiveness of the merger. Each Series A Share of the capital stock of TMM will be exchanged for one

Series A Share of the capital stock of Grupo TMM, and each Series L Share of the capital stock of TMM will be exchanged for one Series L Share of the capital stock of Grupo TMM. Grupo TMM Series A and Series L Shares will have the same rights and characteristics as those of the TMM Series A and Series L Shares, respectively. However, the By-laws (*Estatutos*) of Grupo TMM will require that the consent of the board of directors of Grupo TMM be obtained for acquisitions of Grupo TMM's Series A Shares which would result in any person acquiring 5% or more of the outstanding Grupo TMM Series A Shares in one or more simultaneous or successive transactions. With the exception of the requirement to obtain the consent of the board of directors with respect to such acquisitions and certain other changes required by law which are described under the heading "Description of Authorized Shares of Grupo TMM -- New Laws Affecting Shareholders' Rights and Corporate Governance," the By-laws (*Estatutos*) of Grupo TMM will be identical to those of TMM and your rights as a shareholder of Grupo TMM will be identical to those as a shareholder of TMM. Immediately following the merger, Grupo TMM will have outstanding the same number of Series A and Series L Shares as TMM will have outstanding immediately prior to the merger. A copy of an English translation of the Merger Agreement is attached hereto as Annex A and is incorporated herein by reference.

In addition, holders of Series A Shares and Series L Shares currently have, and after the reorganization will continue to have, equal rights, on a per share basis to all declared dividends.

### **Effective Time**

We anticipate that the merger will become effective soon after TMM's extraordinary shareholders' meeting. The merger of TMM with and into Grupo TMM, if approved by our shareholders and not terminated by the boards of directors of TMM and Grupo TMM, will become effective at the time the Merger Agreement and the notarized minutes of the shareholders' meetings are registered with the Public Registry of Commerce in Mexico City.

### **Termination**

We currently expect the reorganization to take place soon after the extraordinary meeting. However, the boards of directors of TMM and Grupo TMM may jointly defer the reorganization or may abandon the reorganization after the extraordinary meeting. The boards of directors may exercise this right if they jointly determine that the reorganization would, in their view, have material adverse consequences for the shareholders of Grupo TMM or TMM.

### **Conditions to Completion of the Merger**

The merger will not be completed unless, among other requirements, the following conditions are satisfied or, if allowed by law, waived:

- the shareholders of Grupo TMM and TMM approve the reorganization by the requisite vote;
- Grupo TMM's securities are admitted or authorized to trade on the New York Stock Exchange;
- Grupo TMM's securities are admitted for trading on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A. de C.V.*);
- the Grupo TMM securities are registered with the National Securities Registry (*Registro Nacional de Valores*) of the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) of Mexico;
- the registration statement of which this prospectus forms a part is declared effective; and
- immediately prior to the merger, the *escisión* (split-up) of Grupo TMM into two companies shall have occurred.

### **Regulatory Matters**

The approval of the Foreign Investment Commission of Mexico is required in order to permit the issuance by Grupo TMM of the Series L Shares in connection with the merger.

### **Certain Tax Considerations**

The merger should be tax-free to TMM shareholders for United States federal income tax purposes. In general, a U.S. holder of TMM stock should not recognize any gain or loss for United States federal income tax purposes as a result of the merger. The exchange of TMM Shares or ADRs for Grupo TMM Shares or ADRs pursuant to the merger should also be exempt from Mexican taxes. For a more complete description of the tax consequences of this reorganization, see "Material Tax Considerations".

TAX MATTERS ARE VERY COMPLICATED. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE MERGER AND SHARE EXCHANGE TO YOUR PARTICULAR SITUATION.

### **Accounting Treatment**

The merger involves companies under common control. Therefore, there will be no change in Grupo TMM's accounting as a result of the merger which will be treated in a manner similar to a pooling of interests.

### **Management**

Immediately following the effective time of the reorganization, Grupo TMM will have the same directors and executive officers as TMM had immediately prior to that time.

### **Exchange of Certificates and ADRs Representing TMM Shares and ADSs**

Grupo TMM will appoint an exchange agent who will exchange the certificates representing TMM Shares and ADSs, as the case may be, for certificates and ADRs representing Shares and ADSs of Grupo TMM. Promptly after the merger is completed, TMM or the exchange agent will mail to each registered holder of TMM Shares and ADSs, a letter of transmittal which the holder must properly complete and deliver to the exchange agent with all, but not less than all, of the holder's Share certificates or ADRs, as the case may be. Grupo TMM will deposit with the exchange agent Grupo TMM Shares and ADSs in amounts sufficient to deliver certificates representing Shares and ADSs to holders who validly surrender their TMM Shares and ADSs. No fees will be payable by the shareholders in connection with their surrender of TMM ADSs pursuant to the merger or the issuance to them of Grupo TMM ADSs in exchange therefor.

After a registered holder of TMM shares or ADSs, as the case may be, delivers certificates or ADRs for those Shares or ADSs exchange, the holder will be entitled to receive, in exchange for the holder's TMM certificates or ADRs, as the case may be, representing the number of shares or ADSs, as the case may be, of the corresponding Series of Grupo TMM's capital stock, into which the holder's Shares or ADSs were converted in the merger.

Share certificates and ADRs of TMM that are surrendered for exchange will be canceled. Holders of certificates representing TMM Shares or ADS, as the case may be, will not receive any dividends or other distributions with respect to the Shares or ADSs of Grupo TMM to which the holder is entitled after the merger until that holder's certificates representing TMM Shares or ADSs are surrendered for exchange.

A TMM shareholder who holds TMM Shares or ADSs in "street name" through a bank, broker or other financial institution should receive information about the procedures for exchanging that holder's Shares or ADSs for Grupo TMM Shares or ADSs, as the case may be, from that institution.

Holders of Series A Share CPO ADSs will not be required to take any action to exchange their TMM Series A Share CPO ADSs because by operation of law, the CPO ADSs will automatically represent financial interests in Series A Shares of Grupo TMM.

## **THE EXTRAORDINARY MEETING**

### **General**

TMM will hold an extraordinary meeting for its shareholders at 10 a.m., local time, on December 21, 2001, at the offices of TMM, located at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, CP. 14010, Delegación Tlalpan, Mexico City, Mexico, to consider and vote on:

- the approval of the merger, including the Merger Agreement, and authorization of TMM's board of directors and officers to take all actions deemed necessary or advisable to give effect to the merger, and
- any other matters that may properly come before the extraordinary meeting, or any adjournment or postponement of the extraordinary meeting.

**We Are Not Asking You for a Proxy And You Are Not Requested to Send Us a Proxy**

### **Record Date**

Only TMM shareholders of record at the close of business on December 19, 2001, as shown on TMM's records, will be entitled to vote at the special meeting.

### **Quorum**

The required quorum for the extraordinary meeting is at least 75% of all outstanding Shares (including those represented by Series A Share CPO ADSs and Series L ADSs). If a quorum is not available at a duly called meeting, subsequent meetings may be called upon not less than 15 days' published notice, and at least 50% of all outstanding Shares (including those represented by Series A Share CPO ADSs and Series L ADSs) will constitute a quorum at any such subsequent meeting. The CPO Trustee is required to attend all shareholders' meetings and the depository for the Series L Share ADSs, representing all of the L Share ADSs, is required to (i) attend the meeting if it receives voting instructions with respect to any of the Series L Share ADSs and (ii) to give a discretionary proxy to the TMM with respect to all of the Series L Share ADSs for which no voting instructions have been given, unless TMM informs the depository that it does not wish such discretionary proxy to be given. Currently, the Series A Shares represented by CPOs, when taken together with the L Share ADSs and the Series A Shares held in the form of Shares by Grupo TMM, represent well in excess of 75% of the total outstanding capital stock of TMM. Consequently, it is expected that the quorum requirement will be present at the first call of the extraordinary meeting.

### **Rights Of Dissenting Shareholders**

Under Mexican law, shareholders are not entitled to any dissenters' rights or appraisal rights in connection with the merger.

### **TMM Voting Securities and Principal Holders Thereof**

TMM has two classes of capital stock outstanding, Series A Shares and Series L Shares, which represent, respectively the fixed and variable portions of TMM's capital. Series A Shares must represent, at all times, at least 75% and Series L Shares may not exceed at any time 25%, of the outstanding capital stock of the Company. The TMM Series A Shares may not be held directly by non-Mexicans. However, non-Mexicans hold Series A Shares in the form of ordinary participation certificates, or CPOs. CPOs constitute separate negotiable instruments different and apart from Series A Shares. Holders of CPOs are not entitled to exercise any voting rights with respect to the Series A Shares held in the CPO Trust. Such voting rights are exercisable only by the CPO Trustee, which is required by the terms of the CPO Trust to vote such Series A Shares in the same manner as holders of a majority of the outstanding Series A Shares not held in the CPO Trust and voted at the relevant meeting.

The CPOs and the Series L Shares are traded on the New York Stock Exchange in the form of ADSs.

Holders of L Share ADRs are entitled to instruct the Depository as to the exercise of voting rights attaching to the deposited Series L Shares, and upon receipt of such instructions the Depository will endeavor,

insofar as practicable, to vote or cause to be voted the Series L Shares underlying such holders' L Share ADRs in accordance with such instructions.

As of December 6, 2001, there were 42,722,353 Series A Shares outstanding, 31,600,212 of which were represented by Series A Share CPO ADSs and are not entitled to vote at the meeting, and 14,240,784 Series L Shares outstanding of which 13,989,690 were represented by Series L Share ADSs. All of the outstanding Series L Shares are entitled to vote at the meeting.

The following table indicates, as of December 7, 2001, unless otherwise indicated, the persons or groups which we know to be the owners of more than 5% of our Series A Shares and Series L Shares:

<u>Owner</u>	<u>A Shares</u>		<u>L Shares</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Grupo TMM, S.A. de C.V.....	21,854,504 <sup>(a)</sup>	51.2%	-----	-----
José Serrano Segovia .....	-----	-----	500,000	3.5%
Servicios Directivos Servia, S.A. de C.V. <sup>(b)</sup> .....	4,162,914	9.7%	-----	-----
EGS Associates L.P. <sup>(c)</sup> .....	-----	-----	3,850,500	27.1%
Okabena Investment Services, Inc. <sup>(d)</sup> ..	536,200	1.3%	1,452,175	10.2%
Promotora Servia, S.A. de C.V. ....	-----	-----	500	0.004%

- (a) Of such shares, 15,514,150 are represented by ADSs representing CPOs which correspondingly represent financial interests in the same number of Series A Shares. In order to secure a demand loan in the principal amount of \$25 million, Grupo TMM pledged 9,153,000 of such ADSs to Citibank, N.A. In addition, Grupo TMM has pledged 4,540,000 ADSs to The Chase Manhattan Bank, N.A. to secure borrowings in the aggregate amount of \$30 million, and Grupo TMM has pledged 1,700,000 Shares and ADSs to Interacciones S.A., Institución de Banca Múltiple to secure borrowings in the aggregate amount of \$5.0 million, and Grupo TMM has pledged 250,000 ADSs to Banco Invex S.A., Institución de Banca Múltiple, Invex Grupo Financiero, to secure a loan in the principal amount of \$0.5 million. From the remaining 6,340,354 Series A Shares, Grupo TMM pledged 1,975,354 Series A Shares to Banco Santander Mexicano, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Mexicano to secure a loan in the principal amount of \$5.9 million. \*(Information as of September 30, 2001)
- (b) Servicios Directivos Servia, S.A. de C.V. has advised TMM that it currently owns the Shares indicated.
- (c) Based upon information set forth in a Schedule 13D filing dated June 4, 1999. The Schedule 13D was filed by the following persons, all of whom disclaim membership in a group: EGS Associates, L.P., which beneficially owns 861,121 shares, representing 6.0% of the outstanding Series L Shares, EGS Partners, L.L.C., which beneficially owns 2,551,857 shares, representing 17.9% of the outstanding Series L Shares; Bev Partners, L.P., which beneficially owns 376,322 shares, representing 0.1% of the outstanding Series L Shares; Jonas Partners, L.P., which beneficially owns 61,200 shares, representing 0.01% of the outstanding Series L Shares; EGS Management, L.L.C., which beneficially owns 1,298,643 shares, representing 9.1% of the outstanding Series L Shares and by each of William Erham, Frederic Greenberg, Frederick Ketcher, Jonas Gerstl, James McLaren and William Lautman, each of whom beneficially owns 3,850,500 shares, representing 27.1% of the outstanding Series L Shares. Beneficial ownership of L Shares is held through L Share ADRs. Although EGS Associates has not filed an amendment to its filing, TMM has reason to believe that EGS Associates no longer owns all of such shares.
- (d) Based upon information set forth in a Schedule 13G filing dated August 16, 2001. The Schedule 13G was filed by the following persons, all of whom disclaim membership in a group: Okabena Investment Services, Inc. which beneficially owns and has the sole power to vote and dispose of 1,452,179 Series L Shares and 536,200 Series A Shares; Okabena Partnership J which is deemed to beneficially own but has no power to vote or dispose of 1,296,475 Series L Shares (9.1%) and 381,900 Series A Shares (0.9%); and Okabena Partnership C which is deemed to have beneficial ownership of, but has no power to vote or dispose of, 155,700 Series L Shares (1.1%) and 154,300 Series A Shares (0.3%).

TMM's largest shareholder, Grupo TMM, currently owns 51.2% of our outstanding Series A Shares. As a result, Grupo TMM has the ability to elect at least 8 of the 14 members of the Board of Directors. Grupo

TMM has the ability to approve any action requiring the approval of the shareholders, and to prevent any action proposed by other shareholders.

It is impracticable for TMM to determine the percentage of the outstanding Series L Shares held of record by persons with U.S. addresses. Ownership of Series A Shares by non-Mexican nationals is prohibited and it is impracticable for TMM to determine the percentage of outstanding CPOs held by persons with U.S. addresses.

### **Vote Required**

The affirmative vote of holders of a majority of TMM's outstanding Series A Shares and Series L Shares (including those represented by Series A Share CPO ADSs and Series L Share ADSs), voting as a single class, will be required to approve the merger. While abstentions will be treated as shares that are present for purposes of determining whether a quorum is available, abstentions will not be counted as a vote in favor of the merger.

Grupo TMM holds, directly, 51.2%, of the outstanding Series A Shares, 6,364,504 of which are held in the form of Shares, rather than CPOs, and intends to vote those Shares in favor of the merger. The Series A Shares held by Grupo TMM in the form of Shares, represent 57.3% of the outstanding Series A Shares held in the form of Shares. Accordingly, the CPO Trustee would be required, under the terms of the CPO Trust, to vote all Series A Shares held in the CPO Trust in favor of the merger. As of November 30, 2001, 31,610,141 Series A Shares were held in the CPO trust in the form of CPOs. Assuming the number of CPOs held in the CPO trust remains approximately the same, the Series A Shares held by Grupo TMM in the form of Shares, taken together with the Series A Shares represented by CPOs which will be voted by the CPO Trustee in the same manner as Grupo TMM votes, represent 66.7% of the total outstanding Shares of TMM. In addition, Servicios Directivos Servia, S.A. de C.V., a subsidiary of Grupo TMM which will be transferred to Promotora Servia pursuant to the *escisión* currently holds 4,162,914 TMM Series A Shares (in the form of Shares) and such Series A Shares will be voted in favor of the merger. The Series A Shares held by Servicios Directivos Servia, S.A. de C.V. and Grupo TMM in the form of Shares, represent approximately 94.7% of the outstanding Series A Shares held in the form of Shares and when taken together with the Series A Shares represented by CPOs, represent approximately 74% of the total outstanding Shares of TMM. Consequently, Grupo TMM's and Servicios Directivos Servia S.A. de C.V.'s ownership interest in the outstanding Series A Shares will be sufficient to approve the merger even if all other holders of Series A and Series L Shares should vote against it.

## INFORMATION ON THE COMPANIES

### GRUPO TMM

#### General

Grupo TMM, S.A. de C.V., which was formerly Grupo Servia, S.A. de C.V. ("Grupo TMM"), is a privately held Mexican company that was formed on August 14, 1987 to serve as a holding company for investments by certain members of the Serrano Segovia family. Grupo TMM is a *sociedad anónima de capital variable* (variable capital corporation) incorporated under Mexican law for a term of 99 years. Grupo TMM is headquartered in Mexico City, D.F., at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, C.P. 14010, and its telephone number from the United States is 011-525-55-629-8866.

#### Business

Since its incorporation, Grupo TMM has made investments in companies operating in various industries, including, among others, rubber, mineral, wood, transportation and logistics.

In 1991, Grupo TMM increased its interest in TMM to a controlling position, and since that time Grupo TMM's business activities have consisted principally of holding its controlling interest in TMM and developing and expanding TMM's business, including pursuant to the Management Agreement discussed under "Material Contracts Between TMM and Grupo TMM." Information about TMM, including its and its subsidiaries' business and operations, is presented below under "-- TMM."

Grupo TMM's other business activities have consisted primarily of holding and managing commercial real estate investments. Assets relating to these activities comprised less than one percent of Grupo TMM's total consolidated assets as of December 31, 2000, and revenues and operating income from these activities were inconsequential for the fiscal year ended on December 31, 2000. In connection with, and as a condition to, the merger, Grupo TMM will transfer all of its assets and liabilities (other than the Series A Shares of TMM that it owns) to Promotora Servia, S.A. de C.V., a company owned by the pre-merger shareholders of Grupo TMM.

As discussed above, in connection with the merger, Grupo TMM will spin-off all of its assets and liabilities, including all of its subsidiaries (other than TMM and subsidiaries that it holds through TMM). Grupo TMM's principal capital expenditures and divestitures have been made through TMM and its subsidiaries, and are described below under "TMM."

As a result of the spin-off by Grupo TMM, upon consummation of the merger, the business and operations of Grupo TMM, as the surviving company in the merger, will be substantially the same as the business and operations of TMM prior to the merger, which is described below under "--TMM."

Other than governmental regulations affecting or relating to the operations of TMM and its subsidiaries, including TFM, Grupo TMM's operations have not been materially affected by governmental regulations.

#### Voting Securities and Principal Holders Thereof

Prior to the merger, it is expected that there will be 21,854,504 Series A Shares of Grupo TMM outstanding and entitled to vote at the shareholders' meeting to approve the merger.

The following table indicates, as of December 1, 2001, the persons or groups who are the owners of Grupo TMM's Series A Shares.

<u>Owner</u>	<u>A Shares</u>	
	<u>Amount</u>	<u>Percent</u>
José F. Serrano Segovia .....	9,966,125	57.14%
Ramón Serrano Segovia .....	7,475,465	42.86%

In connection with the merger, Teresa Serrano Segovia will be issued 4,412,914 shares of Grupo TMM as a result of an increase in the capital stock of Grupo TMM prior to the *escisión* (split-up) of Grupo TMM.

## Organizational Structure

Following the spin-off of certain of Grupo TMM's assets and liabilities in connection with the merger, as described above under "--Business," at the effective time of the merger, TMM will be Grupo TMM's only subsidiary. Grupo TMM holds a controlling interest in TMM through its ownership of 21,854,504 Series A Shares of TMM, which represents 51.2% of the outstanding Series A Shares of TMM.

## Legal Proceedings

Except for ordinary and routine legal proceedings incidental to their operations, Grupo TMM and its subsidiaries (other than TMM and its subsidiaries) have not been involved in any material legal proceedings. All rights and liabilities associated with pending legal proceedings in which Grupo TMM or any of its subsidiaries (other than TMM and its subsidiaries) is involved will have been transferred to Promotora Servia prior to the merger.

In 1999, a new law was passed concerning the consolidating tax regime, allowing for the consolidation of only 60% of the results of a company's subsidiary, rather than 100%. Grupo TMM filed a request for injunctive relief (*amparo*) against the enforcement of such law. Grupo TMM does not believe it will be granted the injunctive relief. Grupo TMM does not expect that an adverse ruling will have a material adverse effect on it as Grupo TMM has been consolidating only 60% of the results of its subsidiaries since the new law was passed.

## TMM

Transportación Marítima Mexicana, S.A. de C.V. ("TMM") was founded on September 18, 1958, by a group of private investors, including the Serrano Segovia family. TMM is a *sociedad anónima de capital variable* (variable capital corporation) incorporated under Mexican law for a term of 90 years. TMM is controlled by Grupo TMM which currently owns 51.2% of the Series A Shares of TMM. TMM is headquartered in Mexico City, D.F., at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, 14010 México City, D.F., México, and its telephone number from the United States is 011-525-55-629-8866.

TMM is the largest integrated logistics and transportation company in Mexico, offering an integrated regional network of rail and road transportation services, port management, freight distribution, specialized maritime operations, logistics, and technology services. TMM's services include:

- specialized maritime shipping which includes:
  - the transport of automobiles, refined petroleum and chemical products,
  - the chartering of supply ships to serve offshore oil rigs, and
  - the furnishing of towing services for ships at the Port of Manzanillo;
- logistics operations, including:
  - dedicated contract trucking, and
  - integrated logistics outsourcing services;
- rail transport within Mexico and to and from the United States; and
- port and terminal operations.

## Business Strategy

### *The Mexican Market*

Since TMM's formation in 1958, our growth has largely been driven by the growth and diversification of the Mexican economy. As a result of NAFTA, which became effective on January 1, 1994, trade with and investment in Mexico has significantly increased, resulting in greater traffic along the North-South cross-border trade routes which comprise the NAFTA corridor. The following table illustrates the growth of the foreign trade segment of the Mexican economy over the last three years and for the period January-June of 2001 and 2000.

#### Mexican Foreign Trade – 1998-2000<sup>(a)</sup>

	<u>As of June 30,</u>		<u>As of December 31,</u>		
	<u>2001</u>	<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in millions of dollars)				
Total Exports.....	\$ 80,367.0	\$ 79,182.1	\$ 166,454.8	\$ 136,391.1	\$ 117,459.6
Total Imports.....	\$ 84,384.9	\$ 81,697.0	\$ 174,457.8	\$ 141,974.8	\$ 125,373.1
Total Trade Flows.....	\$ 164,751.9	\$ 160,879.1	\$ 340,912.6	\$ 278,365.9	\$ 242,832.7
Growth Rate – Exports.....	1.5%	24.57%	22.04%	16.12%	6.36%
Growth Rate – Imports.....	3.29%	24.23%	22.88%	13.24%	14.18%
Growth Rate – Total.....	2.41%	24.40%	22.47%	14.63%	10.26%
Growth Rate – GDP <sup>(b)</sup> .....	0.93%	7.68%	6.92%	3.80%	4.90%

(a) The figures include the in-bond (*maquiladora*) industry.

(b) The methodology for calculating Growth Rate-GDP was modified by the *Instituto Nacional de Estadística, Geografía e Informática* (INEGI) and it considers price based on 1993.

Source: Banco de México (BANXICO)

TMM's management believes that Mexican commerce will continue to grow through NAFTA and other free trade agreements and that TMM is well-positioned to benefit from such growth.

### *Shift in Strategic Focus*

Historically, we primarily focused our business strategy on our formerly owned container shipping liner service, which provided global transport of containerized and non-containerized cargo. However, over the past 12 years, in order to enhance efficiencies and to create marketing and competitive advantages, we leveraged our position as the leading maritime shipping company in Latin America to expand and diversify our scope of customer services to encompass land transportation, including trucking and rail transport, port and terminal operations, and logistics and cargo handling businesses. As the nature of Mexican trade with the United States changed and the level increased in recent years, we determined that TMM would be better positioned to take advantage of these changes if it increased and stream-lined its logistics operations, with the strategic objective of becoming Mexico's leading integrated logistics and transportation company.

Toward this end, in the first quarter of 1999 we began to implement a restructuring program designed to stream-line our assets and operations in order to enable us to focus on our logistics business. At the same time, we determined that we could better position TMM to optimize service, improve operational efficiencies and manage risk with respect to certain of our businesses by increasing our participation in partnerships and joint service arrangements with other leading transportation and logistics service companies that complement our operational expertise and geographical coverage.

As part of our restructuring program, during 1999, we sold certain of our maritime businesses and assets, including our fleet of nine container ships and all of our containers, our bulk liquid storage terminals, and certain other non-strategic assets unrelated to the logistics business. The proceeds from these sales were used to repay a total of \$91.5 million of outstanding obligations, including \$71.5 million of debt and \$20.0 million of repurchased

accounts receivables. In the fourth quarter of 1999, our management concluded that ownership of a container shipping business was not necessary to offer our customers a full array of logistics services. Accordingly, in December 1999, we agreed to sell our 50% interest in Americana Ships to CP Ships, our joint venture partner. The sale was effective as of January 1, 2000, and we discontinued our liner operations as of that date.

#### *Strategy*

Our strategy is to continue to expand and strengthen our position as the leading integrated logistics and transportation company in Mexico. The principal components of this strategy are:

- To continue to expand our land logistics and specialized maritime activities in a variety of niche markets. We believe that by providing value-added land logistics services, such as truck and rail transportation, warehousing, storage and cargo handling, logistics support and port and terminal services, we can enhance our position as a "door-to-door" logistics and transportation services company.
- To expand our alliances with leading companies in both the specialized maritime and the land-based businesses. These commercial and strategic alliances allow us to market a full range of non-owned assets in the context of the total supply chain distribution process. Through such alliances, we have been able to benefit not only from synergies, but also from the operational expertise of our alliance partners, enhancing our competitiveness. Based on our experience to date, especially with respect to new business ventures, management believes that such alliances enhance the likelihood of success and reduce risks.

#### *Certain Competitive Advantages*

We benefit from the following competitive advantages:

- No other company offers a similar breadth and depth of services as a third-party logistics provider in Mexico.
- The ability to contract for the transportation of large amounts of cargo by sea, as well as the transport by truck or rail enables us to provide value-added "door-to-door" service to our customers. The value of our transportation service is further enhanced by our ability to provide overland transportation by rail or truck and storage and warehousing services for some types of cargo. Our ability to provide these integrated services gives us a competitive advantage over companies that provide only maritime transportation to, or overland transportation within, Mexico. See "Logistics Operations."
- We control one of the most important land transportation systems in Mexico through our interest in TFM, which enables us to benefit from NAFTA trade, diversify our revenue base, strengthen our multimodal capabilities and increase the volumes transported by the Tex-Mex Railway.
- We are a Mexican-owned and Mexican-operated company, a distinction which allows us marketing, operational, and in certain cases, preferential treatment in certain niche markets.

### **Restructuring of Operations and Asset Sale Program**

The following describes certain significant restructuring activities that we have undertaken in recent years.

#### *Storage for Bulk Liquids*

Until December 1999, we participated in a joint venture to provide storage services at the Mexican ports of Veracruz, Coatzacoalcos, Altamira, and Manzanillo. The venture, which was owned 51% by TMM and 49% by Van Ommeren Shipping, B.V., a Dutch shipping and tank storage company, provided storage primarily for chemical products and liquids in bulk form, which are among Mexico's major exports. We sold our interest in the joint venture to Van Ommeren in December 1999 for \$27.8 million.

#### *Container Shipping Services and TMM's Rationale for Discontinuation*

In recent years, competition in the liner industry has increased significantly, primarily due to increased numbers of new vessels being built, a decrease in world shipping trade and the adverse effects of the Asian

economic crisis on the world shipping industry. These trends exerted downward pressure on freight rates and created a trade imbalance which resulted in a significant decrease in earnings for the majority of liner companies, including TMM. In addition, many of our competitors had substantially greater resources than we did. We also competed with government-supported fleets, which, among other things, have greater flexibility in acquiring more modern vessels and may be able to offer more competitive freight rates. As a result, the profitability of our container shipping business declined. Because the majority of our consolidated revenues were generated by our container shipping operations, this adversely affected our overall results of operations.

Until December 31, 1998, our container shipping business operated as a division of TMM. In January 1999, we restructured our liner operations to create Americana Ships, a 50-50 joint venture with CP Ships, which combined our container shipping business with that of CP Ships, with the objective of achieving operating synergies and a stronger presence in certain markets. During 1999, primarily due to the continuing adverse impact of unfavorable industry conditions, the profitability of our liner operations continued to decline. By the fourth quarter of 1999, our management concluded that ownership of a container shipping business was not necessary to offer our customers a full array of logistics services, and in December 1999, we agreed to sell our 50% interest in Americana Ships to CP Ships for \$65.0 million. The sale was completed during the first quarter of 2000 and was effective as of January 1, 2000. We discontinued our container shipping operations as of January 1, 2000. See Note 2 to the TMM Financial Statements contained elsewhere herein.

Because we discontinued our liner business, in our consolidated financial statements for periods prior to January 1, 2000, we are required to present the financial results of our liner operations separately from those of our continuing operations by accounting for the results of our liner business as a discontinued operation. Therefore, our Financial Statements for the two years ended December 31, 1999 and December 31, 1998, which appear elsewhere in this prospectus, and all financial information for those periods included in this prospectus, have been restated to distinguish the results of our discontinued operations. Our discontinued operations also include our bulk liquid storage terminals which we sold in December 1999.

#### *Port and Terminal Operations*

In October 2000, the agreement for the restructuring of our port division was formalized with our strategic partner SSA, whereby SSA increased its equity interest from 25% of the Manzanillo container terminal to 49% of our port division. The Company received \$41.3 million dollars as a result of SSA's increased equity participation. The port division (excluding Tuxpan) of the Company is for the most part operated through TMM's subsidiaries TMM Puertos y Terminales, S.A. de C.V. and Administración Portuaria Integral de Acapulco, S.A. de C.V., of which TMM owns 51% of their respective capital stock.

We believe that the implementation of our restructuring plan and asset sale program has enabled us to strengthen our balance sheet by repaying outstanding financial obligations, and to improve our profit margin and reduce our working capital requirements by selling non-strategic and under-performing assets while retaining facilities and continuing businesses that have proven profitable and that we believe will continue to promote the growth of our logistics services and expansion of our market share. We received aggregate proceeds of approximately \$289.1 million as a result of the asset sale program, of which \$193.3 million was received in 1999 and \$95.8 million was received in 2000. In addition to balance sheet improvements, in October of 2000 we repaid our 8½% Yankee Bonds issued on October 14, 1993, for a total of \$149 million, including interest. This payment honored our commitments to the financial markets, and was an important step in our restructuring program.

The following describes some of the financial benefits obtained by TMM in 2000 and 2001 as a result of its restructuring activities:

- the receipt of \$65.0 million in payments from CP Ships Holdings, Inc. ("CP Ships") related to the sale of TMM's interest in Americana Ships Limited ("Americana Ships");
- the receipt of \$20.0 million from the sale and leaseback of its headquarters building;
- the retirement of TMM's bond issue in October 2000, thereby reducing TMM's overall debt level;
- the receipt of \$41.3 million dollars in October 2000 from the increased participation by Stevedoring Services of America ("SSA") in our port division; and

- the establishment in 2000 of an \$8.0 million reserve for expected losses on the sale of the liner business and certain other contingencies.

In addition to the restructuring and asset sale program, commencing in the first quarter of 1999, TMM effected a corporate reorganization with the goal of reducing administrative costs by creating a more efficient management structure. The reorganization primarily entailed cost reductions at our corporate headquarters, where corporate employee headcount was reduced by approximately 50.0%, or 116 employees, through the elimination of redundant positions and the transfer of certain employees to other business areas. As a result, corporate employee-related expenses in 1999 decreased by approximately \$2.0 million from 1998. In 2000, corporate employee payroll decreased by \$1.0 million over 1999. This program of corporate overhead reduction continues in 2001. During 2001, TMM reduced its headcount by 40 employees, appointed a new contractor for outsourcing its systems department, outsourced its insurance department and took other actions which resulted in a reduction in administrative expenses of approximately \$3.3 million, despite the appreciation of the peso relative to the dollar.

### **Investments and Joint Ventures**

We are currently a partner in strategic arrangements with a number of the leading companies in their respective industries, including:

<b><u>Business</u></b>	<b><u>Partner</u></b>
Rail Transport	Kansas City Southern Industries, Inc.
Port and Terminal Operations	Stevedoring Services of America, Inc.
Supply Ships	Seacor Marine Inc.
Trucking Transport Logistics	J.B. Hunt Transport, Inc.
Harbor Towing	Smit International Americas, Inc.
Automotive Logistics	Auto Warehousing Co.; Schnellecke GmbH

General Motors invested \$20.0 million in TMM's subsidiary Multimodal S.A. de C.V. ("Multimodal") (representing a 3.36% stockholding in Multimodal). General Motor's investment as a strategic partner in Multimodal is part of an overall strategy of TMM designed to encourage the participation of strategic investors in TMM's portfolio.

### **Certain Recent Developments**

#### *Consent Solicitation Completed*

In the first quarter of 2001, TMM completed a consent solicitation (the "Consent Solicitation") of the holders of its 9¼% notes due May 15, 2003 (the "2003 Notes") and its 10% senior notes due November 15, 2006 (the "2006 Notes"; and together with the 2003 Notes, the "Notes"), to amend and waive certain covenants and provisions of the indentures governing the Notes, in order to enable TMM to effect the merger. These amendments and waivers became effective January, 2001, upon receipt by TMM of consents of a majority of the holders of each series of Notes.

As consideration for receipt of these consents, TMM (i) increased the interest rate payable to all holders of each series of Notes by 25 basis points, and (ii) paid to consenting holders a cash fee of \$2.50 per \$1,000 principal amount of Notes for which they delivered consents on or before the expiration of the Consent Solicitation. Accordingly, the interest rate on the 2003 Notes and 2006 Notes was increased to 9½% and 10¼%, respectively, with interest accruing at the new rates beginning on November 15, 2000, which was the last interest payment date prior to the Consent Solicitation.

Through the Consent Solicitation, TMM obtained holders consent to amendments and waivers of certain provisions of the indentures to enable TMM to effect the following corporate transactions:

- **Consolidation of Grupo TFM Financial Results.** TMM acquired a majority of the outstanding unrestricted voting shares of Grupo Transportación Ferroviaria Mexicana, S.A. de C.V. ("Grupo TFM") by purchasing

the 0.8% of such shares then held by Grupo TMM. As a result, TMM currently holds 51% of the unrestricted voting shares and 38.5% of the equity of Grupo TFM and, since December 31, 2000, Grupo TFM's financial statements have been consolidated with the financial statements of TMM and its consolidated subsidiaries. TMM believes that its acquisition of the Grupo TFM stock, which permits TMM to include Grupo TFM in its consolidated group, (i) has further streamlined the governance of the companies within TMM's consolidated group and (ii) more accurately reflects Grupo TFM's significance as a business component of TMM and TMM's overall strategic position as the leading provider of rail freight services in Mexico. Notwithstanding the consolidation, the indentures, as amended, require TMM to continue furnishing note holders with financial information that presents the financial condition and results of operations of TMM accounting for Grupo TFM and TFM under the equity method of accounting (the way their results were treated under IAS prior to the consolidation).

- Merger of TMM into Grupo TMM. As part of the Consent Solicitation, the TMM note holders agreed to a one time waiver until December 31, 2001, of part of the covenant governing mergers of TMM, in order to permit the merger.

### Capital Expenditures and Divestitures

The following tables set forth TMM's principal capital expenditures and divestitures during the last three years.

#### **TMM's Principal Capital Expenditures for the Last Three Financial Years and Most Recent Six-Month Period**

(Millions of Dollars)

	Six Months Ended	Year Ended December 31,		
	June 30, 2001	2000	1999	1998
Capital Expenditures				
Acquisition and remodeling of vessels .....	\$ 1.3	\$ 0.1	\$ 9.4	\$ 4.2
Railroad equipment .....	8.9	46.7	42.9	42.8
Equipment for cargo transportation .....	0.0	0.3	0.2	0.2
Other assets .....	13.8	21.8	13.8	33.1
Constructions in progress .....	22.6	12.8	17.0	71.2
Investments in associates .....	--	--	0.5	0.5
Acquisition of shares in subsidiary .....	4.4	20.0	--	0.2
Investment in joint ventures .....	--	4.0	--	0.5
Total.....	\$ 51.0	\$ 105.7	\$ 83.8	\$ 152.7

#### **TMM's Principal Capital Divestitures for the Last Three Financial Years and Most Recent Six-Month Period**

(Millions of Dollars)

	Six Months Ended	Year Ended December 31,		
	June 30, 2001	2000	1999	1998
Capital Divestitures:				
Sale of vessels .....	\$ 7.3	--	\$ 4.5	\$ 29.1
Other assets .....	1.7	\$ 21.3	14.8	7.8
Equipment for cargo transportation.....	0.2	1.8	0.4	--
Railroad equipment.....	0.1	6.7	29.8	12.4
Sale of shares in subsidiary .....	2.4	126.7	27.9	2.5
Total.....	\$ 11.7	\$ 156.7	\$ 77.4	\$ 51.8

## Our Business Operations

### *Specialized Maritime Services*

Our specialized maritime services include: (a) ships that transport vehicles, known as "car carriers"; (b) tankers for the transport of petroleum products; (c) parcel tankers for the transport of liquid chemical cargoes; (d) supply vessels that provide transportation and supply services to the Mexican off-shore oil industry in the Gulf of Mexico; and (e) tugboats that provide towing services for ships at the port of Manzanillo. Because Mexican law provides that cabotage (intra-Mexican movement) must be conducted by ships carrying the Mexican flag, we have competitive advantages in the market segment served by product and offshore supply vessels and tankers.

### Fleet Management

Currently we own and operate a modern, well-maintained fleet comprised of product carriers, parcel tankers and car carrier vessels, as well as a fleet of offshore service supply vessels and tugboats.

We operate a total of 32 vessels, of which 20 are owned tonnage (one car carrier, one product carrier, fourteen supply ships and four tugboats), 3 are chartered units (three parcel tankers) and 9 vessels are under capital lease / bare boat (two product carriers, and seven supply ships).

The table below sets forth information about our fleet of owned, chartered and capital-leased ships as of October 31, 2001, by type size and capacities:

<u>Vessel Type</u>	<u>Number of Vessels</u>	<u>Total Dead Weight Tons (in thousands)</u>	<u>Total Cubic Meter Capacity (in thousands)</u>	<u>Total Car Capacity<sup>(1)</sup> / BHP<sup>(2)</sup></u>
Offshore service vessels .....	21	17.1	*	3,441 BHP <sup>(3)</sup>
Car carriers .....	1	10.6	*	3,500 Cars
Product carriers .....	3	102.0	123.3	*
Parcel tankers .....	3	34.8	39.2	*
Tug boats .....	<u>4</u>	<u>1.7</u>	<u>*</u>	4,060 BHP <sup>(3)</sup>
Total.....	32	204.7	162.5	

(1) Car Carriers

(2) Offshore service vessels and Tug Boats

(3) Average

\* Not applicable.

### Car Carrier

The car carrier business is unique in comparison with most other shipping areas in that, historically, close ties have existed between car manufacturers and car carrier operators. We have provided transportation services to Nissan for more than 18 years and have developed significant relationships with other vehicle manufacturers, such as Volkswagen, General Motors, DaimlerChrysler, Dina, Renault and Peugeot. We presently have two time charter contracts with Nissan Motor Car Carrier, and Hyundai. We will continue to seek to maintain our close relationships with these car manufacturers, as well as to develop new relationships as we increase our logistic agency activities in this segment of our business, relative to level of cargo that we actually transport.

The car carrier division will continue to market services for carrier ocean shipments using either TMM owned equipment or charter ships. During the first half of 2001, we made a decision to limit our focus to the traffic lanes of the Pacific and Caribbean Basin. As a result, we are in the process of selling two vessels that currently time chartered and we currently operate only one vessel in the Caribbean for TMM's commercial operation. Because of the low level of profitability in this segment TMM plans to remain involved in the car carrier industry; however, we no longer intend to own any vessels.

### Clean Petroleum Tankers and Parcel Tankers

We operate directly and through joint ventures a total of seven vessels in the clean petroleum products and parcel tanker markets.

We operate a fleet of three product tankers, one of which is owned and two of which are under time charter contracts, used primarily for the transportation of refined petroleum products.

We presently time charter the three product tankers to PEMEX for periods that originally ranged from five to seven years. The PEMEX time charters that were due to expire between October and November 2001 have been renewed. Although PEMEX has not sought any bids since 1993 for additional long-term contracts for tankers, we believe that PEMEX will in the future, seek bids for additional long-term contracts. We expect that if such bids are sought, we will bid for certain of such long-term contracts.

In the event that our time charter arrangements with PEMEX are terminated or expire, we will be required to seek new time charter arrangements for these vessels. There can be no assurance that time charters will be available for the vessels following termination or expiration or that time charter rates in effect at the time of such termination or expiration will be comparable to those in effect under the existing time charters or in the present market. In the event that time charters are not available on terms acceptable to us, we may employ those tankers in the spot market. Because charter rates in the spot market are subject to greater fluctuation than time charter rates, any failure to maintain existing, or enter into comparable, charter arrangements could adversely affect our operating results.

We operate three parcel tankers, trading between Mexican and American ports in the Gulf of Mexico, and between ports of Canada, mainly in the chemical and vegetable oil trades.

### Offshore Division

We participate in the off-shore services sector through a joint venture with Seacor Smit, Inc., ("Seacor") called Marítima Mexicana, S.A. ("Marmex"). Seacor is one of the largest U.S. companies engaged in operating supply ships and supplying support services to the off-shore drilling platforms in the Gulf of Mexico. We hold a 60% ownership interest in Marmex. The offshore division operates 21 vessels, which are operated by Marmex and are used to service medium and long term contracts, 12 of which are hired by PEMEX and seven of which are hired by private operators engaged in the construction and maintenance sectors for PEMEX. We are currently in the process of adding four additional supply ships to be chartered under PEMEX contracts.

### Harbor Towing

We have a 60% equity participation in a joint venture with Smit International Americas Inc., which, beginning in January 1997, has provided tugboat services in the Pacific port of Manzanillo under a 10-year concession.

### *Logistics Operations*

Our logistics operations encompass: (a) an array of logistics and related consulting and analytical activities conducted from strategically located facilities throughout Mexico; (b) trucking transport, including cross-border trips into and out of Mexico as well as the trucking or "drayage" of rail cargo; (c) value-added complementary services including container logistics and shipping agencies at major Mexican seaports; (d) maintenance and repair of containers and reefer containers in main Mexican ports and cities, and (e) intermodal terminal operations at main cities along side the TFM network. Due to the scope of our operations, together with the extent of our experience and resources, we believe that we are uniquely positioned to coordinate "door-to-door" transportation logistics services for our customers.

### Logistics Activities

We believe we have competitive advantages as a third-party logistics provider serving Mexican and international customers in Mexico primarily as a result of our logistics facilities, which are strategically located in major industrial cities and at seaports and railroad hubs throughout Mexico, combined with our integrated nationwide network of truck and rail transport.

Our logistics facilities in Aguascalientes, Querétaro, Hermosillo, Toluca, Ramos Arizpe, Puebla, Veracruz, Nuevo Laredo, San Luis Potosí, Cuernavaca, Mexico City and Monterrey offer full-service logistics packages. These facilities provide consulting, analytical and logistics outsourcing services including: management of inbound movement of parts to manufacturing plants consistent with just-in-time inventory planning practices; logistics network (order-cycle) analysis; logistics information process design; warehouse/facility management; supply chain/logistics management; product manipulation/repackaging; local pre-assembly; and inbound and outbound distribution using multiple transportation modes including rail and truck transport.

We provide specialized logistics support for the automotive industry. Services include the arrangement and coordination of the movement of motor vehicle parts or sub-assemblies from supplier facilities to assembly plants, and the inspection, yard management, and movement of finished vehicles from assembly plants to regional distribution centers.

Our logistics services can be provided as end-to-end integrated logistics programs (bundled) or discrete services (unbundled) depending on customer needs.

In conjunction with our logistics facilities, we offer trucking transport as a value-added service component to streamline the movement of products to and from major Mexican cities, seaports and rail hubs. In a strategic alliance with a leading U.S. commercial road freight transportation company, we provide dedicated logistics trucking services to major manufacturers and retailers with facilities and operations throughout Mexico. In addition, we provide shipping agency services at various Mexican seaports.

#### Double Stack Train Services

Through a commercial agreement with APL Domestic Services, we provide 'double-stack' services with trains in Manzanillo, Mexico and the Mexico City corridor.

#### Roadrailer Services

In June 2000, we introduced "Roadrailer" technology to Mexico. Roadrailers, which are operated by Triple Crown in the United States, are semi-trailers equipped with both tires for highway use and bogies with rail wheels for running directly on the railroad. We believe the introduction of this equipment will enhance our existing land and rail transport operations primarily by facilitating interchanges with U.S. railways. This new service is designed to complement our trucking and rail transport operations to further streamline the movement of products to and from Mexico particularly along the NAFTA corridor.

#### Trucking Services

Historically, we have viewed trucking as an important complement to our core businesses. In mid-1992, in furtherance of our strategy of expansion into complementary businesses and in order to participate more significantly in NAFTA transportation trade, we formed a joint venture, TMM Hunt de México ("TMM-Hunt") with J.B. Hunt Transport, Inc. ("J.B. Hunt"), a leading provider of commercial road freight transportation services throughout the United States. TMM-Hunt, in which we have a 51% ownership interest, provides leasing, commercial and logistics services for road freight transportation, including dedicated port transportation and international trucking between Mexico and the United States. Actual transport in Mexico is conducted 100% by TMM because by law such services can only be performed by Mexican carriers. TMM operates 452 trucks.

In 2000, approximately 70% of our revenues derived from trucking services were attributable to dedicated trucking operations provided to several customers, including Carrefour, Ford, Jumex, a leading Mexican beverage company, Decoplast, an auto parts manufacturer, and Allied Domecq, the largest liquor and wine producer in Mexico. We also provide 30 trucks to Jumex and outsources some of Jumex's owned vehicles, which distribute Jumex products throughout northern Mexico. We provide 22 trucks to Decoplast and 60 to Allied Domecq for the shipment of wines, liquors and other products. In 2000, we entered into long-term contracts with Carrefour to deliver consumer goods in Mexico from warehouses to Carrefour's retail outlets, and with Ford to deliver spare parts from distribution centers to Ford dealerships throughout Mexico. During the second quarter of 2001, dedicated parts distribution contracts have been entered into with two large automobile manufacturers, namely, Nissan and Renault.

TMM-Hunt's international service accounts for approximately 20% of our trucking revenues. Through our international service, TMM-Hunt operates approximately 900 long-haul trips monthly into and out of Mexico through the Laredo, Texas gateway at the U.S. border.

Our domestic service provides trucking services on a spot market basis to various customers. Additionally, we also provide port services to complement our freight-forwarding services in the inland haulage of containerized cargoes. The domestic and port services operate approximately 70 trucks. We are shifting more international service vehicles to inland haulage of intra-Mexican movements as margins continue to improve in these segments.

Although our trucking services represent less than 1% of the Mexican market share, we continue to view trucking as an important business and are exploring other opportunities in this area which may complement our railroad business.

#### Container Repair and Maintenance

Through our wholly-owned subsidiary, Servicios y Mantenimiento de Contenedores, we offer maintenance and repair services for dry and reefer containers in Manzanillo, Veracruz, Altamira, Monterrey, Guadalajara, Mexico City and Cuernavaca.

#### Shipping Agencies

In 1999, we provided shipping agency services to more than 1,980 commercial vessels and cruise ships at Mexico's 11 main ports. As part of the sale of our interest in Americana Ships in 2000, we sold six of our 11 port offices to CP Ships. Our existing agencies provide marketing and scheduling assistance for the maritime and overland sectors of the transportation industry and vessel port services (including vessel documentation, inspection, maintenance and refueling). While these agencies provide services primarily to TMM, approximately 25% of their services are provided to third parties. We anticipate that with the elimination of the services sold to CP ships there will be a reduction of approximately \$12 million in 2001 in the revenues of our logistics division.

#### *Rail Transportation*

##### TFM Railroad

Through Grupo TFM, we hold a controlling stake in TFM, the company which manages the concession to operate the most strategically important of three regional trunk line railroads in Mexico. Grupo TFM is a joint venture company owned by TMM (38.5%, which constitutes a majority of the voting stock), KCSI (36.93% of which is equal to a 49% stake in Grupo TFM's voting stock), and FNM and Nacional Financiera, S.N.C. ("Nafin"), as trustee for the former railroad employees called Ferronalesjub (24.63%, all of which shares are limited voting stock), the agency of the Mexican government which controlled and operated TFM's rail lines until their privatization.

KCSI, our joint venture partner, owns KCSR, a U.S. Class I railroad. KCSR and its affiliated railroads (excluding the Tex-Mex Railway) operate a rail network of approximately 3,250 route miles running through 12 states in the United States.

TFM operates the primary corridor of the Mexican railroad system which allows TMM to participate in the growing freight traffic moving between Mexico, the United States and Canada. TFM, together with the Tex-Mex Railway, seeks to establish its railroad operation as the primary inland freight transportation line linking Mexico with the U.S. and Canadian markets. TFM's rail lines connect the most populated and industrialized regions of Mexico with the principal border gateway between the United States and Mexico at Laredo–Nuevo Laredo. TFM is the only Mexican railroad that serves the main U.S.–Mexico border crossing at Laredo–Nuevo Laredo, which is the largest freight exchange point between the United States and Mexico. In addition, TFM's rail system serves three of Mexico's four primary seaports at Veracruz and Tampico on the Gulf of Mexico and Lázaro Cárdenas on the Pacific Ocean. TFM serves 15 Mexican states and the cities of Monterrey and Mexico City, which together represented approximately 68.5% of the country's population in 2000 and accounted for over 73.1% of its estimated GDP in 1999. TFM also expects to serve Guadalajara, Mexico's third largest city, through trackage rights. TFM's primary border gateway is at Laredo, Texas where it provides exclusive access from Mexico, and access from the United States through connections with the Tex-Mex Railway and UP. The Laredo gateway is the most important interchange point for freight between the United States and Mexico. Approximately 82.1% of TFM's total revenues in 2000 was attributable to international freight. The majority of this international freight was bound to or from the United States and Canada, crossing the U.S.–Mexico border at Nuevo Laredo, and most of the remainder came from overseas, principally through Mexico's seaports.

TFM's route structure enables it to benefit from the growing trade resulting from the increasing integration of the North American economy through NAFTA. Mexican foreign trade increased at an average annual rate of 18.8% from 1992 to 2000, increasing by 15.1% in 1999 from 1998 and by 22.5% in 2000 from 1999. The Mexican government estimates that foreign trade will continue to grow in 2001, although at a slower rate mainly due to a decrease in exports to the United States as a result of the downturn in the U.S. economy.

TFM has significantly improved the operations of its rail lines by focusing on providing reliable and comprehensive customer service, implementing U.S. and Canadian railroad operating practices and making capital improvements to its track, systems and equipment designed to reduce costs and increase operating efficiencies. In 2000, TFM's operating ratio was 73.8%, compared with an operating ratio of 93.6% for the first six months following commencement of its operations. TFM's operating ratio was 76.9% for the first six months of 2001. TFM's operating ratio is better than the average operating ratio for the eight Class I railroads in the United States. Operating ratio is an industry efficiency measure which represents a railroad's operating expenses as a percentage of its transportation revenues.

TFM's strategic route structure, together with its carload and intermodal capabilities, provides customers with access to an extensive network through which they may distribute their products throughout North America and overseas. In 2000, of TFM's total revenues of \$640.6 million, approximately \$525.9 million was attributable to international freight, representing approximately 82.1% of total revenues generated. Of TFM's total revenues of \$327.9 million for the six months through June 30, 2001, approximately \$275.9 million was attributable to international freight, representing approximately 84.1% of total revenues generated. The principal commodities hauled over TFM's rail lines by revenues are: industrial products; metals and minerals; agro-industrial products; automotive products; chemical and petrochemical products; and intermodal freight. TFM currently has intermodal terminals located in Monterrey, Toluca and San Luís Potosí and also access intermodal terminals at Querétaro, Guadalajara, Ramos Arizpe and Encantada. In addition, TFM has direct access to our intermodal facilities at the ports of Tampico, Veracruz and Lázaro Cárdenas and to intermodal terminals at Altamira and Manzanillo through interline service with Ferromex and in Mexico City through the Mexico City Railroad Terminal. TFM also have access to intermodal terminals at Laredo operated by the Texas Mexican Railway Company and the Union Pacific Railroad, which it is using to develop international intermodal business.

TFM's rail lines serve major automobile and other manufacturing facilities at the intermodal terminals of Monterrey and Ramos Arizpe, important industrial and commercial districts, as well as at the facilities of many major customers.

TFM holds a 50-year concession, renewable under certain conditions for an additional 50 years, to provide freight transportation services over its rail lines. This right is exclusive for the first 30 years of TFM's operations, subject to certain trackage rights. The network of TFM's rail lines consists of 4,251 kilometers (2,641 miles) of main track and is the primary corridor of the Mexican railroad system.

#### Equity Interest of the Government in Grupo TFM and TFM

The Mexican government's equity interest in Grupo TFM consists of 2,478,470 Series L-1 Shares of Grupo TFM which have restricted voting rights and represent 24.6% of Grupo TFM's total equity. The Mexican government paid a total purchase price of \$198.8 million for its interest in Grupo TFM. Under the call option, each original shareholder has an option to acquire a pro rata portion of the government's interest, based on that shareholder's original equity ownership of Grupo TFM, at a purchase price per share equal to the per share price initially paid by the Mexican government, plus interest at the rate payable on one-year U.S. Treasury Bills which interest is capitalized annually. The call option can be exercised at any time on or before July 31, 2002. If the call option (or any portion thereof) has not been exercised by that date, it will automatically expire, although any unexercised portion of the call option with respect to any of the original shareholders may be exercised pro rata by the other original shareholders within a period of 15 days following the call option expiration date. In addition, at any time prior to July 31, 2002, the call option will terminate if not exercised within 30 days after receipt by the original shareholders of notice from the government in the event that Grupo TFM (1) has achieved the earnings projections included in the offering memorandum relating to the existing notes during two consecutive six-month periods or (2) there has been a public offering of Grupo TFM shares and, for a consecutive 10-day period, such shares have traded at a price exceeding by 20.0% the per share purchase price paid by the government. Following this 30-day period, any unexercised portion of the call option with respect to any original shareholder may be

exercised by the other original shareholders within a period of 15 days. Neither of the foregoing events have occurred, nor does TFM anticipate their occurrence any time in the future.

In addition to the equity interest in Grupo TFM held by the Mexican government indirectly through FNM and Nafin, the Mexican government directly holds a 20.0% interest in TFM. The government's interest in TFM consists of 276,797,501 Class III Series A and Series B Shares with restricted voting rights which represent 20.0% of TFM's total equity. The Mexican government reserved the right to sell its equity interest in TFM by October 31, 2003 in a public offering. If a public offering of TFM shares does not occur by that date, Grupo TFM will have the obligation to purchase the Mexican government's interest in TFM at the original peso purchase price per share paid by Grupo TFM for its TFM shares, indexed to Mexican inflation. If Grupo TFM does not purchase the Mexican government's TFM shares, the Mexican government may require us and KCSI, or either us or KCSI alone, to purchase the TFM shares at such price and release Grupo TFM from its obligation.

#### Negotiation of Certain Matters Relating to the Acquisition of and the Government's interest in TFM

Following its privatization in 1997, TFM and its shareholders have negotiated with the Mexican government the resolution of certain matters related to the granting of the concession and its acquisition of related railroad assets.

In connection with these negotiations, on February 9, 2001, the Mexican government, through the Ministry of Transportation, issued an official statement pursuant to which TFM and the Mexican government agreed that TFM would transfer the redundant *La Griega-Mariscala* track back to the Mexican government for approximately Ps. 751.6 million (including value added tax), or approximately \$82.8 million. The Mexican government agreed to pay the consideration for the *La Griega-Mariscala* line to TFM upon (1) the acquisition of the Mexican government's 20.0% interest in TFM or its 24.6% interest in Grupo TFM by TFM, Grupo TFM or its shareholders or affiliates, or (2) October 31, 2003, whichever occurs earlier. The *La Griega-Mariscala* track is a redundant 32-kilometer stretch of track which is part of TFM's dual track running between Mexico City and the city of Querétaro. The Mexican government subsequently granted the *La Griega-Mariscala* track to Ferromex to fulfill its obligation to provide Ferromex with a track along this route to facilitate transport by Ferromex through Querétaro.

On February 12, 2001, the Mexican government amended TFM's concession title to reflect the reversion of the *La Griega-Mariscala* line to the Mexican government. At the same time, the concession was also amended to relieve TFM from responsibility for the maintenance of the electrified catenary over the portion of its dual line between Huehuetoca and Querétaro and to authorize TFM's dismantling of the catenary over that portion of the line, which TFM completed in 1999. In addition, the amendment requires TFM to complete certain railway improvements which TFM believes will not involve material expenditures.

The stock purchase agreement pursuant to which Grupo TFM acquired its TFM shares from the Mexican government provided for a purchase price adjustment in the event that Grupo TFM were to suffer any loss greater than Ps.30.0 million (approximately \$3.8 million at the then prevailing exchange rate) as a result of any undisclosed liability, or from the non-delivery of railroad assets purchased by TFM from the Mexican government, provided that any claim for an adjustment must be made within 180 days after commencement of TFM's operations. After conducting a purchase audit of the rolling stock that it received, TFM submitted to the Mexican government a claim for reimbursement in respect of undelivered rail cars and other equipment. This claim was resolved in TFM's favor, and TFM received from the Mexican government approximately \$9.0 million (including \$2.0 million of interest) in 1998 and an additional amount of approximately \$6.0 million (including \$2.2 million of interest) in October 1999, amounting to an aggregate settlement payment of \$15.0 million. For accounting purposes, the adjustments resulting from the non-delivery of assets reduced the recorded value of the fixed assets acquired in connection with Grupo TFM's acquisition of TFM, and the interest portion was credited to income.

Also in connection with the acquisition of TFM and the railroad assets, TFM filed a claim for the refund of the equivalent of approximately \$262.0 million of value-added tax paid in connection with the acquisition. This claim is currently pending.

In addition to the foregoing, TFM has been negotiating with Ferromex and the Mexican government the terms relating to the trackage rights required to be granted by TFM to Ferromex and by Ferromex to TFM under their respective concessions, but the parties have been unable to reach an agreement with respect to the fees to be paid by TFM and Ferromex for usage of the other party's track. Therefore, in accordance with its rights under the Mexican railroad services law, TFM asked the Ministry of Transportation to conduct an administrative proceeding

in order to set trackage rights rates using the applicable criteria under the railroad services law. TFM does not believe that the rates established in the Ministry of Transportation's ruling will have a material adverse effect on its financial position or results of operations. See "Legal Proceedings" for more information.

#### Tex-Mex Railway

We have held an ownership interest in the Tex-Mex Railway since 1982. We currently hold a 51% interest in the Tex-Mex Railway, having sold 49% of the railroad to KCSI in October 1995. The Tex-Mex Railway operates a 521-mile rail system extending from the port city of Corpus Christi to Laredo, Texas and includes trackage rights over the UP granted by the Surface Transportation Board of the United States (the "STB") in connection with the merger of the UP and Southern Pacific Railroad, between Corpus Christi, Houston and Beaumont, Texas, where it interchanges with KCSR's system. The Tex-Mex Railway also interchanges with TFM at Laredo, Texas and with the UP and the BNSF Railway at Corpus Christi. The Tex-Mex Railway has operated for more than 125 years and has become a vital link between the United States and Mexico at Laredo, Texas, where over 60% of all rail traffic between the United States and Mexico crosses the border.

Mexrail, Inc. ("Mex-Rail"), the parent of the Tex-Mex Railway and the company through which we hold our interest in the Tex-Mex Railway, owns the northern half of the rail bridge in Laredo, Texas that spans the border. The southern half of the bridge is part of the concession held by TFM.

The Tex-Mex Railway recently implemented a significant improvement program to enable it to handle the expected increase in cross border trade from NAFTA and its affiliations with KCSR and TFM. Through most of 2000, the Tex-Mex Railway mainline was operated at speeds of 30 mph or greater and its right-of-way has been cleared for 21-foot doublestack containers. Because of the growth of the line, substantial rebuilding of the track is occurring in 2001. The Tex Mex Railway has also acquired the Rosenberg-Victoria line and right of way from UP. This acquisition, over time, is expected to reduce 70 operating miles between Laredo and Houston, and Beaumont, Texas. In addition, we are currently expanding and improving our Serrano rail yard in Laredo, Texas which will serve as a customs exchange and clearinghouse for inbound rail traffic from the United States, thereby improving the efficiency of the movement of freight across the border by relieving current congestion and delays associated with customs activities conducted on the crossing bridge. The Serrano rail yard, which encompasses approximately 250 acres and over 8.5 miles of trackage, is the principal railcar and intermodal facility for the Tex-Mex Railway.

An agreement was reached between the Tex-Mex Railway and the UP to collect a toll on loaded cars crossing in either direction over the Laredo bridge connecting Mexico and the United States, effective March 1998.

We believe that the Tex-Mex Railway, together with TFM's and KCSR's extensive rail networks connecting with all U.S. Class I rail carriers, strategically positions us to capitalize on the economic integration of the North American marketplace. By directly linking KCSR and TFM, the Tex-Mex Railway positions us to provide customers on both sides of the U.S.-Mexico border with seamless freight services at "through" rates to and from Mexican markets.

#### *Port and Terminal Operations*

We presently operate six Mexican port facilities, including three cargo and three major tourist ports, under long-term concessions granted by the Mexican government, and provide stevedoring services at a seventh port operation. TMM plans to continue to seek concessions to operate additional ports as the government continues its privatization program.

Through our joint venture with SSA, we bid for the concessions to operate and manage the container terminal in the port of Manzanillo. In July 1995, the Mexican government awarded our joint venture a concession to manage and operate the specialized container terminal in Manzanillo for 20 years. Although the joint venture was not awarded the concession to manage the Veracruz container terminal, we continue to provide stevedoring services at the multipurpose public terminal and car terminal in Veracruz, as we have done since 1991.

As part of our port and terminal operations in Manzanillo, we are responsible for loading, discharging and handling cargo at the container terminal and we also operate as a stevedoring service in all the public areas. Under the joint venture's management, ship turn time in Manzanillo has been reduced, enabling ship owners and operators to make more efficient use of their ships. In addition, in the second quarter of 2000, in its effort to further improve port and terminal service, the venture expanded its facility with a second berth position, which doubled container yard capacity. A third berth position is anticipated in 2002. In order to facilitate the expansion, we acquired a

mobile crane, two portainer cranes and four port transtainers, one top lifter and additional minor equipment to support operations. These improvements required expenditures by the venture of approximately \$40 million. We expect that new equipment in Manzanillo will improve the productivity of our loading and distribution of double stack services at the port which has had a positive impact on performance throughout the first three quarters of 2001.

In February 1996, we obtained a 20-year concession to operate the international cruise ship terminal on the island of Cozumel and commenced operations in May 1996 through our subsidiary, Terminal Marítima del Sureste ("TMS"). This port, situated in the Mexican Caribbean, is one of the most frequented by cruise ships that visit the area. We estimate that cruise ships make more than 900 calls per year on Cozumel, carrying more than one million passengers of which TMM expects to handle approximately 40%. We paid \$7.1 million for this concession. We have expanded the berth in Cozumel by 85 meters and the infrastructure ashore at an estimated aggregate expenditure of \$6.5 million. In June of this year we constructed a dolphin pier to accommodate larger ships, which should accelerate growth of the facilities.

In June 1996, we received a 25-year concession to operate the tourist port of Acapulco and commenced operations in July 1996. We paid \$7.9 million for this concession. We invested an aggregate of \$18 million in Acapulco to construct phase one of the Cruise Passenger Terminal. The first phase Car Carrier Terminal in Acapulco was completed in August 1997. The second phase of the Passenger Terminal was completed during the fourth quarter of 2000. We invested approximately \$2.5 million for the second phase of construction.

In October of 2000, we were awarded the right to operate the tourist port of Progreso and immediately commenced operations. We invested \$4.3 million for the 20 year concession at Progreso. Progreso is the closest port to Merida, located on the Yucatan peninsula, a growing tourist destination. All of our concessions grant us a right of first refusal to continue operation for a second term once the term of the original concession has ended.

After its restructuring, all ports and terminals of TMM, with the exception of the port of Tuxpan, are now operated through TMM Puertos y Terminales, S.A. de C.V. ("TMMPYT") and API Acapulco. TMM owns 51% of the respective capital stock of each company.

## Competition

We believe that no other company currently operating in Mexico provides the combination of transportation and logistics services offered by TMM. However, we face competition in particular business segments which could have an adverse effect on our results of operations.

Our parcel tanker and supply ship services operating in the Gulf of Mexico have faced significant competition, mainly from U.S. shipping companies. However, we expect a recently enacted Mexican law restricting cabotage (intra-Mexican movement) to Mexican-owned vessels carrying the Mexican flag to reduce competition from non-Mexican companies in this sector.

In our logistics operations division, our trucking transport and automotive logistics services face intense competition, including price competition, from a large number of Mexican, U.S. and international trucking lines. For example, we recently lost to a lower bidder our long-term contract with Wal-Mart under which we devoted 120 trucks to deliver consumer goods from Wal-Mart warehouses to retail outlets throughout Mexico. However, we recently won long-term contracts to transport consumer products for Carrefour and spare parts for Ford and other automobile manufacturers. Nonetheless, there can be no assurance that we will not lose business in the future due to our inability to respond to competitive pressures by decreasing our prices without adversely affecting our gross margins and operating results.

We operate our port and terminal facilities, as well as our tugboat services, under long-term concessions granted by the Mexican government. Under certain circumstances these concessions could be revoked or terminated. We have concessions to operate cargo terminals at the ports of Manzanillo and Acapulco on the Pacific Coast, as well as a cruise ship terminal on the Caribbean island of Cozumel and the passenger terminal at Acapulco. Our cargo terminals do not face significant competition. However, we anticipate that over the next several years the government will grant a series of concessions to private entities to operate facilities at ports on the Pacific and Gulf of Mexico coasts. In Cozumel there are three other terminals which compete against our terminal, in Veracruz there are two other stevedores that compete with TMMPYT. There is no competition in Veracruz for car handling. In Manzanillo, the competition in container handling is stevedores which operate in the public berths of the ports and the port at Lázaro Cardenas is also a potential competitor.

The trucking industry is TFM's primary competition. In the past, the trucking industry has significantly eroded the railroad's market share of Mexico's total overland freight transportation. TFM also faces competition in some industry segments from the other railroads privatized by the government, including: Ferromex, whose rail lines run between Mexico City and four U.S. border crossings and provide a potential alternate source and route for the transport of freight, and Ferrosur, which operates the Southeast Rail Lines. Ferrosur, like TFM, serves Mexico City, Puebla and Veracruz. In particular, TFM has faced competition from Ferromex with respect to the transport of grain, minerals, and steel products. In the United States, the Tex-Mex Railway faces competition from major U.S. railroads, including the UP and can be impacted by the routing decisions of BNSF.

## **Regulatory Framework**

Certain countries have laws which restrict the carriage of cargoes depending upon the nationality of a vessel or its crew or the origin or destination of the vessel, as well as other considerations relating to particular national interests. According to Mexican law, cabotage (intra-Mexican movement) must be conducted by ships carrying the Mexican flag. We are currently in compliance with all such restrictions imposed by the jurisdictions in which we operate. However, we cannot predict the cost of compliance if our business is expanded into other jurisdictions which have enacted similar regulations.

We are also subject to the laws of various jurisdictions and international conferences with respect to the discharge of materials into the environment. See "-- Environmental Regulation" and "-- Insurance."

Truck transportation within Mexico is reserved for Mexican nationals or entities that include in their constituent documents or By-laws the "foreigners exclusion clause" (*cláusula de exclusión de extranjeros*), or a clause allowing other foreign investment through "neutral investment vehicles or securities." Truck transportation is regulated by the *Ley de Caminos, Puentes y Autotransporte Federal*, and the *Ley de Vías Generales de Comunicación*.

The port division of the Company is subject to the *Ley de Puertos*. Port operations require a concession title granted by the Federal Government of Mexico to special companies incorporated under the *Ley de Puertos*, which companies may partially assign their concession title to third parties for the use and exploitation of assets owned by the Federal Government in the different port facilities. Various port services require a special permit granted by the Ministry of Communications and Transportation of Mexico. Concession titles may be revoked under certain circumstances set forth by applicable law. Partial assignments of concession titles may be rescinded under certain circumstances established in the corresponding assignment agreements. Foreign investment in special companies incorporated under the *Ley de Puertos* may not exceed 49%, except through vehicles or securities deemed by applicable Mexican law as "neutral investment."

The exploitation of the railroad public service in Mexico is subject to a concession title granted by the Federal Government to Mexican entities under the provisions of the *Ley Reglamentaria del Servicio Ferroviario*. Such concession titles may be revoked under certain circumstances established under the applicable law. Foreign investment in Mexican entities involved in the exploitation of the railroad public service is limited to 49%, which equity percentage may be exceeded with the prior authorization of the Foreign Investment Commission of Mexico.

## **Sales and Marketing**

The success of our business depends on our marketing network. Our marketing network consists of affiliated offices, agencies at Mexican ports and a sales force based throughout Mexico and the United States to sell our logistics, port, specialized maritime and rail business services.

## **Systems and Technology**

In 2001, we implemented a new accounting system, CIMA, which is based on the SAP accounting system. We indemnified CIMA in order to optimize the administrative process by enhancing our ability to better report consolidated financial results and providing our management with more comprehensive reports. Additionally, our Internet technology allows interaction with our customer's extra-nets.

Our communications network utilizes state-of-the-art technology, using frame relay with high levels of performance and security. We have an agreement with Electronic Data Services ("EDS") under which EDS provides operational support for our computer and telecommunications systems to ensure that the systems of all our business units comply with international industry standards. Our communications systems permit our customers to

access information regarding the location and status of their cargo via touch-tone telephone, personal computer or computer-facsimile link.

We continue to enhance the technology and information systems supporting our operations. These systems regularly undergo updating to increase operating efficiencies, improve customer satisfaction and achieve regulatory compliance. In 1999, we implemented a system to automate control of incoming and outgoing shipments at the container terminal in Manzanillo.

### **Environmental Regulation**

Our operations are subject to Mexican federal and state laws and regulations relating to the protection of the environment, as well as technical environmental requirements issued by Semarnap. Semarnap and other authorized ministries have promulgated standards, for among other things, water discharge, water supply, emissions, noise pollution, hazardous substances, transportation and solid waste generation. The terms of the railroad and port concessions also impose on us certain environmental law compliance obligations. See "-- Insurance."

Noncompliance with applicable legal provisions may result in the imposition of considerable fines, temporary or permanent shutdown of operations or other injunctive relief, or criminal prosecution. We believe that all of our facilities and operations are in substantial compliance with applicable environmental regulations. There are currently no material legal or administrative proceedings pending against us with respect to any environmental matters, and management does not believe that continued compliance with environmental laws will have a material adverse effect on our financial condition or results of operations. However, we cannot predict the effect, if any, that the adoption of additional or more stringent environmental laws and regulations would have on the operations of companies that are engaged in the type of business in which the company is engaged, or specifically, on our results of operations, cash flows or financial condition.

In addition, our seagoing transport of petroleum and petroleum products subjects us to additional regulations and exposes us to liability specific to this activity. Laws and international covenants adopted by several countries in the wake of the "Exxon Valdez" accident, most notably the United States' OPA 90, could result in substantial or even unlimited liability for us in the event of a spill. Moreover, these laws subject tanker owners to additional regulatory and insurance requirements. We believe that we are in compliance with all material requirements of these regulations.

### **Insurance**

Our business is affected by a number of risks, including mechanical failure of vessels and other assets, collisions, property loss, cargo or freight loss, as well as business interruption due to weather, political circumstances, hostilities and labor strikes. In addition, the operation of any ocean-going vessel is subject to the inherent possibility of catastrophic marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA 90, by imposing potentially unlimited liability upon owners, operators and bareboat charters for certain oil pollution accidents in the United States, made liability insurance more expensive for ship owners and operators.

We maintain marine hull and machinery and war risk insurance, which includes the risk of actual or constructive total loss. Additionally, we have protection and indemnity insurance. We do not carry insurance covering the loss of revenue resulting from vessel off-hire time on certain vessels. We believe that our current insurance coverage is adequate to protect against the accident-related risks involved in the conduct of our business and that we maintain a level of coverage that is consistent with industry practice. There can be no assurance, however, that all risks are adequately insured against, that any particular claims will be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

We obtain our insurance coverage principally from Seguros Comercial America and Grupo Zurich in Mexico, the French, Norwegian and the Lloyds and London markets and certain Protection and Indemnity Clubs which are based or managed in the United Kingdom and that are members of the International Group of P&I Clubs.

In recent years, we have experienced significant cost savings due to a sharp decline in liability insurance premiums resulting from heightened competition in the insurance industry and improved safety conditions in the shipping industry; nevertheless the International Marine Market has started to strengthen and although we have not yet suffered sharp increases in premiums, their downward trend has ended.

## Organizational Structure

Grupo TMM holds a controlling interest in TMM through its ownership of 51.2% of the Series A Shares of TMM. Grupo TMM also owns approximately .004% of the Series L Shares of TMM. TMM holds a majority of the voting stock in each of its subsidiaries, including Grupo TFM. TMM's most significant subsidiaries include:

<u>Name</u>	<u>Country of Incorporation</u>	<u>First Year of Operation</u>	<u>% Ownership</u>	<u>% Voting Power</u>
Grupo Transportación Ferroviaria Mexicana, S.A. de C.V.	Mexico	1997	38.5	51
TMM Multimodal S.A. de C.V.	Mexico	1986	96.6	100
TFM, S.A. de C.V.	Mexico	1997	30.8	51
Mexrail, Inc.	U.S.A	1982	51.0	51
Texas Mexican Railway, Co.	U.S.A	1875	51.0	51
TMM Puertos y Terminales, S.A. de C.V. (Ports)	Mexico	1996	51.0	51
Administración Portuaria Integral de Acapulco S.A. de C.V.	Mexico	1994	51.0	51
Marítima Mexicana, S.A. de C.V.	Mexico	1961	60.0	60
Servicios Mexicanos en Remolcadores, S.A. de C.V. (Tugboats)	Mexico	1996	60.0	60
Autotransportación y Distribución Logística, S.A. de C.V. (Trucking)	Mexico	1998	51.0	51

## Property, Plants and Equipment

The Company's principal executive offices, which were owned by the Company in 1999, and are currently leased, are located at Avenida de la Cúspide, No. 4755, Colonia Parques del Pedregal, 14010 México City, D.F., México. The Company manages logistics and transportation operations that are either concessions, rented, leased, or owned in order to conduct its business activities and the activities of its subsidiaries. Some facilities were granted as part of franchises previously awarded as a result of the Mexican government's privatization activity. Various leased or owned facilities are located in Acapulco, Aguascalientes, Altamir, Campeche, Coatzacoalcos, Cozumel Cuernavaca, Guadalajara, Hermosillo, Manzanillo, Mexico City, Monterrey, Nuevo Laredo, Progreso, Puebla, Querétaro, Ramos Arizpe, San Luis Potosí, Silao, Toluca, Tuxpan, and Veracruz. See "-- Our Business Operations".

## Legal Proceedings

In September 1998, the European Commission imposed administrative fines on TMM and other oceanliner companies as a result of the Commission's ruling that the companies had failed to comply with provisions of the Transatlantic Conference Accord Procedures pertaining to competition. The fine imposed on TMM totaled approximately \$6.9 million. We have asked the commission to reverse its ruling or reduce the fine, and we anticipate that the fine could be significantly reduced, but we cannot assure you that the Commission will change its original ruling. We do not believe that the outcome of this ruling will have an adverse effect on the Company.

We are a party to various other legal proceedings and administrative actions, all of which are of an ordinary or routine nature, incidental to our operations. Although it is impossible to predict the outcome of any legal proceeding, in the opinion of our management, such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations or liquidity. For information regarding our pending tax assessment, see note 27 to our Financial Statements.

Financial Structures Limited ("FSL") filed a claim against the Company in 2000 alleging that the Company had agreed to enter into a sale leaseback transaction of our headquarters with FSL and other entities and demanding performance by the Company of such transaction. Although the Company believes that the claim has no merit, there can be no assurance that the court will find in the Company's favor. The Company has not provided for this contingency in its financial statements.

On September 14, 2001, the Ministry of Finance and Public Credit (the "SHCP") notified us of a tax assessment in the amount of Ps.326.0 million (equivalent to approximately \$34.0 million dollars), for certain alleged irregularities detected in a tax audit involving the fiscal years 1995 and 1996. The management of TMM believes and has been advised by its Mexican tax counsel, that such assessment has no merit and has prepared its legal defense accordingly. TMM has not provided for this contingency in its financial statements.

In September 2001, Ferromex filed a legal claim against TFM relating to payments that TFM and Ferromex are required to make to each other for interline services and trackage and haulage rights pursuant to each of the respective concession titles. The management of TFM believes that this legal claim is without merit.

To date, TFM and Ferromex have not been able to agree upon the rates that each of them are required to pay the other for such interline services and trackage and haulage rights. Accordingly, in February 2001 TFM initiated an administrative proceeding pursuant to the Mexican railroad services law and regulations requesting a determination of such rates by the Ministry of Transportation to determine the conditions and rates under which such services and rights are to be rendered.

The management of TFM believes that the payments for interline services and trackage and haulage rights owed by Ferromex to TFM exceed the amount of payments that Ferromex claims TFM owes to Ferromex for such services and rights. Accordingly, the management of TFM believes that the outcome of this legal claim will not have a material adverse effect on the financial condition of TFM.

## **MATERIAL CONTRACTS BETWEEN TMM AND GRUPO TMM**

In August 1996, TMM renewed its professional services agreement with Grupo TMM (the "Management Agreement"), pursuant to which Grupo TMM provides TMM with administrative, financial, corporate and operational services. The agreement is for a renewable 10-year term, beginning January 1, 1996. As consideration for Grupo TMM's services, the Company is obligated to pay Grupo TMM, on a monthly basis, 1% of the Company's monthly net consolidated revenues to reimburse it for its reasonable expenses. In connection with the consent solicitation of the holders of TMM's 9¼% Notes due 2003 and 10% Senior Notes due 2006 (together, the "Notes") which was completed in January, 2001, TMM and Grupo TMM confirmed their mutual interpretation that the above-mentioned fee, following the consolidation of Grupo TFM with TMM, would be calculated without including Grupo TFM, and would not increase or be affected as a result of the consolidation. TMM and Grupo TMM entered into an agreement to that effect on December 21, 2000 (the "Supplemental Understanding"). The indentures governing the Notes were amended to incorporate the Supplemental Understanding and provide that any future modifications or extensions of the Management Agreement will provide that the fees paid to Grupo TMM will be calculated on substantially the same basis. Pursuant to the Management Agreement, Grupo TMM was paid \$3.59 million for its services in 2000.

Grupo TMM and TMM have agreed to terminate the Management Agreement, pursuant to a termination agreement (the "Termination Agreement"), as amended by an amendment agreement, copies of which are attached as an Exhibit to the Registration Statement of which this prospectus forms a part. In accordance with the terms of the Termination Agreement, as amended, TMM and Grupo TMM have agreed that upon the payment by TMM to Grupo TMM of \$17.8 million, the Management Agreement will be terminated, provided that such payment is made on or before September 7, 2002. In accordance with the terms of the Termination Agreement, TMM ceased paying for management services received from Grupo TMM at the end of July of 2001. TMM's Board of Directors has unanimously approved the Termination Agreement.

Grupo TMM and TMM entered into a tax benefits contract dated December 5, 2001 (the "Tax Benefits Agreement") providing for the transfer to TMM of certain of the benefits derived from Grupo TMM's ability to consolidate the results of its subsidiaries and affiliates and providing for a payment to Grupo TMM on or before September 7, 2002 of \$9.4 million by TMM in respect of such benefits. On December 31, 1991, Grupo TMM obtained an authorization from the Ministry of Finance and Public Credit to consolidate its results with each and every one of its subsidiaries or affiliates for tax purposes (the "Fiscal Consolidation"). Pursuant to the Tax Benefits Agreement, Grupo TMM assigned to TMM the benefits derived from the Fiscal Consolidation. Grupo TMM and TMM shall calculate the benefits to Grupo TMM derived from the Fiscal Consolidation for each fiscal year occurring while the Fiscal Consolidation is in force or until the date on which the merger takes place, as the case may be, which calculation shall be reviewed by PricewaterhouseCoopers or any recognized independent external auditing firm which TMM and Grupo TMM agree to designate ("External Auditors"). Grupo TMM and TMM will carry out said calculation within six months following the close of each fiscal year. If an agreement regarding said calculation is not reached, the External Auditors shall determine the final and conclusive terms of such calculation and the External Auditors shall deliver a written review or a written determination, as the case may be, of said calculation to Grupo TMM and TMM within ten days following the date of the review or determination.

Once the benefits to Grupo TMM derived from the Fiscal Consolidation have been determined for each fiscal year occurring during the time the Fiscal Consolidation is in force or until the date on which the merger takes place, as the case may be, Grupo TMM shall transfer to TMM the total amount of the benefit so determined, in accordance with the written instructions provided by TMM for that purpose. On the effective date of the merger, all of the rights and obligations under the Tax Benefits Agreement, other than the right to receive the \$9.4 million payment which shall be transferred to Promotora Servia as a result of the *escisión*, shall terminate. TMM's Board of Directors has unanimously approved the Tax Benefits Agreement.

### PRICE RANGE OF TMM STOCK

Since the initial issuance of the Series L Shares on August 9, 1991, the Series L Shares have been traded on the Bolsa Mexicana de Valores, S.A. de C.V. (the "Mexican Stock Exchange" or the "Bolsa"). In June 1992, L Share ADSs, each representing one Series L Share, were issued by Citibank, N.A. (the "Depository") as depository in exchange for Rule 144A ADSs and as part of an initial public offering, and commenced trading on the New York Stock Exchange. As of October 31, 2001, approximately 14,020,590 of the 14,240,784 outstanding Series L Shares were held in the form of L Share ADSs.

The Series A Shares have been traded on the Bolsa since December 1980. In June 1992, CPO ADSs, each representing one CPO, each in turn representing financial interests in one Series A Share, were issued by the Depository, as depository, as part of an initial public offering and commenced trading on the New York Stock Exchange. As of November 30, 2001, of the 42,722,353 outstanding Series A Shares, 31,610,141 were held in the CPO Trust, and 31,597,712 of such CPOs were represented by ADRs.

The CPOs do not trade independently of the Series A Shares on the Bolsa. In the event that CPOs are sold to a Mexican national, the Series A Shares underlying such CPOs will be delivered directly to the purchaser through S.D. Indeval, S.A. de C.V. ("Indeval"). Indeval is a privately-owned central securities depository that acts as a clearing house, depository, custodian, settlement, and transfer agent and registration institution for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities. Because non-Mexican nationals cannot acquire direct interests in the Series A Shares, in the event that the purchaser of such Series A Shares is not a Mexican national, such Series A Shares must be delivered in the form of CPOs through Indeval.

In May 1993, the Company issued its 9¼% Notes due 2003 and in November 1996, the Company issued its 10% Senior Notes due 2006. All issues of Notes are traded on the NYSE.

The tables below set forth, for the periods indicated, the reported high and low prices on the Mexican Stock Exchange and on the New York Stock Exchange for the Series A Shares and Series L Shares and the CPO ADSs and L Share ADSs, respectively.

Previous five years:	<u>Mexican Stock Exchange</u>			
	Price per Share			
	(pesos)			
	A Shares		L Shares	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1996.....	66.60	36.85	71.00	41.00
1997.....	55.00	32.00	68.00	41.00
1998.....	60.00	25.00	67.00	29.00
1999.....	66.50	24.00	62.00	22.10
2000.....	93.00	42.00	103.00	39.00
2001*.....	123.85	47.30	128.38	48.80

\*Through October 31, 2001

**Mexican Stock Exchange**  
**Price per Share**  
**(pesos)**

<b>Previous two years (by quarter):</b>	<b>A Shares</b>		<b>L Shares</b>	
	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
<b><u>1999:</u></b>				
First Quarter.....	66.50	44.00	62.00	54.90
Second Quarter.....	47.75	33.95	*	*
Third Quarter.....	39.00	35.00	50.10	49.50
Fourth Quarter.....	42.00	24.00	40.00	22.10
<b><u>2000:</u></b>				
First Quarter.....	52.00	42.00	51.50	39.00
Second Quarter.....	50.30	44.20	45.70	45.00
Third Quarter.....	78.00	46.10	78.00	48.55
Fourth Quarter.....	93.00	70.00	103.00	88.00
<b><u>2001:</u></b>				
First Quarter.....	105.00	81.00	116.00	105.00
Second Quarter.....	123.85	105.00	128.38	124.10
Third Quarter.....	63.00	47.30	66.00	48.80

\*The L Shares were not traded in the second quarter of 1999.

**Mexican Stock Exchange**  
**Price per Share**  
**(pesos)**

<b>Previous six months:</b>	<b>A Shares</b>		<b>L Shares</b>	
	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
*May 31, 2001.....	119.00	119.00	128.38	124.10
*June 30, 2001.....	110.00	106.00	128.38	124.10
*July 31, 2001.....	110.00	106.00	128.38	124.10
August 31, 2001.....	62.40	62.40	65.00	63.00
September 30, 2001.....	63.00	47.30	66.00	48.80
October 31, 2001.....	71.80	53.32	75.00	53.88

\*Series "L" Shares were not traded in the months of May, June and July of 2001 and Series "A" Shares were not traded in July.

SOURCE: InfoSel

**New York Stock Exchange**  
**Price per Share**  
**(dollars)**

<b>Previous five years:</b>	<b>CPO ADS</b>		<b>L Shares ADS</b>	
	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
1996.....	8.75	4.50	9.50	5.00
1997.....	7.25	3.88	9.06	4.63
1998.....	7.25	2.50	8.19	3.00
1999.....	6.75	2.31	7.31	2.38
2000.....	10.38	4.19	11.13	4.50
2001*.....	13.60	4.00	13.95	4.61

\*Through October 31, 2001

**New York Stock Exchange**

**Price per Share  
(dollars)**

<b>Previous two years (by quarter):</b>	<b>CPO ADS</b>		<b>L Shares ADS</b>	
	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
<b><u>1999:</u></b>				
First Quarter.....	6.75	4.25	7.31	4.31
Second Quarter.....	5.25	3.63	6.31	4.63
Third Quarter.....	4.75	2.50	5.94	3.38
Fourth Quarter.....	4.75	2.00	5.00	2.38
<b><u>2000:</u></b>				
First Quarter.....	5.69	4.19	6.00	4.69
Second Quarter.....	5.50	4.25	5.75	4.50
Third Quarter.....	8.50	4.88	8.63	5.00
Fourth Quarter.....	10.38	7.63	11.13	8.19
<b><u>2001:</u></b>				
First Quarter.....	11.08	9.25	13.90	10.63
Second Quarter.....	13.60	10.50	13.95	11.90
Third Quarter.....	10.90	4.00	11.88	4.61

**New York Stock Exchange**

**Price per Share  
(dollars)**

<b>Previous six months:</b>	<b>CPO ADS</b>		<b>L Shares ADS</b>	
	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
May 31, 2001 .....	12.97	10.88	13.65	11.90
June 30, 2001 .....	12.80	10.54	13.50	11.64
July 31, 2001 .....	10.90	5.05	11.88	6.60
August 31, 2001 .....	7.13	6.00	7.60	6.34
September 30, 2001 .....	7.15	4.00	7.28	4.61
October 31, 2001.....	8.25	5.30	8.30	5.45

SOURCE: NYSE – Price history composite

## DESCRIPTION OF AUTHORIZED SHARES OF GRUPO TMM

### General

Grupo TMM currently has outstanding 700 Series A Shares and 17,440,890 Series B Shares. Grupo TMM's Series A Shares represent the fixed portion of its capital and its Series B Shares represent the variable portion. All of the outstanding shares of the capital stock are fully paid and non-assessable. No shares are held in treasury.

As of January 1, 2001, Grupo TMM had outstanding 262,654,670 shares of stock, with a par value of Ps.1.00 per share, consisting of 700 Series A Shares and 262,653,970 Series B Shares. Effective October 31, 2001, Grupo TMM effected a reverse stock split of its Series B Shares, pursuant to which its 262,653,990 outstanding Series B Shares were converted to the 17,440,890 Series B Shares that are currently outstanding. At the same time, Grupo TMM reduced the par value of its Series A Shares and its Series B Shares to zero.

As of January 1, 1999, Grupo TMM had outstanding a total of 48,484,383 shares of stock, consisting of 1,000 Series A Shares and 48,483,383 Series B Shares. As of January 1, 2000, Grupo TMM had outstanding at total of 262,654,670 shares of stock, consisting of 700 Series A Shares and 262,653,970 Series B Shares. We refer you to the Financial Statements of Grupo TMM, together with the Notes thereto, and particularly Note 11, included elsewhere in this prospectus for further information about changes in Grupo TMM capital stock, including changes in the amount of Grupo TMM's issued capital. There were no changes in the number of shares of Grupo TMM's capital stock that was outstanding during 2000. Except for changes described in the preceding paragraph and the proposed changes that are described below, there were no changes in the number of shares of Grupo TMM's capital stock that was outstanding during 2001 and during the last three years there have been no changes to the voting rights attaching to Grupo TMM's capital stock.

It is expected that prior to the merger, Grupo TMM will issue an additional 4,412,914 Series A Shares. At the same time, Grupo TMM will convert all of its outstanding Series B Shares to Series A Shares. As a result of such issuance and conversion, immediately prior to the effective time of the merger, Grupo TMM will have outstanding an aggregate of 21,854,504 Series A Shares and no Series B Shares.

In connection with the merger, Grupo TMM will authorize the issuance of (i) an additional 20,867,849 Series A Shares, to be issued in exchange for TMM Series A Shares, and (ii) 14,240,784 new Series L Shares, without par value, to be issued in exchange for TMM Series L Shares. The issuances are subject to the approval of the shareholders of TMM, and are scheduled to be voted on by the shareholders at the extraordinary shareholders' meeting to be held on December 21, 2001.

The Series A Shares of Grupo TMM have the same rights and characteristics as the Series A Shares of TMM. However, the By-laws of Grupo TMM will be amended to require the consent of the Board of Directors in connection with certain acquisitions of such Series A Shares. See "-- Acquisition of Share Capital" below. The Series L Shares of Grupo TMM will have exactly the same characteristics and rights as the Series L Shares of TMM.

Series A Shares are common, full voting and nominative shares of the capital stock, without par value. After the merger, the Series A Shares will be entitled to elect 12 of the Company's 14 directors and their corresponding alternates and to cast one vote per share at each shareholders' meeting. Dividends are declared by the Series A shareholders of the Company and are generally paid through Indeval. The Grupo TMM Series A Shares may not be held directly by non-Mexicans. However, non-Mexicans may hold Series A Shares in the form of CPOs. See "--Limitation on Share Ownership."

Grupo TMM Series L Shares will be limited voting and nominative shares of the capital stock, without par value, and will be entitled to cast one vote per share on any matter on which such shares have the right to vote. Series L shareholders will have the right to (i) elect 2 of the 14 directors of Grupo TMM and their respective alternates, and (ii) vote, together with Series A Shares as one class, exclusively on the following matters: (a) transformation of Grupo TMM from one type of entity to another, (b) any merger in which Grupo TMM is not the surviving entity or any merger in which Grupo TMM is the surviving entity but the corporate purposes of the merged entity are not related or connected to the corporate purposes of Grupo TMM, and (c) the cancellation of the listing of the shares issued by Grupo TMM on the Mexican Stock Exchange or on any foreign stock exchange. Except as described above in this paragraph, and below in the paragraphs headed "Certain Voting Rights" and "New Laws Affecting Shareholders' Rights and Corporate Governance," the holders of Series L Shares will have no voting rights.

The By-laws of Grupo TMM will provide that Series A Shares must represent, at all times, at least 75%, and Series L Shares may not exceed at any time 25%, of the outstanding capital stock of Grupo TMM.

During the last three years there have been no changes to the number of shares of TMM's capital stock, the amount of its issued capital, or the voting rights attending to its capital stock.

### **Certain Voting Rights**

Pursuant to Mexican law and Grupo TMM's charter and By-laws, any proposal that may prejudice the rights of any series of shares of the capital stock of the Company, taken as a class, must be approved by the majority of holders of such series of shares voting as a single class in a special shareholders' meeting. Special meetings of shareholders require attendance of holders of at least 75% of the shares of the relevant class and the affirmative vote of at least half of the issued and outstanding shares of such class, in a first call, and in a second or subsequent call, the attendance and affirmative vote of at least half of the issued and outstanding shares of the class, is required to approve the proposal.

### **Shareholders' Meetings**

An ordinary shareholders' meeting must be called annually (the "Annual Meeting") within the first four months of any calendar year to discuss, modify or approve the annual report of the Board of Directors of Grupo TMM, the financial information of the Company as at the end of the preceding fiscal year, and the annual report of the statutory auditors (*comisarios*), and to attend to other items contained in the agenda. The fiscal year of the Company begins on January 1 and ends on December 31.

Calls to shareholders' meetings are published once in the official newspaper and in one of the major newspapers of the domicile of the Company, at least 15 days prior notice. Calls must contain the agenda for the proposed meeting and must be signed by whoever calls the meeting. The Board of Directors of the Company is required to approve calls to shareholders' meetings in advance. Any resolution adopted at a shareholders' meeting that is not called in accordance with the required procedure are null and void under Mexican law.

Ordinary shareholders' meetings require the attendance of at least half the shares that have the right to attend such meetings, and the affirmative vote of a majority of the holders present at any such meeting, in a first call, and in a second call, the affirmative vote of a majority holders of shares that have the right to attend any such meeting irrespective of the number of shares present thereat, in order to take action.

Extraordinary shareholders' meetings require the attendance of at least 75% of the shares that have the right to attend and vote at any such meetings, and the affirmative vote of at least half the issued and outstanding shares having such voting right, in a first call, and in a second or subsequent call, the attendance and affirmative vote of at least half the issued and outstanding shares having the right to attend and vote at any such meeting.

Shareholders may be present or represented by a simple proxy at shareholders' meetings. Directors and statutory auditors of the Company may not represent any shareholder at any shareholders' meeting. In order to attend any meeting, the shareholders must obtain an admission card prior to the meeting by depositing the shares, at least two days prior to the meeting, that have the right to be present at such meeting with Indeval or another financial institution in the United Mexican States or abroad. Such financial institutions must notify the Company (telegraphic or facsimile means are authorized) of the name of the depositor, the number of shares deposited and the date on which the deposit was made. Admission cards to shareholders' meetings may be regularly obtained through authorized brokers in the United Mexican States. For shares deposited with Indeval, a list of holders of shares issued by authorized brokers in the United Mexican States together with a list issued by Indeval will be sufficient for any shareholder to obtain the corresponding admission card.

### **Limitation on Share Ownership**

Mexican law and the Company's corporate charter prohibit direct ownership of Series A Shares by foreign investors. Any direct acquisition of Series A Shares in violation of this charter provision would be null and void. Mexican and non-Mexican investors may hold Series L Shares directly.

Any foreigner who acquires any interest or participation in the capital stock of the Company, whether through CPOs or Series L Shares, will be considered a Mexican citizen insofar as Mexican law and the Company is concerned (except for the right to own Series A Shares) and will be deemed to understand and agree that such

foreigner may not invoke the protection of his government in connection with his interest or participation in the Company, under penalty of forfeiture of such interest or participation in favor of the United Mexican States.

TMM contributed its Series A Shares to the Master Neutral Investment Trust (*Fideicomiso Maestro de Inversión Neutra*) (the "CPO Trust") established with a 30-year term by Nacional Financiera, S.N.C. (the "CPO Trustee") on November 24, 1989. The CPO Trustee authorized the issuance of non-redeemable ordinary participation certificates (*certificados de participación ordinarios no amortizables*) ("CPOs") that correspond to the TMM Series A Shares of the Company. One CPO may be issued for each TMM Series A Share contributed to the CPO Trust. CPOs constitute separate negotiable instruments different and apart from the TMM Series A Shares, and afford to their holders only economic rights attaching to Series A Shares. Consequently holders of CPOs are not entitled to exercise any voting rights with respect to the Series A Shares held in the CPO Trust. Such voting rights are exercisable only by the CPO Trustee, which is required by the terms of the CPO Trust to vote such Series A Shares in the same manner as holders of a majority of the outstanding Series A Shares not held in the CPO Trust and voted at the relevant meeting. Mexican and non-Mexican investors may hold CPOs without restriction of any kind.

In connection with the merger, neither the CPO Trustee nor any CPO holder needs to take any action. The CPOs will automatically and by operation of law represent financial interests in Grupo TMM Series A Shares upon the effectiveness of the merger and the exchange of TMM Series A Shares for Grupo TMM Series A Shares through Indeval. The Grupo TMM CPOs will have the same rights and characteristics as the TMM CPOs.

Prior to its termination date, the CPO Trustee will sell Series A Shares held by the CPO Trust, and deliver the proceeds thereof to CPO holders in proportion to their respective CPO holdings. Alternatively, a new trust may be established by the Company to enable continued foreign equity participation in the Company. No assurance can be made that the Company will establish such new trust.

The Grupo TMM Series L Shares will be issued in connection with the merger. The L Share ADSs, each representing one Series L share will be issued by Citibank, N.A. (the "Depositary") and will be represented by Series L American Depositary Receipts ("Series L ADRs"). The Grupo TMM Series L Shares will have exactly the same rights and characteristics as the TMM Series L Shares.

### **Acquisition of Share Capital**

The consent of the board of directors of Grupo TMM will be required for acquisitions that would result in any person acquiring 5% or more of Grupo TMM's Series A Shares. If the approval process is not complied with, the acquiror will not be entitled to vote the acquired Series A Shares. The approval process will apply only to direct acquisitions of Series A Shares and not to CPOs and ADSs. In addition, the acquisition of Series A Shares by any Mexican national may also be subject to the applicable provisions of the Mexican antitrust laws (*Ley Federal de Competencia Económica*).

### **New Laws Affecting Shareholders' Rights and Corporate Governance**

On June 1, 2001, certain modifications to the Securities Law (*Ley del Mercado de Valores*) of the United Mexican States was published in the official gazette (*Diario Oficial de la Federación*). The modifications of the Securities Law became effective on June 2, 2001. Grupo TMM is required to conform its By-laws to the provisions of Article 14 Bis 3 at the next shareholders' meeting which is scheduled for December 21, 2001 which will be called in connection with the merger. All rights afforded by such Article 14 Bis 3 will be effective for Grupo TMM upon effectiveness of the merger, irrespective of any provisions of the By-laws of the Company to the contrary.

The following is a brief summary of certain provisions of Article 14 Bis 3. Detailed provisions of the Mexican Securities Laws have been omitted from the following summary, which is qualified in its entirety by reference to the *Ley del Mercado de Valores*, a copy of which is available at the offices of the Company.

#### ***Appointment of Directors***

Article 144 of the General Corporations Law of the United Mexican States (*Ley General de Sociedades Mercantiles*) provides that any shareholder or group of shareholders representing at least 10% of the outstanding capital stock of the Company has the right to appoint one director and its corresponding alternate. With respect to limited or non-voting shares of the capital stock, if no such minority right is exercised, holders of such limited or non-voting shares of the capital stock of the Company, as a class, have the right to appoint at least 2 directors and their corresponding alternates in a special meeting of shareholders. In addition, any shareholder or group of

shareholders of at least 10% of the capital stock of the Company, whether of common shares or limited or non-voting shares, or a combination of both, has the right to appoint one statutory auditor of the Company.

The Board of Directors of the Company is to be composed of not less than five and not more than 15 directors, of which at least 25% shall be "independent directors". A director is deemed to be independent if he or she is an individual selected for his/her experience, capacity and professional prestige, and is not:

- (i) an officer or employee of the Company, including any individual who held office in the Company during the preceding fiscal year;
- (ii) a shareholder who, not being an officer or employee of the Company, has the power to influence directors of the Company;
- (iii) a partner or employee of any entity rendering consulting or advisory services to the Company or any of its affiliates or subsidiaries, when such services represent 10% or more of the revenues of such entity;
- (iv) an important client, supplier, debtor or creditor of the Company, or a partner, director or employee of any entity that is an important client, supplier, debtor or creditor of the Company (with a client or supplier being deemed "important" when 10% or more of the revenues of the Company relate to such client or supplier and a debtor or creditor being deemed "important" if the amount of the debt or credit, as the case may be, exceeds 15% of total assets of the Company or of the corresponding debtor or creditor, as the case may be);
- (v) an employee of any non-for-profit organization or foundation that receives material contributions from the Company (with a contribution being deemed material when it exceeds 15% of the aggregate contributions received by such organization or foundation);
- (vi) a chief executive officer or first level officer of any corporation or entity in which the chief executive officer or any first level officer of the Company has been appointed as a member of its Board of Directors; or
- (vii) a spouse or immediate family member of any of the individuals mentioned in paragraphs (iii) through (vi) above, or up to a third generation family member of any of the individuals mentioned in paragraphs (i) and (ii) above.

#### ***Meetings and Actions of the Directors***

- (a) the Board of Directors meet at least once every three months;
- (b) either the chair of the Board of Directors, at least 25% of the directors or any of the statutory auditors (*comisarios*) of the Company may call a Board of Director's meeting;
- (c) the Board of Directors shall have the authority, which may not be delegated in any manner, to decide with respect to transactions (1) out of the ordinary course of business that are to be entered into by the Company and its shareholders or individuals that are part of the management of the Company, or any persons with whom such individuals maintain an economic interest or are relatives of such persons; (2) the purchase or sale of assets representing 10% or more of the total assets of the Company; (3) the granting of guaranties (whether in rem or personal) in an amount exceeding 30% of total assets of the Company; and (4) transactions differing from the above, the aggregate value of which represents more than 1% of the value of the total assets of the Company.

The directors of the Company shall be liable for the resolutions adopted with respect to the matters indicated in (c) above, except any director that, absent fault on his part, shall have expressed his opposition when deliberating and resolving on any of such matters.

The statutory auditors shall be called to and may attend all Board of Directors' meetings, and all other committees or corporate bodies to which the Board of Directors shall have delegated any authority.

The chair of the Board of Directors will in the event of a split vote of the Board of Directors always have a deciding vote. Directors, statutory auditors and members of the audit committee that have a material interest in a transaction with the Company, must disclose such interest to the other directors or statutory auditors or members, as the case may be, and must abstain from any deliberation or voting with respect thereto.

#### ***Audit Committee***

The Company shall establish an audit committee composed of directors. The chair of the audit committee and a majority of the members shall be "independent directors". Statutory auditors shall assist at, and may be heard in, all audit committee meetings but will not cast any vote. The audit committee shall have the following duties:

- (a) prepare an annual report on its activities, which is to be presented to the Board of Directors of the Company;
- (b) opine on any proposed transaction of the Company with any of the related parties referred to in paragraph (c) above under "Meetings and Actions of the Directors"; and
- (c) propose the engagement of special independent advisors when deemed appropriate in order to obtain their opinion with respect to related party transactions of the Company.

#### ***Shareholders' Meetings and Rights***

- (a) Any shareholder or group of shareholders of the Company, representing 10% or more of the capital stock of the Company, whether through common or limited or non-voting shares, or a combination of both, has the right to request at any time that a shareholders' meeting of the Company be called to attend to the matters indicated in its request. If the shareholders' meeting is not so called within 15 days following the date of the corresponding request, such shareholder or group of shareholders may request a court of competent jurisdiction to call the meeting.
- (b) From and after the date on which a shareholders' meeting is called, all information and documents related thereto are to be made immediately available to the shareholders, at no cost, at the offices of the Company.
- (c) Shareholders may be represented at any shareholders' meeting through a simple proxy prepared by the Company for such purpose, that shall contain (i) the corporate name of the Company, (ii) the agenda for the meeting, and (iii) sufficient space to incorporate any instructions by the shareholder. The general agenda for any meeting may not include any of the items to be discussed in an annual shareholders' meetings or those that require the approval of an extraordinary shareholders' meeting as sundry or "other" matters brought before the meeting. In such case, each such item needs to be specifically identified in the agenda of such annual or extraordinary shareholders meeting. At least 15 days prior to the date of the proposed shareholders' meeting, the Company will have sufficient proxies available to brokers and other authorized intermediaries of stock exchanges in order for them to solicit instructions from the shareholders. The secretary of the Company is required to make sure that the Company complies with this requirement and shall make a note of this fact in the corresponding minutes of the meeting.
- (d) Shareholders representing at least 15% of the capital stock of the Company may directly exercise a civil action against all or some of the directors of the Company, so long as (i) the shareholders seek to recover the entire amount for which the directors are liable, and not solely the amount that corresponds to their percentage interest in the Company, and (ii) that such shareholders shall have opposed, in that case, the resolution of the shareholders' meeting

of the Company that shall have resolved not to proceed against the directors. Any judgment obtained shall be for the sole benefit of the Company.

- (e) Shareholders representing at least 10% of the capital stock of the Company, whether common or limited or non-voting shares, or a combination of both, may request that the vote of shareholders in any meeting with respect to any item in the agenda be postponed for three days, whenever such shareholders believe there is not sufficient information to cast a vote on the relevant item or items of the agenda. In such case the meeting shall reconvene within the three-day period without any further requirement of any kind. This right may be exercised only once for the same item of the agenda.
- (f) Shareholders representing at least 20% of the capital stock of the Company, whether through common or limited or non-voting shares, or a combination of both, may judicially oppose the resolutions of the shareholders' meetings with respect to which such shareholders have a right to vote, so long as (i) the claim is filed before a court of competent jurisdiction within 15 days following the adjournment of the corresponding shareholders' meeting, (ii) the claimants shall not have attended the corresponding meeting or shall have voted against the relevant resolutions, and (iii) the claim indicates the provision of the By-laws of the Company or the applicable law infringed upon by the relevant resolutions, and describes the infringement or violation. This right of opposition may not be exercised against resolutions pertaining to liability of directors or statutory auditors. The opposing shareholders have the right to request that the court suspend the execution of the relevant resolutions. In this case, such opposing shareholders are required to post a bond in the amount determined by the court, to cover any indemnity for damages and/or losses sustained by the Company in the event such opposition is declared unfounded.
- (g) A report from the audit committee is to be presented at the annual shareholders' meeting.

## DESCRIPTION OF GRUPO TMM SERIES A AMERICAN DEPOSITARY SHARES

American Depositary Shares are frequently referred to as "ADSs" and represent ownership interests in securities that are on deposit with a depository bank. ADSs are normally represented by certificates that are commonly known as "American Depositary Receipts" or "ADRs." The depository bank typically appoints a custodian to safekeep the securities on deposit.

Citibank, N.A. has agreed to act as the depository bank for the Series A American Depositary Shares of Grupo TMM pursuant to a deposit agreement. Citibank's depository offices are located at 111 Wall Street, New York, New York 10005. A copy of the form of deposit agreement was filed with the SEC as an exhibit to the Registration Statement on Form F-4, of which this prospectus forms a part. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Citibank Mexico S.A., located at Reforma 390, 6<sup>th</sup> Floor, Mexico D.F., C.P. 6695, Mexico is the custodian.

We are providing you with a summary description of the material terms of the Series A ADSs and of your material rights as an owner of a Series A ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that a holder's rights and obligations as an owner of a Series A ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety.

Each Series A ADS represents the right to receive one *Certificado de Participación Ordinario*, or "CPO," on deposit with the custodian, which in turn represents financial interests in one Series A Share. A Series A ADS will also represent the right to receive any other property received by the depository bank or the custodian on behalf of the owner of the Series A ADS but that has not been distributed to the owners of Series A ADSs because of legal restrictions or practical considerations. The deposit agreement and the Series A ADRs are governed by New York law. However, our obligations to the holders of CPOs will continue to be governed by the laws of Mexico, which may be different from the laws in the United States.

If you become an owner of Series A ADSs, you will become a party to the deposit agreement and therefore will be bound by its terms and by the terms of the Series A ADR that represents your Series A ADSs. The deposit agreement and the Series A ADR specify our rights and obligations as well as your rights and obligations as owner of Series A ADSs and those of the depository bank. As a Series A ADS holder you appoint the depository bank to act on your behalf in certain circumstances.

As an owner of Series A ADSs, you may hold your Series A ADSs either by means of a Series A ADR registered in your name or through a brokerage or safekeeping account. If you decide to hold your Series A ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as a Series A ADS owner. Please consult with your broker or bank to determine what those procedures are. This summary description assumes you have opted to own the Series A ADSs directly by means of a Series A ADR registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns Series A ADSs and will own Series A ADSs at the relevant time.

### Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian bank. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the deposit agreement in proportion to the number of Series A ADSs held as of a specified record date.

#### *Distributions of Cash*

Whenever we make a cash distribution for the securities on deposit with the custodian, we will notify the depository bank and deposit the funds with the Custodian. Upon receipt of such notice and of confirmation of the deposit of the requisite funds, the depository bank will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the Mexican laws and regulations.

The conversion into U.S. dollars will take place only if reasonable and if the U.S. dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depository will apply the same method

for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement.

#### *Distributions of CPOs*

Whenever we make an in-kind distribution of CPOs in respect of the CPOs on deposit with the custodian, we will notify the depository bank and deposit the applicable number of CPOs with the custodian. Upon receipt of notice of such deposit, the depository bank will either distribute to holders new Series A ADSs representing the CPOs deposited or modify the Series A ADS-to-CPO ratio, in which case each Series A ADS you hold will represent rights and interests in the additional CPOs so deposited. Only whole new Series A ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new Series A ADSs or the modification of the Series A ADS-to-CPO ratio upon a distribution of CPOs will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depository bank may sell all or a portion of the new CPOs so distributed.

No such distribution of new Series A ADSs will be made if it would violate a law (for example, the U.S. securities laws) or if it is not feasible. If the depository bank does not distribute new Series A ADSs as described above, it may sell the CPOs received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

#### *Distributions of Rights*

Whenever we intend to distribute rights to purchase additional CPOs, we will give prior notice to the depository bank and we will assist the depository bank in determining whether it is lawful and feasible to distribute rights to purchase additional Series A ADSs to holders.

The depository bank will establish procedures to distribute rights to purchase additional Series A ADSs to holders and to enable such holders to exercise such rights if it is lawful and feasible to make the rights available to holders of Series A ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new Series A ADSs upon the exercise of your rights. The depository bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new CPOs other than in the form of Series A ADSs.

The depository bank will *not* distribute the rights to you if:

- we do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- we fail to deliver satisfactory documents to the depository bank; or
- it is not lawful and feasible to distribute the rights.

The depository bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonable and proper. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depository bank is unable to sell the rights, it will allow the rights to lapse.

#### *Other Distributions*

Whenever we intend to distribute property other than cash, CPOs or rights to purchase additional CPOs, we will notify the depository bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depository bank in determining whether such distribution to holders is lawful and feasible.

If it is feasible to distribute such property to you and if we provide all of the documentation contemplated in the deposit agreement, the depository bank will distribute the property to the holders in a manner it deems

equitable and practicable. The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will not distribute the property to you and will sell the property if:

- we do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- we do not deliver satisfactory documents to the depositary bank; or
- the depositary bank determines that all or a portion of the distribution to you is not feasible.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

### **Changes Affecting CPOs**

The CPOs held on deposit for your Series A ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such CPOs or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your Series A ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the CPOs held on deposit. The depositary bank may in such circumstances deliver new Series A ADSs to you or call for the exchange of your existing Series A ADSs for new Series A ADSs. If the depositary bank may not lawfully distribute such property to you, the depositary bank may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

### **Issuance of ADSs upon Deposit of CPOs**

The depositary bank may create Series A ADSs on your behalf if you or your broker deposits CPOs with the custodian. The depositary bank will deliver these Series A ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the CPOs to the custodian. Your ability to deposit CPOs and receive Series A ADSs may be limited by U.S. and Mexican legal considerations applicable at the time of deposit.

The issuance of Series A ADSs may be delayed until the depositary bank or the custodian receives confirmation that all required approvals have been given and that the CPOs have been duly transferred to the custodian. The depositary bank will only issue Series A ADSs in whole numbers.

When you make a deposit of CPOs, you will be responsible for transferring good and valid title to the depositary bank. As such, you will be deemed to represent and warrant that:

- The CPOs are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such CPOs have been validly waived or exercised.
- You are duly authorized to deposit the CPOs.
- The CPOs presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the Series A ADSs issuable upon such deposit will not (except as specifically contemplated in the deposit agreement) be, "restricted securities" (as defined in the deposit agreement).
- The CPOs presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

### **Transfer, Combination and Split-Up of Series A ADRs**

As a Series A ADR holder, you will be entitled to transfer, combine or split-up your Series A ADRs and the Series A ADSs evidenced thereby. For transfers of Series A ADRs, you will have to surrender the Series A ADRs to be transferred to the depositary bank and also must:

- ensure that the surrendered Series A ADR certificate is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by Series A ADR holders pursuant to the terms of the deposit agreement, upon the transfer of Series A ADRs.

To have your Series A ADRs either combined or split-up, you must surrender the Series A ADRs in question to the depositary bank with your request to have them combined or split-up, and you must pay all applicable fees, charges and expenses payable by Series A ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split-up of Series A ADRs.

### **Withdrawal of Shares Upon Cancellation of Series A ADSs**

As a holder, you will be entitled to present your Series A ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying CPOs at the custodian's offices. Your ability to withdraw the CPOs may be limited by U.S. and Mexican law considerations applicable at the time of withdrawal. In order to withdraw the CPOs represented by your Series A ADSs, you will be required to pay to the depositary the fees for cancellation of Series A ADSs and any charges and taxes payable upon the transfer of the CPOs being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the Series A ADSs will not have any rights under the deposit agreement.

If you hold a Series A ADR registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your Series A ADSs. The withdrawal of the CPOs represented by your Series A ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary bank will only accept Series A ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your Series A ADSs at any time, subject to your obligations to pay any applicable fees, taxes and similar charges, except for:

- temporary delays that may arise because (i) the transfer books for the CPOs or Series A ADSs are closed, or (ii) CPOs are immobilized on account of a shareholders' meeting or a payment of dividends; and
- restrictions imposed because of laws or regulations applicable to Series A ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your Series A ADSs except to comply with mandatory provisions of law.

### **Voting Rights**

As a holder, you generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the CPOs represented by your ADSs.

The Depositary must mail to all holders of CPO ADRs a notice containing the information (or a summary thereof) included in any notice of a meeting of holders of CPOs received by the Depositary. Holders of CPO ADRs are entitled to instruct the Depositary as to the exercise of voting rights attaching to the deposited CPOs, and upon receipt of such instructions the Depositary will endeavor, insofar as practical and permitted under the provisions of

or governing the CPOs, to vote or cause to be voted the CPOs underlying such holders' CPO ADRs in accordance with such instructions. CPO ADR holders are not entitled to attend CPO General Meetings. ADR holders are entitled to instruct the Depositary as to the manner of voting the CPOs represented by CPO ADRs at any CPO General Meeting or for purposes of exercising any individual rights of a CPO holder under Mexican law.

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner. Securities for which no voting instructions have been received will not be voted.

Holders of CPOs are not entitled to exercise any voting rights with respect to the Series A Shares held in the CPO Trust. We note that because CPOs are negotiable instruments separate and apart from Series A Shares, holders of CPOs do not qualify as shareholders of the Company, and may not exercise any of the minority rights afforded by the Securities law (*Ley del Mercado de Valores*) of the United Mexican States. In addition, due to the fact that by the terms of the CPO Trust, the CPO Trustee is required to systematically vote in the same manner as the holders of a majority of Series A Shares that are not in the CPO Trust, rights of minority shareholders attaching to Series A Shares held by the CPO Trust may not be exercised against the Company or its directors.

### **Fees and Charges**

As a Series A ADS holder, you will be required to pay the following service fees to the depositary bank:

<u>Service</u>	<u>Fees</u>
• Issuance of Series A ADSs	Up to 5¢ per Series A ADS issued
• Cancellation of Series A ADSs	Up to 5¢ per Series A ADS canceled
• Exercise of rights to purchase additional ADSs	Up to 5¢ per Series A ADS issued
• Distribution of cash dividends	No fee (so long as prohibited by NYSE)
• Distribution of Series A ADSs pursuant to stock dividend or other free stock distributions	No fee (so long as prohibited by NYSE)
• Distributions of cash proceeds (i.e., upon sale of rights or other entitlements)	Up to 2¢ per Series A ADS held

As a Series A ADS holder you will also be responsible for paying certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

- Fees for the transfer and registration of CPOs charged by the registrar and transfer agent for the CPOs in Mexico (i.e., upon deposit and withdrawal of CPOs).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities (i.e., when CPOs are deposited or withdrawn from deposit).

We have agreed to pay certain other charges and expenses of the depositary bank. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes.

## **Amendments and Termination**

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. We undertake to give holders 90 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. Modifications or supplements that are reasonably necessary for the Series A ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay, will not be treated as modifications or amendments that materially prejudice your substantial rights. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your Series A ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the CPOs represented by your Series A ADSs (except as permitted by law).

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 60 days before termination.

Upon termination, the following will occur under the deposit agreement:

- For a period of six months after termination, you will be able to request the cancellation of your Series A ADSs and the withdrawal of the CPOs represented by your Series A ADSs and the delivery of all other property held by the depositary bank in respect of those CPOs on the same terms as prior to the termination. During such six months' period the depositary bank will continue to collect all distributions received on the CPOs on deposit (i.e., dividends) but will not distribute any such property to you until you request the cancellation of your Series A ADSs.
- After the expiration of such six months' period, the depositary bank may sell the securities held on deposit. The depositary bank will hold the proceeds from such sale and any other funds then held for the holders of Series A ADSs in a non-interest bearing account. At that point, the depositary bank will have no further obligations to holders other than to account for the funds then held for the holders of Series A ADSs still outstanding.

## **Books of Depositary**

The depositary bank will maintain Series A ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the Series A ADSs and the deposit agreement.

The depositary bank will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of Series A ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

## **Limitations on Obligations and Liabilities**

The deposit agreement limits our obligations and the depositary bank's obligations to you. Please note the following:

- We and the depositary bank are obligated only to take the actions specifically stated in the deposit agreement in good faith and using our best judgment.
- The depositary bank disclaims any liability for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- We and the depositary bank are not obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities if it represents for us an expense or liability, unless proper indemnity is furnished to our satisfaction.

- We and the depositary bank will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary bank disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our *Estatutos Sociales*, any provision of any securities on deposit or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our *Estatutos Sociales* or in any provisions of securities on deposit.
- We and the depositary bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of Series A ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary bank also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of CPOs but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

### **Pre-Release Transactions**

The depositary bank may, in certain circumstances, issue Series A ADSs before receiving a deposit of CPOs or release CPOs before receiving Series A ADSs for cancellation. These transactions are commonly referred to as "pre-release transactions." The deposit agreement limits the aggregate size of pre-release transactions and imposes a number of conditions on such transactions, including, for example, the need to receive collateral, the type of collateral required, and requiring representations from brokers. The depositary bank may retain the compensation received from the pre-release transactions.

### **Taxes**

You will be responsible for the taxes and other governmental charges payable on the Series A ADSs and the securities represented by the Series A ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue Series A ADSs, to deliver, transfer, split and combine Series A ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

### **Foreign Currency Conversion**

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is reasonable, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not reasonable or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

## **DESCRIPTION OF GRUPO TMM SERIES L SHARE AMERICAN DEPOSITORY SHARES**

American Depositary Shares are frequently referred to as "ADSs" and represent ownership interests in securities that are on deposit with a depository bank. ADSs are normally represented by certificates that are commonly known as "American Depositary Receipts" or "ADRs." The depository bank typically appoints a custodian to safekeep the securities on deposit.

Citibank, N.A. has agreed to act as the depository bank for the Series L American Depositary Shares of Grupo TMM pursuant to a deposit agreement. Citibank's depository offices are located at 111 Wall Street, New York, New York 10005. A copy of the form of deposit agreement was filed with the SEC as an exhibit to the Registration Statement on Form F-4, of which this prospectus forms a part. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Citibank Mexico S.A., having its principal office at Reforma 390, 6<sup>th</sup> Floor, Mexico D.F., C.P. 6695 Mexico is the custodian.

We are providing you with a summary description of the material terms of the Series L ADSs and of your material rights as an owner of Series L ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that a holder's rights and obligations as an owner of Series L ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety.

Each Series L ADS represents the right to receive one Series L Share on deposit with the custodian. A Series L ADS will also represent the right to receive any other property received by the depository bank or the custodian on behalf of the owner of the Series L ADS but that has not been distributed to the owners of Series L ADSs because of legal restrictions or practical considerations. The deposit agreement and the Series L ADRs are governed by New York law. However, our obligations to the holders of Series L Shares will continue to be governed by the laws of Mexico, which may be different from the laws in the United States.

If you become an owner of Series L ADSs, you will become a party to the deposit agreement and therefore will be bound by its terms and by the terms of the Series L ADR that represents your Series L ADSs. The deposit agreement and the Series L ADR specify our rights and obligations, as well as your rights and obligations as owner of Series L ADSs and those of the depository bank. As a Series L ADS holder you appoint the depository bank to act on your behalf in certain circumstances.

As an owner of Series L ADSs, you may hold your Series L ADSs either by means of a Series L ADR registered in your name or through a brokerage or safekeeping account. If you decide to hold your Series L ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as Series L ADS owner. Please consult with your broker or bank to determine what those procedures are. This summary description assumes you have opted to own the Series L ADSs directly by means of a Series L ADR registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns Series L ADSs and will own Series L ADSs at the relevant time.

### **Dividends and Distributions**

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian bank. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the deposit agreement in proportion to the number of Series L ADSs held as of a specified record date.

#### *Distributions of Cash*

Whenever we make a cash distribution for the securities on deposit with the custodian, we will notify the depository bank and deposit the funds with the Custodian. Upon receipt of such notice and of confirmation of the deposit of the requisite funds, the depository bank will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to Mexican laws and regulations.

The conversion into U.S. dollars will take place only if reasonable and if the U.S. dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depository will apply the same method

for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement.

#### *Distributions of Shares*

Whenever we make an in-kind distribution of Series L Shares in respect of the Series L Shares on deposit with the custodian, we will notify the depository bank and deposit the applicable number of Series L Shares with the custodian. Upon receipt of notice of such deposit, the depository bank will either distribute to holders new Series L ADSs representing the Series L Shares deposited or modify the ADS-to-Series L Shares ratio, in which case each Series L ADS you hold will represent rights and interests in the additional Series L Shares so deposited. Only whole new Series L ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new Series L ADSs or the modification of the ADS-to-Series L share ratio upon a distribution of Series L Shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depository bank may sell all or a portion of the new Series L Shares so distributed.

No such distribution of new Series L ADSs will be made if it would violate a law (for example, the U.S. securities laws) or if it is not feasible. If the depository bank does not distribute new Series L ADSs as described above, it may sell the Series L Shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

#### *Distributions of Rights*

Whenever we intend to distribute rights to purchase additional Series L Shares, we will give prior notice to the depository bank and we will assist the depository bank in determining whether it is lawful and feasible to distribute rights to purchase additional Series L ADSs to holders.

The depository bank will establish procedures to distribute rights to purchase additional Series L ADSs to holders and to enable such holders to exercise such rights if it is lawful and feasible to make the rights available to holders of Series L ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new Series L ADSs upon the exercise of your rights. The depository bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new Series L Shares other than in the form of Series L ADSs.

The depository bank will *not* distribute the rights to you if:

- we do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- we fail to deliver satisfactory documents to the depository bank; or
- it is not lawful and feasible to distribute the rights.

The depository bank will sell the rights that are not exercised or not distributed if such sale is reasonable and proper. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depository bank is unable to sell the rights, it will allow the rights to lapse.

#### *Other Distributions*

Whenever we intend to distribute property other than cash, Series L Shares or rights to purchase additional Series L Shares, we will notify the depository bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depository bank in determining whether such distribution to holders is feasible.

If it is feasible to distribute such property to you and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will distribute the property to the holders in a manner it deems equitable and practicable. The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will *not* distribute the property to you and will sell the property if:

- we do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- we do not deliver satisfactory documents to the depositary bank; or
- the depositary bank determines that all or a portion of the distribution to you is not feasible.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

### **Changes Affecting Shares**

The Series L Shares held on deposit for your Series L ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such Series L Shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your Series L ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the Series L Shares held on deposit. The depositary bank may in such circumstances deliver new Series L ADSs to you or call for the exchange of your existing Series L ADSs for new Series L ADSs. If the depositary bank may not lawfully distribute such property to you, the depositary bank may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

### **Issuance of ADSs upon Deposit of Shares**

The depositary bank may create Series L ADSs on your behalf if you or your broker deposits Series L Shares with the custodian. The depositary bank will deliver these Series L ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Series L Shares to the custodian. Your ability to deposit Series L Shares and receive Series L ADSs may be limited by U.S. and Mexican legal considerations applicable at the time of deposit.

The issuance of Series L ADSs may be delayed until the depositary bank or the custodian receives confirmation that all required approvals have been given and that the Series L Shares have been duly transferred to the custodian. The depositary bank will only issue Series L ADSs in whole numbers.

When you make a deposit of Series L Shares, you will be responsible for transferring good and valid title to the depositary bank. As such, you will be deemed to represent and warrant that:

- The Series L Shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Series L Shares have been validly waived or exercised.
- You are duly authorized to deposit the Series L Shares.
- The Series L Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the Series L ADSs issuable upon such deposit will not (except as specifically contemplated in the deposit agreement) be, "restricted securities" (as defined in the deposit agreement).
- The Shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

### **Transfer, Combination and Split-Up of Series L ADRs**

As a Series L ADR holder, you will be entitled to transfer, combine or split-up your Series L ADRs and the Series L ADSs evidenced thereby. For transfers of Series L ADRs, you will have to surrender the Series L ADRs to be transferred to the depositary bank and also must:

- ensure that the surrendered Series L ADR certificate is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by Series L ADR holders pursuant to the terms of the deposit agreement, upon the transfer of Series L ADRs.

To have your Series L ADRs either combined or split-up, you must surrender the Series L ADRs in question to the depositary bank with your request to have them combined or split-up, and you must pay all applicable fees, charges and expenses payable by Series L ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split-up of Series L ADRs.

### **Withdrawal of Shares Upon Cancellation of Series L ADSs**

As a holder, you will be entitled to present your Series L ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying Series L Shares at the custodian's offices. Your ability to withdraw the Series L Shares may be limited by U.S. and Mexican law considerations applicable at the time of withdrawal. In order to withdraw the Series L Shares represented by your Series L ADSs, you will be required to pay to the depositary the fees for cancellation of Series L ADSs and any charges and taxes payable upon the transfer of the Series L Shares being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the Series L ADSs will not have any rights under the deposit agreement.

If you hold a Series L ADR registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your Series L ADSs. The withdrawal of the Series L Shares represented by your Series L ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary bank will only accept Series L ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your Series L ADSs at any time, subject to your obligations to pay fees, taxes and similar charges, except for:

- temporary delays that may arise because (i) the transfer books for the Series L Shares or Series L ADSs are closed, or (ii) Series L Shares are immobilized on account of a shareholders' meeting or a payment of dividends; and
- restrictions imposed because of laws or regulations applicable to Series L ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

### **Voting Rights**

Holders of Series L ADRs will be entitled to instruct the Depositary as to the exercise of voting rights attaching to the deposited Series L Shares, and upon receipt of such instructions the Depositary will endeavor, insofar as practicable, to vote or cause to be voted the Series L Shares underlying such Holders' L Share ADRs in

accordance with such instructions. If the Depositary does not receive such voting instructions, the Depositary shall represent the Deposited Securities for which it has not received voting instructions at the relevant shareholders' meeting only for purposes of establishing quorum, unless the Company otherwise requests. In addition, the Depositary will grant a discretionary proxy to a person designated by the Company for all Deposited Securities for which it has not received voting instructions, unless the Company otherwise requests. The voting rights attached to Series L Shares will be limited to the following matters that require the vote of the holders of a majority of the Series A Shares and Series L Shares voting together as one class: (a) transformation of the Company from one type of company to another; (b) any merger in which the Company is not the surviving entity or in which the Company is the surviving entity but the corporate purposes of the merged entity are not related or connected to the corporate purposes of the Company; and (c) cancellation of the registration of the shares issued by the Company at the National Registry of Securities and Brokers or with any other foreign stock exchanges. In addition, holders of Series L Shares will have the right to elect up to two of the Company's 14 directors and a statutory auditor and their corresponding alternate directors and statutory auditor. Except as described above, the holders of Series L Shares have no voting rights. Holders of Series L ADRs have no right to attend shareholders' Meetings or to vote any Series L Shares directly.

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner. Securities for which no voting instructions have been received will not be voted.

### **Fees and Charges**

As a Series L ADS holder, you will be required to pay the following service fees to the depositary bank:

<u>Service</u>	<u>Fees</u>
• Issuance of Series L ADSs	Up to 5¢ per Series L ADS issued
• Cancellation of Series L ADSs	Up to 5¢ per Series L ADS canceled
• Exercise of rights to purchase additional Series L ADSs	Up to 5¢ per Series L ADS issued
• Distribution of cash dividends	No fee (so long as prohibited by NYSE)
• Distribution of Series L ADSs pursuant to stock dividend or other free stock distributions	No fee (so long as prohibited by NYSE)
• Distributions of cash proceeds ( <i>i.e.</i> , upon sale of rights or other entitlements)	Up to 2¢ per Series L ADS held

No fees will be payable by the shareholders in connection with their surrender of TMM ADSs pursuant to the merger or the issuance to them of Grupo TMM ADSs in exchange therefor.

As a Series L ADS holder you will also be responsible for paying certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

- Fees for the transfer and registration of Series L Shares charged by the registrar and transfer agent for the Series L Shares in Mexico (*i.e.*, upon deposit and withdrawal of Series L Shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.

- Taxes and duties upon the transfer of securities (*i.e.*, when Series L Shares are deposited or withdrawn from deposit).

We have agreed to pay certain other charges and expenses of the depositary bank. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes.

### **Amendments and Termination**

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. We undertake to give holders 90 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. Modifications or supplements that are reasonably necessary for the Series L ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay, will not be treated as modifications or amendments that materially prejudice your substantial rights. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your Series L ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the Series L Shares represented by your Series L ADSs (except as permitted by law).

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 60 days before termination.

Upon termination, the following will occur under the deposit agreement:

- For a period of six months after termination, you will be able to request the cancellation of your Series L ADSs and the withdrawal of the Series L Shares represented by your Series L ADSs and the delivery of all other property held by the depositary bank in respect of those Series L Shares on the same terms as prior to the termination. During such six months' period the depositary bank will continue to collect all distributions received on the Series L Shares on deposit (*i.e.*, dividends) but will not distribute any such property to you until you request the cancellation of your Series L ADSs.
- After the expiration of such six months' period, the depositary bank may sell the securities held on deposit. The depositary bank will hold the proceeds from such sale and any other funds then held for the holders of Series L ADSs in a non-interest bearing account. At that point, the depositary bank will have no further obligations to holders other than to account for the funds then held for the holders of Series L ADSs still outstanding.

### **Books of Depositary**

The depositary bank will maintain Series L ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the Series L ADSs and the deposit agreement.

The depositary bank will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of Series L ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

### **Limitations on Obligations and Liabilities**

The deposit agreement limits our obligations and the depositary bank's obligations to you. Please note the following:

- We and the depositary bank are obligated only to take the actions specifically stated in the deposit agreement in good faith and using our best judgment.

- The depositary bank disclaims any liability for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- We and the depositary bank are not obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities, if it represents for us an expense or liability, unless proper indemnity is furnished to our satisfaction.
- We and the depositary bank will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary bank disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our *Estatutos Sociales*, any provision of any securities on deposit or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our *Estatutos Sociales* or in any provisions of securities on deposit.
- We and the depositary bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of Series L ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary bank also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Series L Shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

### **Pre-Release Transactions**

The depositary bank may, in certain circumstances, issue Series L ADSs before receiving a deposit of Series L Shares or release Series L Shares before receiving Series L ADSs for cancellation. These transactions are commonly referred to as "pre-release transactions." The deposit agreement limits the aggregate size of pre-release transactions and imposes a number of conditions on such transactions, including, for example, the need to receive collateral, the type of collateral required, and requiring representations from brokers. The depositary bank may retain the compensation received from the pre-release transactions.

### **Taxes**

You will be responsible for the taxes and other governmental charges payable on the Series L ADSs and the securities represented by the Series L ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue Series L ADSs, to deliver, transfer, split and combine Series L ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

### **Foreign Currency Conversion**

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is reasonable, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not reasonable or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

## **COMPARISON OF RIGHTS OF HOLDERS OF TMM SECURITIES AND GRUPO TMM SECURITIES**

There will be no significant differences in the rights of holders of Grupo TMM stock as compared with the rights of holders of TMM stock. Grupo TMM Series A and L ADS (and the shares and CPOs underlying the ADS) will afford shareholders the same rights that the TMM Series A and L ADS (and the Shares and CPOs underlying the ADS), respectively, currently afford the TMM shareholders.

However, the consent of the board of directors of Grupo TMM will be required for acquisitions that would result in any person acquiring 5% or more of Grupo TMM's Series A Shares in one or more simultaneous or successive transactions. If the approval process is not complied with, the acquiror will not be entitled to vote the acquired Series A Shares and the board of directors must designate one or more approved purchasers for such shares at current market prices. This restriction will only apply to the Series A Shares and not the Series A Share CPO ADSs, and consequently, will not affect U.S. holders.

## MATERIAL TAX CONSIDERATIONS

### General

The following summary describes the principal United States federal income and Mexican federal income tax consequences of the merger and the ownership and disposition of Grupo TMM Series A or L Shares, Series L Share ADSs and Series A Share CPO ADSs by:

- U.S. Holders and non-U.S. Holders (as defined below) in the case of United States federal income tax consequences; and
- holders that are not residents of Mexico for Mexican federal tax purposes, in the case of Mexican federal income tax consequences.

The summary description set forth below with respect to the ownership and disposition of Grupo TMM Series A and Series L Shares, Series L Share ADSs and Series A Share CPO ADSs by the specified types of persons also applies to the ownership and disposition of TMM Series A and Series L Shares, Series L Share ADSs and Series A Share CPO ADSs by those types of persons.

This summary with respect to United States federal income taxes is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), treasury regulations, including proposed regulations and temporary regulations, promulgated under that code, rulings, official pronouncements and judicial decisions, all as in effect on the date of this prospectus. The summary with respect to Mexican federal income tax is based on the Mexican federal fiscal code (*Código Fiscal de la Federación*), the Mexican federal income tax law (*Ley del Impuesto sobre la Renta*) and regulations applicable on the date of this prospectus. All of these are subject to change, possibly with retroactive effect, and to different interpretations. This summary does not address all of the tax consequences that may be applicable to holders of Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, hold or dispose of Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, such as the tax treatment to U.S. Holders that are dealers or that own (actually or constructively under rules prescribed in the Code) 10% or more of the voting shares of TMM.

For purposes of this summary, a "U.S. Holder" is any holder of any of such securities who or which is (i) a citizen or resident of the United States, (ii) a corporation, partnership, or other entity created or organized in or under the laws of the United States, or any political subdivision thereof; (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

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, specified below, is deemed a non-resident of Mexico for tax purposes (a "Foreign Holder"). A natural person is a resident of Mexico if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 days in a taxable year, whether consecutive or not, and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a resident of Mexico if it has been incorporated under the laws of Mexico, or if it has located in Mexico its principal administration or the place of its effective management. If a legal entity or an individual is deemed to have a permanent establishment or fixed base in Mexico for Mexican federal tax purposes, all income attributable to such permanent establishment or fixed base will be subject to Mexican federal taxes, in accordance with applicable laws.

The description of the United States federal income and Mexican federal income tax laws set forth below is based on the laws in force as of the date of this prospectus and is subject to any changes in applicable United States or Mexican tax laws. The governments of the United States and Mexico ratified an income tax treaty and a protocol (together the "U.S.-Mexico Tax Treaty") which came into effect on January 1, 1994. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters.

With respect to the discussion of withholding tax set forth below, Grupo TMM will assume responsibility for withholding at the source.

## **The Merger**

### *U.S. Federal Income Tax Considerations*

In the opinion of Curtis, Mallet-Prevost, Colt & Mosle LLP, counsel for TMM and Grupo TMM, the exchange of TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, for Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, pursuant to the merger will be tax-free under Section 368(a)(1)(D) of the Code. Accordingly, no gain or loss for U.S. federal income tax purposes shall be recognized by TMM or Grupo TMM in the transactions constituting the merger.

For U.S. federal income tax purposes, U.S. holders of TMM Series L Shares, Series L Share ADSs and Series A Share CPO ADSs, as the case may be, who exchange such Shares, ADSs or CPO ADSs, as the case may be, in the merger should not recognize a gain or loss. In addition, holders of Grupo TMM Series L Shares, Series L Share ADSs and Series A Share CPO ADSs, will have a tax basis in such Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, equal to the tax basis that they had in TMM Series L Shares, Series L Share ADSs and Series A Share CPO ADSs, as the case may be, prior to the merger.

An opinion of counsel is based on customary assumptions and representations regarding, among other things, the history of prior dealings between TMM and Grupo TMM, the existing and future ownership of the stock of Grupo TMM and the future business plans of Grupo TMM. Prospective investors should be aware that an opinion of counsel is not binding on the IRS or any court. No ruling from the IRS concerning the tax consequences of the exchange offer has been, or will be, requested by TMM or Grupo TMM.

### *Mexican Federal Income Tax Considerations*

In the opinion of Chevez Ruíz & Zamarripa, special Mexican counsel for TMM and Grupo TMM, the exchange of TMM Series A or L Shares, Series L Share ADSs and Series A Share CPO ADSs, as the case may be, for Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, pursuant to the merger will be tax-free under Mexican tax laws.

An opinion of counsel is based on customary assumptions and representations regarding, among other things, the history of prior dealings between TMM and Grupo TMM, the existing and future ownership of the stock of Grupo TMM and the future business plans of Grupo TMM. Prospective investors should be aware that an opinion of counsel is not binding on the Mexican tax authorities or any court. No ruling from the Mexican tax authorities concerning the tax consequences of the exchange offer has been, or will be, requested by TMM or Grupo TMM.

Holders of TMM Series A Share or L Shares, Series L Share ADSs and Series A Share CPO ADSs, as the case may be, who exchange such Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, for Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, pursuant to the merger should not recognize any taxable gain or loss, if, as expected, the following requirements are met:

Grupo TMM timely files the information and tax returns of TMM corresponding to the fiscal year in which the merger was consummated, and pays any tax liability with respect to such tax returns, and

Grupo TMM timely files with Mexican taxing authorities notice of the merger of TMM into Grupo TMM and timely cancels the tax identification number of TMM.

In addition, holders of Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, will have a tax basis in such Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, equal to the tax basis that they had in TMM Series A or L Shares, Series L Share ADSs and Series A Share CPO ADSs, as the case may be, prior to the merger.

## **Taxation of Distributions**

### *U.S. Federal Income Tax Considerations*

Subject to the "Passive Foreign Investment Company" discussion below, distributions paid out of Grupo TMM's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) with

respect to the Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs will be includible in the gross income of a U.S. Holder as ordinary income when the distributions are received by the depositary or by the U.S. Holder, and will not be eligible for the dividends received deduction otherwise allowable to U.S. Holders that are corporations. To the extent that a distribution exceeds earnings and profits, it will be treated first as a return of the U.S. Holder's tax basis to the extent of such tax basis, and then as gain from the sale or disposition of a capital asset. A U.S. Holder must include in gross income as ordinary income the gross amount of such dividends, including any Mexican tax withheld therefrom, without regard to whether any portion of such tax may be refunded to the U.S. Holder by the Mexican tax authorities. The amount of any dividend paid in Pesos will equal the U.S. dollar value of the Pesos received, calculated by reference to the exchange rate in effect on the date the distribution is includible in income, regardless of whether the Pesos are converted into U.S. dollars. In addition, U.S. Holders may recognize a foreign currency gain or loss (generally treated as an ordinary gain or loss) upon the disposition of such Pesos measured by the difference between such U.S. dollar value and the amount realized on such disposition. Distributions generally will constitute foreign source "passive income" (or, in the case of some holders, "financial services income") for U.S. foreign tax credit purposes.

Subject to certain conditions and limitations, the Mexican tax withheld from dividend payments on Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs will be treated as foreign income tax that may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. However, the Mexican tax may be deducted only if the U.S. Holder does not claim a credit for any Mexican or other foreign taxes paid or accrued in that year.

Distributions of additional Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, if any, to U.S. Holders of Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs that are made as part of a pro rata distribution to all shareholders of Grupo TMM generally will not be subject to U.S. federal income tax.

#### *Mexican Tax Considerations*

In addition to any liability that may result to Grupo TMM from paying dividends to its shareholders, dividends, either in cash or in any other form, paid by Grupo TMM to Foreign Holders of Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs, will be subject to a 5% Mexican withholding tax based on Mexican withholding tax based on the amount of the distributed dividend, multiplied by a factor of 1.5385 (the "Gross-up") which results in a total withholding of approximately 7.7%. The Mexican Supreme Court has ruled that the dividend Gross-up requirement is unconstitutional. However, under Mexican law, the Supreme Court decision is not binding with respect to taxpayers not involved in that specific case. In addition, it may be argued that most tax treaties with Mexico (e.g. the U.S.-Mexico tax treaty) limit the maximum withholding tax on dividends to 5%. Therefore, Grupo TMM will take the position that dividends paid to Foreign Holders of Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs will be subject to a 5% Mexican withholding tax without application of the Gross-up.

### **Taxation of Capital Gains**

#### *U.S. Federal Income Tax Considerations*

Subject to the "Passive Foreign Investment Company" discussion below, in general, upon the sale or other disposition of Grupo TMM Series L Shares or Series L Share ADSs or Series A Share CPO ADSs, a U.S. Holder generally will recognize a gain or loss equal to the difference between the amount realized on such sale or disposition (if the amount realized is denominated in a foreign currency then its U.S. dollar equivalent, determined at the spot rate on the date of disposition) and the U.S. Holder's adjusted tax basis in the Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs (in U.S. dollars). Such gain or loss will be treated as a capital gain or loss if the Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs were held as a capital asset and will be a long-term capital gain or loss if the Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs have been held for more than one year on the date of such sale or other disposition. For this purpose, a U.S. Holder's holding period for the Grupo TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs will generally include its holding period for the TMM Series L Shares, Series L Share ADSs or Series A Share CPO ADSs. Under current law, net capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitation. A gain or loss recognized by a U.S. Holder on a sale or other disposition of Grupo TMM Series L

Shares, Series L Share ADSs or Series A Share CPO ADSs generally will be treated as a gain or loss from sources within the United States for United States federal income tax purposes.

For United States federal income tax purposes, owners of ADSs or CPO ADSs generally will be treated as the owners of the underlying Shares represented by the ADSs or CPO ADSs.

#### *Mexican Tax Considerations*

The sale or other disposition of Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, by Foreign Holders conducted through a recognized stock exchange will not be subject to Mexican income or withholding taxes.

Gains realized by a Foreign Holder on the sale or other disposition of shares representing capital stock of a Mexican corporation (like Grupo TMM) through a recognized stock exchange, such as the Mexican Stock Exchange, are exempt from Mexican income tax if the stock is on the list of publicly-traded shares published by the Ministry of Finance and Public Credit. The Grupo TMM Series A or L Shares, Series L Share ADSs or Series A Share CPO ADSs, as the case may be, are expected to be included on that list.

Under current law, gains realized by a Foreign Holder on the sale or disposition of shares not conducted through a recognized stock exchange generally are subject to a Mexican tax at a rate of 20% of the gross sales price. However, if a Foreign Holder is a resident of a country which is not considered to be a low tax rate country (by reference to a statutory list of low tax rate countries), such Foreign Holder may elect to designate a resident of Mexico as its representative, in which case taxes would be payable at a 40% rate on the gain on such disposition.

However, pursuant to the U.S.-Mexico Tax Treaty, gains realized from the sale or other disposition of shares by a Foreign Holder entitled to claim the benefits of the U.S.-Mexico Tax Treaty, even if the sale is not conducted through a recognized stock exchange, will not be subject to Mexican income tax provided that:

- less than 50% of the assets of Grupo TMM consist of real property situated in Mexico,
- such Foreign Holder did not own 25% or more of the shares representing capital stock of Grupo TMM, directly or indirectly, during the 12-month period preceding such disposition, and
- the gain is not attributable to a permanent establishment or fixed base of such Foreign Holder in Mexico.

Brokerage commissions paid in connection with transactions on the Mexican Stock Exchange are subject to a value added tax of 15%.

#### **Other Mexican Taxes**

There are no inheritance or succession taxes applicable to the ownership, transfer or disposition of Grupo TMM Series A or L Shares, Series L Share ADSs and Series A Share CPO ADSs. There are no Mexican stamp, registration or similar taxes or duties payable by holders of Grupo TMM Series A or L Shares, Series L Share ADSs and Series A Share CPO ADSs.

#### **Passive Foreign Investment Company**

Grupo TMM believes that it is not a passive foreign investment company ("PFIC") for U.S. federal income tax purposes in the current taxable year and does not expect to become a PFIC in future taxable years. However, because the determination of whether Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs constitute shares of a PFIC will be based upon the composition of our income and assets on an annual basis, we cannot assure you that we will not be considered a PFIC for any subsequent taxable year. If the Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs were shares of a PFIC for any fiscal year, a U.S. Holder of Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs would be subject to adverse U.S. federal income tax consequences with respect to any gains realized on the sale or other disposition of the Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs and distributions received with respect to Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs. Prospective investors should consult their own tax advisors as to the effect to them of Grupo TMM being a PFIC and the availability of the "qualified electing fund" or "mark to market" elections.

## **U.S. Taxation of Non-U.S. Holders**

In general, subject to the discussion below of special rules that may apply to certain Non-U.S. Holders and the discussion below of backup withholding:

- payments of dividends and sale proceeds by Grupo TMM or any paying agent to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax,
- gain realized by a Non-U.S. Holder on the sale or other disposition of the Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs will not be subject to U.S. federal income tax or withholding tax, and
- the Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs will not be subject to U.S. federal estate tax, if beneficially owned by an individual who was a Non-U.S. Holder at the time of his death.

Special rules may apply in the case of Non-U.S. Holders:

- that are engaged in a United States trade or business,
- that are former citizens or long-term residents of the United States, "controlled foreign corporations," "foreign personal holding companies", corporations which accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organizations, each within the meaning of the Code, or
- certain non-resident alien individuals who are present in the U.S. for 183 days or more during a taxable year and meet certain other conditions.

Such Non-U.S. Holders are urged to consult their own tax advisors before purchasing the Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs.

## **Information Reporting And Backup Withholding**

Each Depository Trust Company participant or indirect participant holding Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs on behalf of a beneficial owner and each paying agent making payments in respect of Grupo TMM Shares, Series L Share ADSs and Series A Share CPO ADSs will generally be required to provide the IRS with information, including the name, address and taxpayer identification number of the beneficial owner of the Grupo TMM Series Shares, Series L Share ADSs and Series A Share CPO ADSs, and the aggregate amount of dividends and sale proceeds paid to such beneficial owner during the calendar year. These reporting requirements, however, do not apply with respect to certain beneficial owners, including Non-U.S. Holders (who file IRS Form W-8 as discussed below), corporations, securities broker-dealers, other financial institutions, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts.

In the event that a beneficial owner of Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs fails to establish its exemption from such information reporting requirements or is subject to the reporting requirements described above and fails to supply its correct taxpayer identification number in the manner required by applicable law, or underreports its tax liability, as the case may be, a holder may be subject to backup withholding at the rate of 30.5% in 2001 (30% in 2002 and 2003) with respect to dividends and proceeds from the sale or disposition of Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs. This backup withholding tax is not an additional tax and any amounts withheld from a payment to a holder of Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs will be refunded (or credited against such holder's U.S. federal income tax liability, if any) provided that the required information is furnished to the IRS.

Non-U.S. Holders will generally be exempt from information reporting and backup withholding upon filing a timely and properly completed IRS Form W-8.

The U.S. Treasury Department has recently issued final regulations (the "Regulations") that unify current certification procedures and modify reliance standards. The Regulations are generally effective for payments made on or after January 1, 2001. Potential investors and holders of Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs should consult their own tax advisors concerning the adoption of the Regulations and the potential effect on their acquisition, ownership and disposition of Grupo TMM Shares, Series L Share ADSs or Series A Share CPO ADSs.

## MANAGEMENT

### Management of Grupo TMM

After the reorganization, the board of directors of Grupo TMM will consist of those persons who, at the effective time, are serving as directors of TMM. Each director will serve the remaining term of office for which he or she was elected or appointed by the shareholders of TMM. After the reorganization, Grupo TMM's executive officers will be the same persons who are presently employed as executive officers of TMM immediately prior to the merger.

### Committees Of The Board Of Directors

The board of directors of Grupo TMM will constitute committees of the board of directors to mirror the board committee that TMM had in place immediately prior to the effective time, and the directors who served on the TMM committees will continue to serve on the respective committees of the board of directors of Grupo TMM after the reorganization.

### Board of Directors of TMM

TMM's directors and alternate directors, their principal occupations and years of service (rounded to the nearest year) as a director or alternate director are as follows:

<u>Name</u>	<u>Principal Occupation</u>	<u>Years as a Director or Alternate Director</u>	<u>Age</u>
<b>Directors</b>			
José F. Serrano Segovia*	Chairman of the Board, Chief Executive Officer, TMM	29	60
Ramón Serrano Segovia*	Vice-Chairman, Grupo TMM, S.A. de C.V.	13	55
Javier Segovia Serrano*	President, TMM	13	40
Juan Ignacio López Fernández	Executive Vice President - Commercial, TFM	2	43
John Newbold	Private Investor	3	65
John Donnelly	Managing Director - JP Morgan Chase Manhattan	1	55
Lorenzo Cué Sánchez Navarro	Private Investor	10	35
Ignacio Rodríguez Rocha	Attorney	9	64
Jacinto Marina Cortés*	Chief Financial Officer, TMM	10	49
Mario Mohar Ponce*	President, Grupo TFM	5	52
Enrique Vilatela Riva	Consultant	8	47
José Serrano Cuevas	College Student	3	21
Ricardo Guajardo Touché <sup>(1)</sup>	General Director, Bancomer, S.A.	10	53
Carlos Gómez y Gómez <sup>(1)</sup>	Chairman, Grupo Financiero Santander Mexicano, S.A.	10	52
<b>Alternate Directors</b>			
Gerardo Primo Ramírez	General Director, Land Transportation, TMM	10	48
Lydia Velasco Ruiz de Velasco	Corporate Audit Director, TMM	3	60
Enrique Martínez Sánchez	Tax Director, TMM	6	59
Juan Fernández Galeazzi	Finance Director, TMM	1	32
Francisco Kassian Díaz	General Director, Ports and Terminals, TMM	10	53

<u>Name</u>	<u>Principal Occupation</u>	<u>Years as a Director or Alternate Director</u>	<u>Age</u>
Antonio Cúe Sánchez Navarro	Private Investor	10	31
Brad Lee Skinner	Senior Vice President, TMM	2	53
Horacio Reyes Guzman	Corporate Planning Director, TMM	2	44
Mario A. González Padilla	Chief Financial Officer, TFM	3	43
Humberto Molina Medina	Deputy General Director, Banco Nacional de Comercio Exterior, S.N.C.	2	48
Romualdo Segovia Serrano	Attorney	13	40
Silverio Di Costanzo	General Director, Specialized Maritime, TMM	1	45
Juan Carlos Braniff Hierro <sup>(1)</sup>	Private Investor	3	44
Marcos Martínez Gavica <sup>(1)</sup>	Director, Grupo Financiero Santander Mexicano, S.A.	5	47

(\*)Members of the Executive Committee

(1) Elected by holders of series L Shares

The directors were elected for a one-year term by the holders of the Series A Shares and Series L Shares at the 2001 Annual General Ordinary Shareholders' Meeting held on April 25, 2001. As a result of its ownership of Series A Shares, Grupo TMM currently has and after the merger, members of the Serrano Segovia family will have, the ability to elect at least eight of the 12 directors to be elected by the holders of Series A Shares.

A brief description of each director's principal activities performed outside of the Company, including directorships, if applicable, is set forth below:

José F. Serrano Segovia has served as a director and as our Chairman and Chief Executive Officer since 1990. He has owned, through family-owned companies, various companies in Mexico since 1972.

Ramon Serrano Segovia has served as Vice Chairman of Grupo TMM since 1987.

Javier Segovia Serrano has served as President of TMM since 1999 and has served in various capacities in companies owned by Grupo TMM since 1987.

Juan I. López Fernández has served as Executive Vice President – Commercial for TFM since 1997 and has worked for the Serrano family in various companies during the past 17 years.

John Newbold is a retired executive of Citibank and is currently a private investor. He is a member of the Boards of Timex Group B.V. (Director), Chartering Solutions, Inc. (Chairman and Director), Merchants Fund, Inc. (Chairman and Director) and Castalia Partners, Ltd. (Director).

John Donnelly is a Managing Director of JP Morgan Chase Manhattan – Mexico and has worked for JP Morgan Chase (previously Manufacturers Hanover, Chemical Bank and Chase Manhattan Bank) in various capacities since 1971. Mr. Donnelly is a member of the Boards of Arrendadora Atlas, Grupo Industrial Durango and Club de Banqueros de Mexico. He is also member of the Board of the American Chamber of Commerce of Mexico.

Lorenzo Cué Sánchez Navarro is a private investor. He is a member of the Board of BCB Impulse Ingeniería Inmobiliaria (Mexico).

Ignacio Rodríguez Rocha is an attorney in private practice since 1960. He is a member of the Boards of Automotriz México, S.A. de C.V., Chevy San Carlos, S.A. de C.V. Cominsa Factoraje, S.A. de C.V. and Diesel de Toluca, S.A. de C.V.

Jacinto Marina Cortés has served as Chief Financial Officer for TMM since 1994 and as a director of TMM since 1992. He has also served in various other capacities with TMM since 1991. Mr. Marina previously served as an executive officer of several other Mexican companies in the transportation services and manufacturing sectors, including *Mexicana de Aviación, S.A., Hoteles Camino Real S.A. de C.V.* and *Cementos Anahuac, S.A.*

Mario Mohar Ponce joined TFM in November 1996. Mr. Mohar has eight years of experience in the Mexican transportation industry in a variety of positions. Mr. Mohar founded *Kingsley de México* and was its Chief Executive Officer from March 1994 until November 1996. From November 1990 until February 1994, Mr. Mohar served as Chief Operating Officer of TMM. Prior to joining TMM, Mr. Mohar was Chief Executive Officer of *Hules Mexicanos, S.A. de C.V.*, a leading Mexican petrochemical company. Mr. Mohar is also the President and Chief Executive Officer of the Texas Mexican Railway Company.

Enrique Vilatela Riva served as General Director of Banco Nacional de Comercio Exterior, S.N.C. until December 2000. Presently, he works as a private financial and international consultant. He is member of the Board of Grupo AFI (Mexico).

José Serrano Cuevas is currently a college student. Mr. Serrano is the son of José F. Serrano Segovia, our chairman.

Ricardo Guajardo Touché has served as Chairman of the Board of Grupo Financiero BBVA Bancomer since September 2000. Mr. Guajardo is currently a member of the Boards of Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), Fomento Económico Mexicano (FEMSA), Grupo Valores Monterrey (VAMSA), Grupo Industrial Alfa, El Puerto de Liverpool and Grupo Aeroportuario del Sureste (ASUR).

Carlos Gómez y Gómez is President of Grupo Financiero Santander Serfín, S.A. de C.V. He is a member of the Boards of Desc, Sociedad de Fomento Industrial, S.A. de C.V., Bolsa Mexicana de Valores, Grupo Yoreda, S.A. de C.V., Grupo Ceslo, S.A. de C.V. and Grupo de Industriales, A.C.

All alternate directors are employed by TMM with the exception of Antonio Cué Sánchez Navarro who is a private investor, Romualdo Segovia Serrano who is a partner of Haynes and Boone S.C., Humberto Molina Medina who is Deputy General Director of *Banco Nacional de Comercio Exterior, S.N.C.*, Juan Carlos Braniff Hierro who is a private investor and Marcos Martinez Gavica who is a Director of *Grupo Financiero Santander Mexicano, S.A.*

### **Executive Officers**

TMM's executive officers serve and Grupo TMM's officers will serve at the discretion of the Board of Directors. Our executive officers, their position and years of service with TMM and as an executive officer are as follows:

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Years with TMM</u></b>	<b><u>Years as Executive Officer</u></b>
<b><u>Corporate Directors</u></b>			
José F. Serrano Segovia	Chairman of the Board, Chief Executive Officer, TMM	27	10
Javier Segovia Serrano	President	13	5
Jacinto Marina Cortés	Chief Financial Officer	11	10
Luis Calvillo Capri	Corporate Director of Human Resources and Communication	7	2
Horacio Reyes	Corporate Planning Director	7	2
José Manuel Muñoz	Corporate Legal Director	7	2
Brad Lee Skinner	Senior Vice President	6	2
Lydia Velasco Ruiz de Velasco	Corporate Audit Director, TMM	5	5
<b><u>Business Unit Directors</u></b>			
Mario Mohar Ponce	General Director, TFM	13	5
Gerardo Primo Ramírez	General Director, Land Transportation	10	10
Francisco Kassian Díaz	General Director, Ports and Terminals	28	19
Silverio Di Costanzo	General Director, Specialized Transportation	17	6

José F. Serrano Segovia, who is chairman of the Board of Directors and Chief Executive Officer of TMM, is a brother of Ramón Serrano Segovia, who is a member of the Board of Directors of TMM. Both brothers control Grupo TMM which holds a majority of TMM's A Shares. Javier Segovia Serrano, a member of the Board of Directors and President of TMM, is the nephew of both José Serrano Segovia and Ramón Serrano Segovia. José Serrano Cuevas, who is a member of the Board of Directors, is the son of José Serrano Segovia. Romualdo Segovia Serrano, who is an alternate director is the nephew of both José Serrano Segovia and Ramón Serrano Segovia and is Javier Segovia Serrano's brother.

### **Compensation**

For the year ended December 31, 2000, the aggregate compensation paid to TMM's 34 directors, alternate directors and executive officers for services in all capacities, including the consideration paid by Grupo TMM to Mr. José Serrano Segovia for his services, was approximately \$3.93 million using the noon buying rate on December 31, 2000. See "Material Contracts Between TMM And Grupo TMM".

#### *Pension, retirement or similar benefits*

All Mexican officers and employees of TMM are participants in our retirement plan. In general, (1) contributions average 11.49% of the participant's compensation (as defined in the plan) depending on the length of the participant's employment; (2) benefits under the retirement plan are payable when a participant reaches the age of 60 or on the date the participant actually retires; and (3) benefits are payable as an annuity paid monthly during the lifetime of the employee. As of December 31, 2000, the Company had accrued \$11.3 million to provide pension, retirement and other similar benefits. [See Notes 17 and 18 to our Financial Statements.](#)

## **LEGAL MATTERS**

Haynes & Boone, S.C., Mexico, has passed upon certain legal matters in connection with the shares of Grupo TMM. Curtis, Mallet-Prevost, Colt & Mosle LLP, New York, New York, as special U.S. counsel has passed upon U.S. tax consequences of the reorganization referred to in "Material Tax Considerations." Chevez Ruíz & Zamarripa has rendered an opinion regarding the Mexican tax consequences of the reorganization referred to in "Material Tax Considerations."

## **EXPERTS**

The Grupo TMM Financial Statements included in this prospectus, except as they relate to TMM, have been audited by PricewaterhouseCoopers S.C., independent accountants, and, insofar as they relate to TMM, by Mancera S.C., independent accountants, whose reports thereon appear herein. Such financial statements have been so included in reliance on the reports of such independent accountants given on the authority of such firms as experts in auditing and accounting.

The financial statements of Grupo TFM included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers S.C., independent accountants, given on the authority of said firm as experts in auditing and accounting.

## **WHERE YOU CAN FIND MORE INFORMATION**

Grupo TMM has filed with the SEC a registration statement on Form F-4 under the Securities Act of 1933. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some parts of which are omitted as permitted by the rules and regulations of the SEC. For further information, reference is made to the registration statement.

Statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. With respect to each contract, agreement or other document filed as an exhibit to the registration statement or otherwise filed with the SEC, reference is made to the copy so filed, and each such statement shall be deemed qualified in its entirety by this reference.

TMM is, and after the reorganization, Grupo TMM will be, subject to the informational requirements of the Securities Exchange Act of 1934. Reports and other information contain additional information about our company. You can inspect and copy these materials at the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information about the Public Reference Room by calling the Commission at 1-800-SEC-0330. Copies of reports, proxy and information statements and other information regarding registrants that file electronically, which includes TMM, are available on the Commission's Web Site at <http://www.sec.gov>.

Upon completion of the reorganization, the TMM shares will no longer be traded on the NYSE and will no longer be registered pursuant to Section 12 of the Exchange Act.

**NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.**

Neither delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus.

## **FINANCIAL STATEMENTS**

**MERGER AGREEMENT**

**MERGER AGREEMENT, DATED DECEMBER 3, 2001, EXECUTED BY:**

1. Grupo TMM, S.A. de C.V., as merged company, represented in this act by Mr. José F. Serrano Segovia and Mr. Ramón Serrano Segovia, (hereinafter "Grupo TMM"); and
2. Transportación Marítima Mexicana, S.A. de C.V., as merging company, represented in this act by Mr. José F. Serrano Segovia and Mr. Javier Segovia Serrano, (hereinafter "TMM"),

in accordance with the following Statements and Clauses.

**STATEMENTS**

I. Grupo TMM represents and warrants through its agents that:

- a) It is a corporation duly organized and validly existing, under the laws of the Mexican United States ("Mexico").
- b) On the date when the proposed merger becomes effective Grupo TMM shall not have, obligations or liabilities (direct or contingent) of any nature other than taxes exceeding altogether the sum of US\$500,000.00 (FIVE HUNDRED THOUSAND 00/100) dollars ("Dollars"), legal tender of the United States of America ("United States"), or its equivalent in any other currency.
- c) The outstanding corporate stock of Grupo TMM as of the date of this Agreement is represented by 21,854,504 Series "A" shares, all of them common, registered, without par value, representing the fixed part of its corporate stock.
- d) All the shares representing the corporate stock of Grupo TMM as of the date of this Agreement are fully subscribed and paid up.
- e) Grupo TMM has not issued "founders shares" or "retired benefits shares" that are outstanding, and there is no agreement granting any person the right to acquire shares representing its corporate stock.
- f) As a result of the proposed merger, the corporate stock of Grupo TMM shall be increased through the issuance of (i) 20,867,849 new Series "A" shares, all of them common, registered, without par value, representing the fixed part of its corporate stock, and (ii) 14,240,784 new Series "L" shares, all of them with limited corporate rights, registered, without par value, representing the variable part of its corporate stock.
- g) Once the proposed merger becomes effective, the corporate stock of Grupo TMM shall be represented by the same number of Series "A" and Series "L" shares of the corporate stock of TMM.
- h) The rights of the Series "A" and "L" shares of its corporate stock, confer upon their holders the same rights of the Series "A" and "L" shares, respectively, of the corporate stock of TMM.
- i) Its agents have the powers and faculties necessary to execute this Agreement, which as of this date have not been revoked, restricted, or modified in any manner.

II. TMM represents and warrants through its agents that:

- a) It is a corporation duly organized and validly existing, under the laws of Mexico.
- b) All the shares representing its corporate stock as of the date of this Agreement are fully subscribed and paid up.
- c) TMM has not issued "founders shares" or "retired benefits shares" that are outstanding, and there is no agreement granting any person the right to acquire shares representing its corporate stock.
- d) Its agents have the powers and faculties necessary to execute this Agreement, which as of this date have not been revoked, restricted, or modified in any manner.

In consideration of the foregoing, the parties agree to abide by the following:

## **CLAUSES**

### **ONE. Merger Agreement.**

Subject to the fulfillment of the conditions provided by Clause Two below, the parties expressly agree hereby to merge TMM with and into Grupo TMM.

Grupo TMM shall survive as merged company and TMM shall disappear as merging company.

Hereinafter, and for purposes of this Agreement, the agreed merger shall be referred to as the "Merger".

### **TWO. Conditions Precedent.**

The merger shall be subject to the fulfillment of the following conditions precedent:

1. That the general extraordinary shareholders' meetings of Grupo TMM and TMM have approved the Merger and this Agreement;
2. That after the Merger and the exchange of Grupo TMM shares for TMM shares referred to by Clause Seven below, the corporate stock of Grupo TMM shall be represented by 42,722,353 Series "A" shares, representing the minimum fixed part, without withdrawal rights, of Grupo TMM's corporate stock, and by 14,240,784 Series "L" shares, representing the variable part of Grupo TMM's corporate stock.
3. That after the Merger becomes effective, the Series "A" shares of Grupo TMM's corporate stock are common, registered, without par value, and the Series "L" shares of Grupo TMM's corporate stock confer upon their holders the rights referred to by Clause Six below, and are registered, without par value, representing the variable part of Grupo TMM's corporate stock.
4. That after the Merger becomes effective, the bylaws of Grupo TMM are substantially similar to the bylaws of TMM prior to the Merger, except for (i) any new requirements of the Securities Market Law, and (ii) a restriction to the effect that the acquisition of Series "A" shares representing 5% or more of the Series "A" shares of the capital stock of Grupo TMM will require the prior approval of the Board of Directors of Grupo TMM, as such clause is to be contained in such bylaws;
5. That all the shares representing the corporate stock of Grupo TMM are duly recorded in the securities section and, with respect to the Series "L" shares, in the special section of the National Registry of Securities;
6. That the Series "A" and Series "L" shares of the corporate stock of Grupo TMM are listed in the Mexican Stock Exchange and are susceptible of being quoted thereon;
7. That the registration form "Form F-4", and any other form or document that must be registered with the Securities and Exchange Commission of the United States pursuant to the securities laws of the United States, is approved or declared effective by such Commission; and
8. That the listing of american depository shares referred to the CPO's, on the one hand, and to the Series "L" shares of the corporate stock of Grupo TMM, on the other hand, is authorized by the New York Stock Exchange, and are susceptible of being quoted thereon upon the effectiveness of the Merger.
9. That Grupo TMM shall resolve its split-up (*escisión*) prior to the Merger, provided that Grupo TMM is to survive such split-up (*escisión*) whereby it will transfer all of its assets, rights and privileges (other than 21,854,504 Series "A" shares of the capital stock of TMM owned by it), and all of its liabilities (other than tax liabilities), to a newly formed corporation resulting from such split-up (*escisión*).

### **THREE. Publications, Registries and Effectiveness.**

The parties agree that immediately after the general extraordinary shareholders' meetings of Grupo TMM and of TMM that approve the Merger and this Agreement, a summary of the merger agreements and of the general balances of Grupo TMM and TMM serving as the basis for the merger shall be published in the Official Dairy

Gazette of the Federation. The merger agreements shall be immediately recorded in the Public Property and Commerce Registry of the domicile of the parties.

The Merger shall be effective on the date in which the merger agreements are duly recorded in the Public Property and Commerce Registry of the domicile of each of the parties pursuant to the provisions of Article 225 of the General Corporations Law.

Pursuant to the provisions of Article 225 of the General Corporations Law, Grupo TMM hereby agrees to pay upon demand those creditors of Grupo TMM or of TMM that do not consent to the Merger. These creditors shall be able to demand the payment of their debts in the offices of Grupo TMM, as merged company, located in Avenida de la Cúspide No. 4755, Col. Parques del Pedregal, C.P. 14010, Mexico, Federal District, at any time following the date on which the Merger becomes effective pursuant to this Agreement and applicable laws.

**FOUR. Financial Information Serving as the Basis for the Merger.**

The parties agree that the balances serving as the basis for the Merger for TMM, as merging company, shall be the individual balance sheet of Grupo TMM and of TMM as of June 30, 2001 that are attached to this Agreement as Appendix "A" and "B", considering the appropriate adjustments to the date on which the Merger becomes effective.

**FIVE. Universal Transfer of TMM's Patrimony.**

On the date when the merger becomes effective and as a consequence thereof, all of the assets, shares, rights and privileges, all the liabilities, obligations and responsibilities and in the broadest sense allowed by the law, all the patrimony of TMM, regardless of the nature or class of said assets, shares, rights, privileges, liabilities, obligations, responsibilities, or patrimony, shall automatically pass by operation of law to Grupo TMM as merged company.

**SIX. Issuance of Grupo TMM Shares.**

As a result of the Merger, Grupo TMM shall issue 20,867,849 Series "A" shares, all of them common, without par value, representing the fixed part of the corporate stock of Grupo TMM, and 14,240,784 Series "L" shares, which shall have the limited rights provided in this Clause, without par value, representing the variable part of the corporate stock of Grupo TMM.

The new Series "L" shares that Grupo TMM issues as a result of the Merger shall have the right to appoint up to two members of the board of directors of Grupo TMM and to vote in the general extraordinary shareholders' meeting of Grupo TMM in the following matters:

- a) Transformation of the Company;
- b) Merger with another company, as merging or merged company, when the merging company has corporate purposes that are not related or connected to the purposes of the merged company; and
- c) Cancellation of the registration of the shares issued by Grupo TMM in the securities or special section of the National Registry of Securities and in the national and foreign stock exchanges where they are registered or listed.

It is expressly agreed and understood by the parties that the holders of Series "L" shares representing the corporate stock of Grupo TMM, shall not have the power to determine the management of Grupo TMM, its investments, increases or decreases of its corporate stock, the issuance or amortization of shares representing its corporate stock, the amendment of its bylaws or its dissolution or liquidation.

**SEVEN. Share Exchange.**

The holders of Series "A" shares of the corporate stock of TMM (other than Grupo TMM), shall receive as a result of the Merger one Series "A" share of the corporate stock of Grupo TMM for each Series "A" share of the corporate stock of TMM, and the holders of Series "L" shares of the corporate stock of TMM (other than Grupo TMM), shall receive as a result of the Merger, one Series "L" share of the corporate stock of Grupo TMM for each Series "L" share of the corporate stock of TMM.

All shares of the corporate stock of TMM, including those owned by Grupo TMM, regardless of their series, shall be cancelled as a result of the Merger.

**EIGHT. Share exchange mechanism.**

On the date the Merger becomes effective, Grupo TMM shall issue a provisional stock certificate for the Series "A" shares of its corporate stock that shall represent the same number of shares represented by the global certificate of Series "A" shares of the corporate stock of TMM currently deposited in S.D. Indeval, S.A. de C.V. ("Indeval"). On that same date, Grupo TMM shall deposit in Indeval this provisional stock certificate of Series "A" shares, upon the delivery by Indeval to Grupo TMM of the final global certificate of Series "A" shares of the corporate stock of TMM currently deposited with Indeval with coupon numbers 7 on, which shall be cancelled for all legal effects, and Indeval shall distribute the deposited Series "A" shares of the corporate stock of Grupo TMM among the depositors, following the procedures established by Indeval.

Similarly, on the date the Merger becomes effective, Grupo TMM shall issue a provisional stock certificate for the Series "L" shares of its corporate stock that shall represent the same number of shares represented by the global certificate of Series "L" shares of the corporate stock of TMM currently deposited in Indeval. On that same date, Grupo TMM shall deposit in Indeval this provisional stock certificate of Series "L" shares, upon the delivery by Indeval to Grupo TMM of the final global certificate of Series "L" shares of the corporate stock of TMM currently deposited with Indeval with coupon numbers 7 on, which shall be cancelled for all legal effects, and Indeval shall distribute the deposited Series "L" shares of the corporate stock of Grupo TMM among the depositors, following the procedures established by Indeval.

The shareholders of TMM (that are not shareholders of Grupo TMM) that directly hold the certificates representing their shares of TMM corporate stock, shall exchange these certificates, with coupon numbers 7 on, for new final share certificates with coupon No. 1 issued by Grupo TMM for that purpose, in the domicile of Grupo TMM indicated in the signature pages of this Agreement, to the Attention of Mr. José Manuel Muñoz Arteaga.

**NINE. Directors and Statutory Auditor.**

The directors and the statutory auditor of TMM shall remain in office until the date when the Merger becomes effective pursuant to this Agreement, and from that date their offices shall end for all purposes.

**TEN. Termination.**

The parties agree that Grupo TMM and TMM may terminate this merger agreement and abandon the merger, notwithstanding such agreement and the merger shall have been approved by the general extraordinary shareholders meetings of Grupo TMM and TMM, in the event that the board of directors of Grupo TMM and the board of directors of TMM shall jointly determine prior to the date on which the merger is registered in the Public Registry of Commerce of the domicile of Grupo TMM and TMM, that the merger will have a material adverse effect for the shareholders of Grupo TMM or for the shareholders of TMM, as the case may be.

**ELEVEN. Applicable Law: Jurisdiction.**

a) This Agreement shall be governed by the General Corporations Law, and other applicable laws of Mexico.

b) For everything related to the interpretation and performance of this Agreement, the parties expressly and irrevocably submit to the jurisdiction of the appropriate courts of Mexico City, Federal District, and expressly waive any other forum or jurisdiction available to them as a matter of law.

IN WITNESS WHEREOF, the parties sign this Agreement through their agents, duly authorized for that purpose, on the date indicated in the preface of this document.

[SIGNATURE PAGES BELOW]

GRUPO TMM, S.A. DE C.V.

/s/ José F. Serrano Segovia  
By: Ing. José F. Serrano Segovia  
Title: Presidente del Consejo de  
Administración

/s/ Ramón Serrano Segovia  
By: Sr. Ramón Serrano Segovia  
Title: Vice-presidente del Consejo  
de Administración

TRANSPORTACION MARITIMA MEXICANA, S.A. DE C.V.

/s/ José F. Serrano Segovia  
By: Ing. José F. Serrano Segovia  
Title: Presidente del Consejo de  
Administración

/s/ Javier Segovia Serrano  
By: Lic. Javier Segovia Serrano  
Title: Director General

**GRUPO TMM, S. A. DE C. V.**  
**CONSOLIDATED BALANCE SHEETS**

(amounts in thousands of US dollars, except per share amounts)

	June 30
	2001 (unaudited)
<b>Current Assets:</b>	
Cash and cash equivalents .....	\$ 90,269
Accounts receivable, net of allowance for doubtful accounts of \$24,718 at June 30, 2001	153,132
Related parties	
Other accounts receivable – Net .....	88,103
Materials and supplies .....	29,371
Other current assets .....	17,631
Discontinued assets .....	4,836
Total current assets .....	383,342
<b>Long-term investments</b>	
Due from Mexican Government .....	82,803
Concession rights and related assets – Net .....	1,299,094
Property, machinery and equipment – Net .....	671,828
Deferred costs and other assets .....	75,855
Equity investments .....	18,819
Deferred income taxes .....	217,420
Discontinued non-current assets .....	9,254
Total assets .....	\$ 2,758,415
<b>Liabilities and stockholders equity</b>	
<b>Short term liabilities:</b>	
Current portion of long-term debt .....	\$ 67,939
Obligations for sale of receivables	
Accounts payable and accrued expenses .....	177,136
Related parties .....	1,274
Discontinued short-term liabilities .....	61,255
Total short-term liabilities .....	307,604
Long-term debt .....	1,220,383
Dividends payable .....	9,803
Reserve for pensions and seniority premiums .....	12,839
Other long-term liabilities .....	24,300
Discontinued long-term liabilities .....	16,866
Total long-term liabilities .....	1,284,191
Total liabilities .....	1,591,795
Minority interest .....	1,158,563
<b>Commitments and contingencies</b>	
<b>Stockholders' equity</b>	
Common stock, 17,441,590 shares authorized, issued and outstanding without par value .....	29,900
Deficit .....	(4,086)
Initial accumulated translation loss .....	(17,757)
Total stockholders' equity .....	8,057
Total liabilities and stockholders' equity .....	\$ 2,758,415

**Transportacion Maritima Mexicana, S.A. de C.V. and subsidiaries**  
**\* Consolidated Balance Sheet**  
**– millions of dollars –**  
**unaudited**

	<u>June 30, 2001</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents.....	90.269
Accounts receivable	
Accounts receivable - Net.....	153.132
Other accounts receivable.....	88.103
Materials and supplies .....	29.371
Other current assets .....	<u>17.631</u>
Total current assets .....	<u>378.506</u>
Due from the Mexican Government (LONG-TERM).....	82.803
Concession rights and related assets .....	1,299.094
Property, machinery and equipment.....	671.828
Other assets .....	94.674
Deferred income taxes .....	204.586
Discontinued non - current assets .....	<u>3.000</u>
<b>TOTAL ASSETS.....</b>	<b><u>2,734,491</u></b>
<b>CURRENT LIABILITIES</b>	
Bank loans and current maturities of long-term liabilities .....	67.939
Suppliers.....	71.527
Other accounts payable and accrued expenses.....	<u>107.152</u>
Total current liabilities .....	<u>246.618</u>
REVENUE AND COSTS OF VOYAGES IN PROCESS-NET, AND OTHER DEFERRED CREDITS.....	<u>3,415</u>
<b>LONG-TERM LIABILITIES</b>	
Bank loans and other obligations.....	1,220.383
Other long-term liabilities .....	<u>43.527</u>
Total long-term liabilities .....	<u>1,263.910</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>1,513.943</u></b>
MINORITY INTEREST .....	<u>1,059.161</u>
<b>STOCKHOLDERS' EQUITY</b>	
Capital stock.....	105.915
Premium on sale of stock.....	71.407
Reserve for repurchase of shares .....	20.734
Retained earnings.....	26.581
Initial translation loss.....	<u>(63.250)</u>
<b>TOTAL STOCKHOLDERS' EQUITY.....</b>	<b><u>161.387</u></b>
<b>TOTAL LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY.....</b>	<b><u>2,734,491</u></b>

\* Prepared in accordance with International Accounting Standards

**CORPORATE CHARTER AND BY-LAWS OF GRUPO TMM**

**CHAPTER I  
GENERAL PROVISIONS**

**NAME**

**ONE.** The name of the Company is "GRUPO TMM", which shall always be followed by the words SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, or the abbreviation S.A. DE C.V.

**DOMICILE**

**TWO.** The domicile of the Company is Mexico City, Federal District, without prejudice to establishing agencies, subsidiaries, offices, warehouses or branch offices anywhere in the Republic of Mexico and abroad, without implying by these actions a change in domicile. The Company will be able to designate conventional domiciles in the legal acts it executes.

**TERM**

**THREE.** The Company's term of duration will be ninety nine years, beginning on August 14, 1987. Said term shall be extended on one or more occasions, as determined by the Extraordinary General Shareholders' Meeting of the Company.

**PURPOSE**

**FOUR.** The Company shall have as its purpose:

A) To purchase interests or shares in other mercantile or civil companies, forming part, either upon their incorporation or purchasing shares or interests in existing companies, as well as to dispose of or transfer such shares or interests. Companies in which Grupo TMM owns a majority of shares must not directly or indirectly invest in shares of Grupo TMM, nor in any other company that in turn is the majority Shareholder thereof;

B) To promote, organize and manage all kinds of mercantile or civil companies;

C) To manufacture, furnish, prepare and repair on behalf of itself or others, all types of shipments, both in Mexico as well as abroad;

D) To establish and exploit shipping services for the transportation of cargo and passengers, within Mexico and abroad;

E) To build, install and maintain, both in Mexico and abroad, on its own behalf and on behalf of others, piers, docks, signal service repair shops, meteorological stations and the respective equipment, as well as all services related thereto;

F) To purchase or in any way acquire and sell or in any other way transfer, on its own behalf or on behalf of others, all kind of shipments or any other machinery or apparatus for maritime transportation, as well as their engines, spare parts, fuel and lubricants;

G) To install and maintain communication systems by radio, telegraph, telephone or any other means for corporate business or for any other purpose pursuant to applicable legislation;

H) To operate and participate in the national railway system, either directly or through businesses in whose capital stock the Company has an interest;

I) To receive and promote advisory services, through all classes of individuals or companies, Mexican or foreign, of all services necessary for the fulfillment of its corporate purposes;

J) To grant loans to mercantile or civil companies in which it has a majority interest or of which it is a major shareholder or in which it may appoint the majority of the managing bodies or to third parties in its ordinary course of business;

K) To obtain, acquire or utilize and/or enjoy, through national or foreign financial groups, all kinds of funds and economic resources necessary for the fulfillment of its corporate purpose, as well as to obtain and grant loans or credits, with or without guarantee, execute all kinds of credit agreements, issue bonds and any other credit instrument that are issued in series or that are in any other manner placed among the public investors, in Mexico as well as abroad;

L) To grant, draw, issue, accept, endorse, certify, guaranty, or by any means subscribe, even by means of an endorsement, every class of credit instruments, and grant every type of guarantee, personal or real, to guaranty the debt of the subsidiaries in which it is holder of the majority of the shares, as well as of their subsidiaries, in the realization of the corporate purposes of the Company;

M) To execute all types of trust agreements necessary for the realization of its corporate purposes;

N) To acquire as owner, to lease, to possess, enjoy, and in general, utilize and manage all kinds of property or real estate, as well as the real rights provided by the laws of Mexico or other countries, in accordance with the requirements that the same demand and that are necessary or convenient for the fulfillment of its corporate purpose, with the understanding that it will not acquire, possess or manage real estate with agricultural ends;

O) To promote, organize, participate and enter into contracts for, contests, biddings, operations, events, meetings, exhibitions, advertisings, training and development programs, market research, and innovations, and generally to participate in all those events and meetings that are necessary or convenient for the realization of its corporate purpose, whether in Mexico or abroad, and with Mexican or foreign individuals or companies;

P) To enter into contracts, on its own behalf or on behalf of others, in Mexico as well as abroad, with Mexican or foreign individuals or companies, of advertising mediums, as well as the sale or purchase of advertising spaces, and in general of everything related to the information and mass media industry, that are necessary or convenient for the attainment of its corporate purpose;

Q) To carry out, on its own behalf or on behalf of others, in Mexico as well as abroad, and with every type of Mexican or foreign individuals or companies, training and development programs, and research programs, that are necessary or convenient for the realization of its corporate purposes;

R) To solicit and obtain, under any title, the concessions and permits and exercise the rights derived therefrom, as well as to register and obtain a patent or act as an intermediary or negotiator, and acquire by means of any legal title, in Mexico as well as abroad, with Mexican or foreign persons, every class of inventions, utility models, industrial designs, brands, as well as advertisements, commercial names, franchises, authorizations, licenses, sublicenses, concessions, options, preferences, rights on them and in general every type of use and development of intellectual, industrial, literary or artistic property rights, that are necessary or convenient for the realization of its corporate purposes;

S) To be agent or representative, attorney in fact, distributor, and/or intermediary, in Mexico as well as abroad, of Mexican or foreign individuals or companies, when necessary or related to the realization of its corporate purposes;

T) To execute and/or carry out in Mexico or abroad, on its own behalf or on behalf of others, every type of agreement, whether civil, commercial or of any other nature, or civil, mercantile, principal or guarantee agreements, or of any other type allowed by the law, being able to act as guarantor, endorser or in any other capacity, including that of sole or joint debtor, to guarantee the debt and obligations of the subsidiaries in which it owns a majority of the shares, as well as their subsidiaries, in the realization of the Company's corporate purpose;

U) Generally, to carry out the other activities and execute all acts and agreements that are necessary for the realization of its corporate purpose, or that have to be performed under any provision of law.

## **NATIONALITY**

**FIVE.** The Company is of Mexican nationality, as it is constituted pursuant to the applicable laws of the United Mexican States and has its corporate domicile in the country.

The Company shall not admit, as subscribed Shareholders or Series "A" Shareholders, foreign investors and companies without the foreigners exclusion clause, nor shall it recognize any of the partners or Shareholders rights of such investors or companies.

Series "L" shares may be purchased by Mexican investors and/or individuals and companies and other persons referred to in Clause Seven of these Bylaws. Investment made by foreigners by means of purchasing Series "L" shares, by not granting Shareholders the same corporate rights as those granted for Series "A" shares nor the ability to determine the Company's management, shall be considered a neutral investment and therefore shall not be computed as foreign investment in the Company's capital stock.

The Company's present or future foreign Shareholders, subscribers or holders of Series "L" shares are formally bound with the Ministry of Foreign Affairs to be considered as Mexican nationals with regard to such Series "L" shares of the Company that they purchase or of which they are holders, as well as the goods, rights, concessions, shares or interest of which the same Company is holder or rather the rights and obligations derived from the agreements in which the Company is a part with Mexican authorities, and not to invoke for the same reason, protection from their Governments, under the penalty to the contrary, of losing to the benefit of the Mexican Nation the Company's shares that they have purchased.

## **CHAPTER II**

### **DISPOSITIONS APPLYING TO THE CORPORATE STOCK**

#### **CORPORATE STOCK**

**SIX.** The minimum fixed capital stock without withdrawal rights is \$525,000,000.00 Mexican Pesos (Five hundred and twenty five million Mexican National Currency), which is represented by 42,722,353 (Forty two million seven hundred and twenty two thousand three hundred and fifty three) common Series "A" registered shares, all of them registered, common, without expressing per value, totally subscribed and paid up. The capital stock variable part may be in an unlimited amount, on the understanding that in no event the variable amount of the capital stock may be greater than 10 (ten) times the amount of the minimum capital stock.

#### **SHARES**

**SEVEN.** The capital stock is variable and shall be made up in its fixed part of Series "A" shares and in its variable part of Series "A" shares and Series "L" shares, on the understanding that, in any event, Series "A" shares shall represent at least 75% (seventy five percent) of the total capital stock, and Series "L" shall represent no more than (twenty five percent) of the total capital stock of the Company.

Every time the fixed part of the capital stock is increased, the corresponding increase shall be represented by shares that shall form part of a subseries of Series "A".

Every time the variable part of the capital stock is increased, the corresponding increase shall be represented by shares that shall form part of a subseries of Series "A" and/or shares that shall form part of the subseries of Series "L", shares that shall completely and exclusively represent the respective increase. The

Company may issue unsubscribed shares, from any of the Series forming its capital stock, for the purposes of article 81 of the Securities Laws or any other purpose, which shall be kept in the Company's Treasury, to be delivered at the time this subscription is carried out.

Common Series "A" shares must be completely subscribed by Mexican investors. Series "L" shares may be freely subscribed and may therefore be purchased by Mexican and/or individual or corporate foreign investors and/or foreign economic units or by Mexican companies in which there is a majority of foreign capital or in which foreigners for any reason, are entitled to determine the handling of the Company, on the understanding that none of the shares issued by the Company may be purchased by Foreign Governments or States and, in the event that this happens, such purchases and shares may be without effect of value whatsoever from the moment of the purchase.

Series "A" shares shall always be common, nominal, without expression of par value, with full voting rights. Series "L" shares shall always be registered, without expression of par value, with the rights indicated below:

(a) Under the terms provided by Clause Twenty Seven below, they will have the right to appoint up to two (2) proprietary Directors and their respective alternates, through a majority Shareholder vote in the special meeting; and

(b) shall only have the right to vote in the Extraordinary General Shareholders Meeting and exclusively with respect to the following issues:

- (i) Transformation of the Company;
- (ii) Merger with another Company as the merged entity or merger with another Company as the merging entity, when the merged entity has corporate purposes that are not related or connected to those of the merging Company; and
- (iii) Cancellation of the recording of shares issued by the Company in the Securities or Special Sections of the National Securities and Intermediaries Registry and on other foreign Stock Exchanges, where if applicable they are registered.

It is understood and expressly agreed that Series "L" Shareholders for no reason shall be entitled to determine the Company's handling, or its investments, increases or reductions in capital stock, the issuance or amortization of its capital stock representative shares, the review of these Corporate Bylaws or termination or liquidation of the Company.

Within its respective Series, all shares shall confer equal rights. Each common Series "A" share is entitled to one vote at the general Shareholders' Meetings. Series "L" shares shall only be entitled to vote on limited subjects that are set forth in these Bylaws and are written in the stock certificates thereof, and each shall have one vote at the Shareholder meetings that they are entitled to assist.

## **INCREASE OF THE CAPITAL STOCK**

**EIGHT.** Increases in the minimum fixed capital stock of the Company shall be carried out by means of a resolution by the General Extraordinary Shareholders' Meeting, an amendment to the Sixth Clause of these Bylaws and the recording of the notarization deed of the corresponding minutes in the Public Registry Bureau of Commerce for the domicile of the Company.

Increases in the variable part of the capital stock, within the limit set forth in Clause Six of these Bylaws shall be carried out by means of a resolution by the General Ordinary Shareholders' Meeting, and in any event the corresponding minutes must be notarized, but without having to amend the Corporate Bylaws nor record the notarization deed in the Public Registry Bureau. Authorized shares that are still not subscribed but are issued to represent the variable part of the capital stock, must be deposited in the Company's Treasury to be delivered as the subscription and payment is being carried out under the terms and conditions set forth by the same General Ordinary Shareholders' Meeting or the Board of Directors, in accordance with the powers that to the latter, if applicable, have been granted by such Shareholders' Meeting.

The General Ordinary Shareholders' Meeting passing a resolution for the increase in the Company capital stock, shall agree upon the terms and conditions in accordance with which said increase shall take place.

There shall be no increase in the capital stock of the Company if at that moment previously issued shares are not fully subscribed and paid up.

### **PREFERENCE RIGHTS**

**NINE.** In the event of an increase to the capital stock, except in a case dealing with unsubscribed shares issued by the Company pursuant to Article 81 of the Securities Law, the Company's Shareholders shall at all times have preferential right to subscribe to the new shares that are issued to represent the increase in proportion to the shares of which they are holders.

The preferential right described in this Clause must be exercised within 15 (fifteen) days following publication, in accordance with the Meeting that resolves such increase, in the Official Gazette of the Federation and one of the widest circulating newspapers of the Company's domicile. If after the 15 (fifteen) days have passed, some shares are still unsubscribed, these shall be offered by the Board of Directors for subscription and payment to individuals or companies that the same Board agrees upon or for their placement in the public markets subject to the applicable laws, under terms and conditions that may not be more favorable than those offered to the Company's Shareholders for their subscription and payment.

In the event of an increase in the capital stock due to reserve capitalization, profits pending application or surplus, Shareholders shall be entitled to the proportional part corresponding to them from this increase and, if applicable, to receive new shares that are issued to represent such increase. In the event of an increase in the capital stock due to reserve profits pending application or surplus, these shall have been previously acknowledged in the financial statements duly approved by the General Shareholders' Meeting. Reserves shall be based on appraisals performed by independent appraisers authorized by the National Securities and Banking Commission, credit institutions or stockbrokers.

### **REDUCTION IN CAPITAL STOCK**

**TEN.** Decreases in the minimum fixed capital stock of the Company, without withdrawal rights, shall only be carried out by means of a resolution by the General Extraordinary Shareholders' Meeting, an amendment to the Sixth Clause of these Bylaws and the recording of the notarization deed of the corresponding minutes in the Public Registry Bureau of Commerce for the domicile of the Company.

The agreement of the Meeting that shall decree the reduction in the minimum fixed capital stock, or the release of the Shareholders from the obligation to pay the capital contribution with respect to such minimum fixed capital stock shall be published three times in the Official Gazette of the Federation, at ten day intervals.

The variable capital stock of the Company may be reduced without the need of any formalities other than a resolution by the General Ordinary Shareholders Meeting, with the corresponding record being notarized, but without the need of amending the Company Bylaws or of recording the notarization document in the Public Registry of Commerce.

Any reduction in the capital stock shall take place by means of a cancellation of shares in an amount that allows the proportional amortization of shares belonging to all Shareholders holding shares representing the capital stock of the Company.

No reduction in the capital stock may be authorized if it would entail a reduction to a level lower than the minimum corporate capital stock.

The Company shall keep a capital variations book in which increases or reductions shall be noted, as well as the capital stock represented by both the fixed and variable parts.

### **RIGHT TO WITHDRAWAL**

**ELEVEN.** Shareholders of the variable part of the corporate stock have the right under the law to withdraw the whole or part of their contributions to the variable part of the corporate stock.

The reduction in capital stock as a result of a Shareholder of shares representing the variable part of the capital stock exercising his right to totally or partially withdraw his contribution, represented by the shares of which he is holder, shall be subject to Articles 220 and 221 of the General Business Law and the reduction in capital stock shall be carried out by redeeming the share or shares in question, at a price equal to the lower of (a) 95% (ninety-five percent) of the value quoted on the Mexican Stock Exchange, obtained from the average during the last thirty days in which the shares of the Company have been quoted on the Stock Exchange, prior date on which the withdrawal will take place, or (b) the book value of the shares, according to the statement of financial position corresponding to the fiscal year on which the withdrawal is to take place, previously approved by the General Ordinary Shareholders' Meeting.

The Company may request the reimbursement payment from the date following the holding of the General Ordinary Shareholders' Meeting that passed the statement of financial position corresponding to the period during which the withdrawal has effect. The Shareholder that withdraws shall be responsible for corporate obligations with third parties under the terms of the Law.

The right of withdrawal may not be exercised when such exercise would reduce the capital stock of the Company to a level below the minimum capital stock.

### **ACQUISITION OF SHARES BY THE COMPANY**

**TWELVE.** The Company may acquire shares representing its own capital stock through domestic or foreign stock exchanges where its shares are quoted, at the market price, without the prohibition provided for in the first paragraph of Article 134 of the General Corporations Law being applicable, as long as the purchase is charged to the net account of the Company, in the case that the acquired shares belong to the Company or, on the other hand, charged to capital stock in the event that it is decided to convert them into treasury shares, in which case a resolution of the General Shareholders' Meeting shall not be required.

While the shares representing the capital stock acquired by the Company pursuant to this Clause are its property, these shall not be represented in any class of Shareholders meetings.

The shares belonging to the Company, or if applicable, the treasury shares to which this clause refers to, without prejudice to what is established by the General Mercantile Corporations Law, may be placed in the public markets, without requiring a resolution of the General Shareholders Meeting for the corresponding increase in corporate stock or an agreement of the Board of Directors dealing with their placement.

The General Ordinary Shareholders' Meeting shall expressly agree as to, for each fiscal year, the maximum amount of resources that may be allocated for the purchase of shares of the Company, subject to the limitation that the sum of the resources that may be allocated for that purpose shall not in any case exceed the total sum of the Company's net profits, including future and retained profits. The Board of Directors of the Company shall appoint the person or persons responsible for the acquisition and placement of the Company's shares.

The purchase of shares of the Company by the Company, the reports of such activity that shall be presented to the General Ordinary Shareholders' Meeting, the rules of financial disclosure, as well as the terms under which these transactions are notified to the National Securities and Banking Commission, shall abide by the general provisions issued by said Commission.

### **DELISTING FROM STOCK EXCHANGES**

**THIRTEEN.** In the event that the General Shareholders Meeting passes a resolution calling for the cancellation of the listing of the Company shares in the National Securities Registry or if a resolution adopted by the National Securities and Banking Commission under the terms of the Law so decrees, the Shareholders holding control of the Company at that time shall be obliged to initiate a public offer for the purchase of the shares trading in stock exchanges prior to the cancellation at a price equal to the greater of (i) the average closing price on the Mexican Stock Exchange during the 30 day period prior to the bidding date, or (ii) the book value of the shares according to the last quarterly report submitted to the National Securities and Banking Commission and to the stock exchanges where the Company stock is quoted, unless the National Securities and Banking Commission in its resolution authorizing said public offer for the purchase of shares arising from the cancellation of the listing of the Company stock, authorizes a different price.

The Company's majority Shareholders shall not be bound to carry out the previously mentioned public auction, if agreement from all the partners for the registration cancellation is evidenced.

### **RESTRICTIONS TO THE ACQUISITION OF SHARES**

**FOURTEEN.** Under the terms and for the purposes of Clause VII of Article 14 Bis 3 of the Securities Markets Law, it is hereby established that the acquisition of Series "A" shares representing the capital stock of the Company, in one or various simultaneous or successive transactions, by any person or group of persons related among themselves or acting in a coordinated fashion, that implies that such person or group of persons acquire Series "A" shares representing five percent (5%) or more of said Series of shares of the capital stock of the Company, irrespective of the number of Series "A" shares they own at that time, may only be made with the prior authorization of the Board of Directors of the Company. If the Board of Directors denies authorization, it shall appoint one or more bidders for the purchase of said shares in national or foreign stock exchanges at current market prices.

The Company shall not recognize as the owner of Series "A" shares representing its corporate stock any person or group of persons related among themselves or acting in a coordinated manner that have acquired said Series "A" shares in violation of this Clause, and no vote may be cast with respect to these shares.

An amendment to this Clause requires approval in the General Extraordinary Shareholders' Meeting, with a favorable vote of shares representing at least ninety-five percent (95%) of the Company's capital stock.

### **STOCK CERTIFICATE**

**FIFTEEN.** The shares shall be represented by certificates that shall be registered and may represent one or more shares and may have numbered coupons attached. The certificates shall bear the manual or facsimile signature of the president and secretary of the Board of Directors. If facsimile signatures are used, their originals shall be deposited in the Public Commercial Registry where the Company is registered. Prior to the issuing of the final stock certificates, the Company shall issue to Shareholders provisional stock certificates representing their interest in the corporate stock. Said provisional certificates shall be registered, and may have coupons attached, and shall be eventually exchanged for the final stock certificates.

The final stock certificates shall be issued in a period of time not longer than one hundred and eighty days, beginning from the date when the issuance or exchange was agreed to.

When for any reason the descriptive legend contained in the final or provisional certificates are modified, these shall be exchanged for new final or provisional certificates, and the previous certificate shall be voided, or it shall suffice that said modification is noted in these, after certification by a notary or stockbroker.

**SIXTEEN.** The final, as well as the provisional stock certificates shall meet the requirements established by Articles 125 and 127 of the General Corporations Law and shall contain the literal insertion of Clauses five and Fourteen of these Bylaws.

The Board of Directors is empowered to issue stock certificates, as well as the provisional certificates, representing one or more shares. The Board is also empowered to exchange titles or certificates representing a determined number of shares for new titles and certificates, as requested by the holders of these and as long as the new titles or certificates cover the same number of shares they are replacing.

In the event that a final or provisional certificate of shares representing the capital stock of the Company is stolen, lost, misplaced, or destroyed, its replacement shall be subject to the provisions of Chapter One of Title One of the General Law of Credit Instruments and Operations. All copies of final or temporary certificates, shall indicate that they are copies and that the original titles or certificates have been duly cancelled. All costs related to the cancellation and replacement of final or temporary certificates, shall be borne by the holder of said certificate or title.

## **SHARE REGISTRY BOOK**

**SEVENTEEN.** The Company shall keep a Share Registry Book that shall contain the following:

- I. Name, nationality and domicile of the Shareholder, indicating the shares belonging to the Shareholder, the number of shares, the Series of the shares, and other particulars;
- II. An indication of the partial payments for stock subscription or an indication that they are fully paid shares;
- III. The transfer of shares that are executed, as long as said transfers comply with the provisions of these Bylaws;
- IV. The other acts that shall be registered pursuant to the applicable legal provisions from time to time, at the request of the interested party.

The Company shall only consider as owner of the shares the person that is recorded as such in the Share Registry Book of the Company. To this effect, the Company shall record in said registry, at the request of any holder the executed transfers.

The recordings in the Share Registry Book shall be suspended from the fifth day prior to the holding of the Shareholders' Meeting until the first business day immediately following the holding of said meeting.

## **CHAPTER III**

### **SHAREHOLDERS' MEETINGS**

**EIGHTEEN.** The General Shareholders' Meeting shall be the supreme body of the Company, with all other bodies being subordinate to it, and shall have the power to adopt all kinds of resolutions and appoint and remove any Director, subject to the provisions of these Bylaws and the law, or any officer, without breaching any rights of the minority as applicable. Its resolutions shall be carried out and its fulfillment shall be overseen by the Board of Directors, or by the person expressly appointed at the respective Meeting.

#### **TYPES OF MEETINGS**

**NINETEEN.** The Shareholders' Meetings may be Ordinary, Extraordinary or Special.

The General Ordinary Shareholders' Meetings shall deal with all issues that are not reserved by law or by these Bylaws to the Extraordinary General Shareholders' Meetings.

The General Ordinary Shareholders' Meeting shall meet at least once a year at the Company's domicile on the date set forth by the Board of Directors within four months following the end of the corporate fiscal year. Besides subjects included in the agenda, the annual ordinary meeting shall inform and discuss, approve or modify the Board of Directors' annual report, as well as that of the statutory auditors referred to in Articles 172 and 166 section IV, of the General Business Law, related to the course of business, general balance, earnings and losses statement, the statement of changes in financial position and the statement on changes in the Shareholders' investments for that fiscal year, of the Company and of those entities of which the Company is a majority shareholder, when the value of its investment in any of those entities exceeds 20% of the net worth of the Company, according to the statement of financial position of the Company at the end of the corresponding fiscal period. Said Meeting shall also deal with the appointment of the Directors and statutory auditors for the following fiscal year, as well as to determine their emoluments.

General Extraordinary Meetings may be held at any time when they are to deal with one of the issues provided for in Article 182 of the General Corporations Law, the split-up (*escisión*) of the Company, and the cancellation of the recording of the shares issued by the Company in the National Registry of Securities and in the national or foreign stock exchanges where the Company's shares are quoted.

Every proposal that may adversely affect the rights of a series of shares, shall be previously accepted by the affected series of shares, convened in the Special Meeting, in which the majority provided for extraordinary meetings shall be required, which shall be calculated in relation to the total number of shares of the affected series.

### **HOLDING OF THE MEETINGS**

**TWENTY.** All Shareholders' Meetings shall be held in the corporate domicile of the Company, at any time they are called, and otherwise shall be void, except (i) in the event of *force majeure* or (ii) if the resolutions adopted outside a meeting or at the meeting that was not called, are adopted by the Shareholders pursuant to Clause Twenty-Five of these Bylaws.

### **CALLS**

**TWENTY-ONE.** Calls for General Meetings shall be made at the request of the Board of Directors, or by the Statutory Auditors. Every Shareholder or group of Shareholders representing at least ten percent (10%) of the corporate stock, shall have the right to request that a General Shareholders' Meeting be called, under the terms and pursuant to the requirements established by Article 184 of the General Corporations Law.

Calls for general meetings must be published only once in the official newspaper for the corporate domicile and in one of the widest circulating newspapers of such domicile, at least fifteen (15) days in advance between the publication date and the date set for the holding of the meeting.

The call shall include the date, time, and place of the meeting, the agenda that the meeting shall follow, and shall be signed by the calling party. Matters referred to by Articles 181 and 182 of the General Corporations Law, shall not be included in any call under the caption of "sundry matters".

From and after the date on which a Shareholders' Meeting is called, all information and documents related to each of the issues established by the corresponding agenda shall be available to the Shareholders in the offices of the Company.

If a Meeting cannot be held at the scheduled date, there shall be a second or more calls explaining the particular circumstances, that shall fulfill the requirements established for the first call.

A call shall not be necessary with respect to resolutions adopted by Meetings that are not called, or adopted without a Meeting, in both cases subject to Clause Twenty-Five below, nor with respect to the continuation of a duly installed Meeting as long as when the Meeting was interrupted the date, time and place for the continuation of such meeting were arranged.

### **REQUIREMENTS TO ATTEND MEETINGS**

**TWENTY-TWO.** In order for the Company's Shareholders to be entitled to attend general meetings, they must deposit their shares with the secretary of the Company or in a Securities Deposit Institution or any credit institution, at least two days in advance of the date set for the meeting, whether in Mexico or abroad. When dealing with meetings in which, because all of the shares having the right to vote are represented thereat and therefore resolutions may be adopted without the need for a previous call, the share deposit may be made at any time prior to the holding of the meeting. Deposited shares shall not be returned until after the meeting is held.

Shareholders who deposit their shares pursuant to the paragraph above, shall request from the applicable depositary institution, a record stating the name of the Shareholder, the number of deposited shares, the number of certificates representing them, the date of the Meeting and the condition that said shares remain under the control of the depositary institution until after the corresponding Meeting.

Upon delivery of the certificates representing the shares or said records to the Company secretary, the secretary of the Board shall issue to those interested the corresponding admissions card, which shall state the name of the Shareholder and the number of votes such Shareholder has the right to cast, as well as the name of the depositary institution, if applicable.

Regarding shares deposited in a Securities Depository Institution, the admission cards shall be issued upon the presentation to the Company of the record of the respective deposit and, if applicable, the complementary list referred to by Article 78 of the Securities Market Law.

Shareholders shall not need to prove their attendance right at the Meeting by means of the mentioned deposit with regard to the shares that are registered in their name in the Share Registration book.

### **PROCEDURES IN SHAREHOLDERS' MEETINGS**

**TWENTY-THREE.** A) General meetings shall be presided over by the chairman of the Board of Directors and in his absence by any other Director in the order of their appointments; or in the absence of both, by a person appointed by the meeting by a majority of votes of those present at the meeting. The Secretary of the Board shall act as secretary, or in his absence, the person appointed by the Shareholders by a majority of the votes present at the meeting.

B) At the beginning of the Meeting, the chairman shall appoint from those present one or more tellers to perform the count of the shares present or represented, as well as the number of votes corresponding to those shares. The teller(s) shall prepare an attendance list in which the names of the present or represented Shareholders and the number of shares belonging to them, in order to be able to perform the corresponding count of the votes.

C) If the quorum required by these Bylaws is present, the chairman shall declare the meeting duly convened and the meeting agenda shall be addressed.

D) A Shareholder or group of Shareholders representing at least ten percent (10%) of the shares represented at a Shareholders' Meeting, shall have the right to request the postponement of the vote on an issue on which the Shareholder or group of Shareholders do not feel knowledgeable enough, in which case, the vote on said issue shall be postponed for three days without the need of a new call. This right can only be exercised once for the same issue.

**TWENTY-FOUR.** Shareholders may be represented at Shareholders' Meetings by an attorney in fact that may or may not be Shareholder of the Company. The proxy may be granted in a general or special power of attorney, or in a private document delivered before two witnesses that satisfies the requirements of the law. For these purposes, the Company shall develop proxy forms that meet the above mentioned requirements and the following requirements:

1. visibly indicate the corporate name of the Company, the agenda for the meeting; and
2. contain sufficient space to incorporate any instructions by the corresponding Shareholder.

The Company shall make available to securities market intermediaries that prove their representation of Shareholders, at the Company's Offices, during a period of fifteen (15) days prior to the respective Shareholders' Meeting date, the proxy forms so that said intermediaries are able to timely deliver them to their principals.

The secretary or assistant secretary of the Company, shall make sure of the compliance with the provisions of this Clause and inform the respective Shareholders' Meeting thereof, which shall be noted in the respective minutes.

Directors and statutory auditors cannot act as proxy agents of Shareholders at any Shareholders' Meeting.

### **QUORUM AT MEETINGS**

**TWENTY-FIVE.** A) So that the General Ordinary Shareholders' Meeting can be validly held on a first call, there must be represented thereat, at least half of the outstanding Series "A" shares of the capital stock of the Company; and its resolutions shall be valid when agreed to by the majority of the votes present at the meeting. General Ordinary Meetings held due to a second call, shall be validly held with the Series "A" Shareholders appearing thereat, regardless of the number of Series "A" shares they represent and regardless of the nature of the resolutions to be adopted.

B) So that the General Extraordinary Shareholders' Meeting can be validly held on a first call to deal with issues in which Series "L" shares have no right to vote, there must be represented thereat, at least three quarters of the outstanding Series "A" shares of the capital stock of the Company; and its resolutions shall be valid when agreed to by a number of Series "A" shares representing at least half of the outstanding Series "A" shares of the capital stock of the Company. General Extraordinary Meetings held due to a subsequent call, shall be validly held if there are represented thereat, at least half of the outstanding Series "A" shares of the capital stock of the Company; and its resolutions shall be valid when agreed to by a number of Series "A" shares representing at least half of the outstanding Series "A" shares of the capital stock of the Company.

C) General Extraordinary Shareholders' Meetings held on a first call to deal with subjects in which Series "L" shares are entitled to vote, shall be legally considered convened if at least three quarters of the capital stock is represented thereat and the resolutions shall be valid if adopted, at least, by the majority of the shares into which the capital stock is divided. General Extraordinary Shareholders' Meetings held on a second or subsequent call that are called to deal with any of the subjects in which Series "L" Shareholders are entitled to vote, shall be legally convened, if at least the majority of the capital stock is represented thereat, and their resolutions shall be valid if adopted at least by the majority of shares into which the capital stock is divided.

D) At Shareholders' Meetings voting shall be economical, unless at least one of the attendants asks that they be registered.

E) Resolutions duly adopted by the Shareholders' Meeting shall bind those absent or those dissenting, except for the right of opposition under the terms of paragraph (I) below.

F) Resolutions adopted at Shareholders' Meetings not called under the terms of Clause Twenty One of these Bylaws shall be void, except in the case that at the time the voting was held, all shares with the right to vote were present.

G) Resolutions adopted outside the Shareholders' Meeting, by unanimity of the Shareholders representing all shares with the right to vote regarding the matters at hand, shall have for all legal purposes the same validity as if they had been adopted in a Shareholders' Meeting, as long as these are confirmed in writing.

H) Shareholders or groups of Shareholders representing at least 15% of the capital stock of the Company may directly exercise a civil action against all or some of the Directors of the Company, so long as (i) the corresponding claim includes the aggregate liability in favor of the Company, and not solely the individual interest of such Shareholders, and (ii) that such Shareholders shall have opposed, in that case, the resolution of the Shareholders' Meeting of the Company that shall have resolved not to proceed against the corresponding Directors. Any judgment obtained shall be for the sole benefit of the Company.

I) Shareholders or group of Shareholders representing at least 20% of the capital stock of the Company may judicially oppose the resolutions of the General Shareholders' Meetings so long as (i) the claim is filed within 15 days following the adjournment of the corresponding Shareholders' Meeting, (ii) the claimants shall not have attended the corresponding meeting or shall have voted against the relevant resolutions, and (iii) the claim indicates the provision of the Bylaws of the Company or the applicable law infringed upon by the relevant resolutions, and describes the infringement or violation.

## **MINUTES OF THE MEETINGS**

**TWENTY-SIX.** Minutes shall be written of every Shareholders' Meeting, which shall be included in the respective Meetings Minute Book that the Company shall keep, and shall be signed by the chairman and secretary of the Meeting, as well as by the statutory auditor(s) that attended. An appendix to the minutes shall include documentation evidencing that the calls were made under the terms established by these Bylaws, or if applicable, proof of the hypotheticals provided by paragraph (F) of Clause Twenty Five of these Bylaws, as well as the attendance list duly signed by the tellers and those present that wish to sign, the proxy letters or copy of the powers of attorney of the representatives of the Shareholders, and the reports and other documents submitted for the consideration of the Meeting and a copy of the respective minutes.

The same book shall contain the resolutions adopted under the terms of paragraph (G) of Clause Twenty Five of these Bylaws, which shall be attested by the secretary of the Board of Directors.

## **CHAPTER IV**

### **MANAGEMENT**

#### **BOARD OF DIRECTORS**

**TWENTY-SEVEN.** A) The management of the Company shall be the responsibility of the Board of Directors. The Board of Directors shall be made up of fourteen (14) proprietary members and their respective alternates; with the understanding that at least twenty five percent (25%) of the Directors shall be "independent Directors" pursuant to the Securities Market Law. For every proprietary member, her alternate shall be appointed, with the understanding that the alternate Directors of independent Directors shall have that same character.

B) The Directors may be Shareholders or people external to the Company, and shall have the legal capacity to execute their duties and should not have been legally barred from practicing commercial activity.

C) Members of the Board of Directors shall be chosen at the General Ordinary Shareholders' Meeting, as follows:

(i) Series "A" Shareholders shall appoint, by a majority of votes of the shares represented at the Meeting, twelve Proprietary Directors and twelve Alternate Directors,

(ii) At the General Ordinary Shareholders' Meeting held to appoint members of the Board, Series "L" Shareholders may be represented, exclusively for purposes of appointing two (2) Proprietary Members and their respective alternates of the Board of Directors that at the Special Series "L" Shareholders Meeting have previously elected by a majority of votes of such Series of shares represented at such Special Meeting. The Directors appointed by the Series "L" Shareholders will be considered as independent Directors for all purposes. If there were no Series "L" shares represented at the General Ordinary Shareholders' Meeting, Series "A" Shareholders shall also appoint Directors that correspond to such Series "L".

D) The minority that represents ten percent (10%) of the capital stock, shall be entitled to appoint one Director and her respective Alternate, if such minority declares its wish to do so at the start of the point of the agenda related to the appointment of the Board of Directors. With the minority making use of such right, the remaining members of the Board to be appointed by Series "A" shall be selected by a majority of votes representing common shares from such Series "A" that were represented at the Meeting and that have not made use of the previously mentioned right. The appointment of any owner Director, and of her respective alternate by a minority, will only be able to be removed when all other Directors are removed as well, unless the removal is due to a justified cause pursuant to the applicable laws.

E) In the event of a temporary or permanent absence of a member Director, said owner Director shall be substituted by the alternate Director designated by the absent Director.

F) The Board of Directors in the first meeting held after the annual ordinary meeting and provided that at this meeting the appointment was not made, shall select from among its members, a chairman by a majority of the votes. The Chairman of the Board of Directors shall always have the right to cast a tie breaking vote.

G) The Board of Directors in the first meeting held after the annual ordinary meeting and provided that at this meeting the appointment was not made, shall name a secretary and an assistant secretary, who may or not be members of the Board. Such secretary and assistant secretary may be removed at any time by the Board of Directors and in their temporary or absolute absences shall be substituted by the people appointed by the same Board. The Secretary and Assistant Secretary, regardless of whether they are members of the Board or not, may sign and publish any call for the General Shareholders' Meeting by order or resolution of the Board, pursuant to the Clause Twenty-One of these Bylaws.

## **DIRECTORS**

**TWENTY-EIGHT.** Members of the Board of Directors of the Company must meet the requirements set forth by applicable legal provisions. Alternate Directors shall cover the temporary or absolute absences of owners with regards to which Alternates had been appointed.

The Directors' term of office shall last for one (1) year; they might be reelected and, except for the provisions of applicable legislation, and shall continue their duties even after their term has concluded if their successors have not been appointed and have not assumed their positions.

The General Ordinary Shareholders' Meeting might choose a longer term of office for one or more of the Directors appointed in each Meeting, in which case, such Directors shall not be removed prior to the end of their term, except for good cause or pursuant to law. The compensation of the Directors shall be determined by the General Ordinary Shareholders' Meeting that elected the Directors, and charged to general expenses.

## **MEETINGS OF THE BOARD**

**TWENTY-NINE.** The meetings of the Board of Directors shall be ordinary and extraordinary. The ordinary meetings shall be regularly held on the dates and times set forth by the Board, with the understanding that the Board shall meet at least once every three months. Extraordinary meetings shall be held when the chairman of the Board so agrees or when requested by twenty five percent (25%) of the Directors or by any of the statutory auditors of the Company. The statutory auditor(s) shall be summoned to all the meetings of the Board, to which they shall assist with right to speak but without right to vote.

The Board of Directors shall hold the meeting in the domicile of the Company or at any other place within Mexico or abroad that is determined with anticipation in the respective call. Meetings of the Board of Directors shall be presided over by the chairman, in his absence by his alternate, and in the absence of both by the Director appointed by the same Board through a majority vote.

The secretary of the Board of Directors shall act as secretary, and in his absence the assistant secretary, or in the absence of both any Director appointed by the Directors present in the meeting.

Calls shall be requested in writing and delivered to each of the owner Directors, substitutes and statutory auditors, at least five (5) days prior to the date of the meeting, to the respective domiciles provided by the Directors and statutory auditors for that end. The calls shall specify the time, date and place of the meeting and shall be signed by the requesting party. Calls may be delivered by mail or fax.

## **QUORUM**

**THIRTY.** For a meeting of the Board of Directors to be validly held, at least half of the Directors shall be present at the meeting. If a meeting of the Board cannot be held because of lack of quorum, the call shall be repeated as many times as necessary and shall be delivered pursuant to the terms provided by Clause Twenty-Nine above.

For the resolutions of the Board of Directors to be valid, these shall be adopted by majority vote of the Directors attending the meeting, regardless of the quorum. In the event of a tie, the Chairman of the Board, or her substitute, shall cast the tie breaking vote.

Resolutions adopted outside a Board meeting shall have the same validity as if they had been adopted in a Board meeting, provided they are adopted by unanimity of votes of the owner Directors and the votes are confirmed in writing by each of them.

## **MINUTES**

**THIRTY-ONE.** Minutes shall be written of each meeting of the Board and shall be included in the corresponding Minute Book that the Company shall keep, and shall be signed by the Chairman or, in his absence, the person that presided over the meeting, the secretary, or in his absence the person that acted as secretary, and the statutory auditor or the statutory auditors that were present. The secretary or assistant secretary may expedite certified copies, summaries or certifications that are necessary.

The same Minute Book shall include the agreements adopted under the terms of the last paragraph of Clause Twenty-Nine of these Bylaws, which shall be attested by the secretary or assistant secretary.

An appendix shall be added to every minute which shall include (i) the documents evidencing that the calls were made under the terms established in these Bylaws, (ii) the attendance list duly signed by those attending, (iii) the opinions and other documents submitted to the Board of Directors, and (iv) a copy of the corresponding minutes.

### **DIRECTORS BONDS**

**THIRTY-TWO.** Members of the Board of Directors shall not be required to obtain a performance bond in favor of the Company to secure any liability they might incur in the exercise of their duties, nor will they have to grant an assignment, bond or cash deposit to the Company, unless the General Shareholders' Meeting that appoints them so expressly determines.

### **POWERS OF THE BOARD OF ADMINISTRATION**

**THIRTY-THREE.** The Board of Directors as a collegiate body shall have the powers granted by the corresponding laws to bodies of its same character and by these Bylaws, with the understanding that the Board shall not make resolutions on any of the issues reserved to the Shareholders' Meeting pursuant to the law or these Bylaws.

No member of the Board of Directors shall exercise the powers of the Board individually. The Board may appoint from among its members delegates for the execution of particular acts. Absent such special appointment, the representation shall correspond to the Chairman of the Board.

The powers and authority of the Board of Directors, as a collegiate body, include without limitation::

A) General power of attorney for lawsuits and collections, with all general and special faculties that require special clause according to law, including to grant pardon, to withdraw from all kinds of lawsuits, resources and procedures in general, as well as the injunction (*amparo*) procedure, to submit legal claims and complaints and to act as co-assistant of the Public Prosecutor, power of attorney that may be exercised before any kind of people and legal and administrative, civil, penal and labor, federal or local authorities, in lawsuit or out of lawsuit, with the widest power possible allowed by the law.

B) General power of attorney to administer business and goods of the Company, to grant and subscribe all kinds of guarantees and to execute acts, agreements, sign documents and grant or subscribe the credit titles required by management.

C) General power of attorney to exercise acts of ownership allowed by law.

D) Power to grant, subscribe, and endorse all types of credit instruments or securities, under the terms of Article 9 of the General Law of Credit Instruments and Transactions.

E) Power to substitute all or part of their powers and faculties, and to grant and revoke special or general powers, within the limitations of these Bylaws.

F) Power to call General Shareholders' Meetings and execute and oversee the compliance with the resolutions adopted therein.

G) Power to appoint and remove the Director general of the Company, managers, officers and non-union employees and the other internal bodies of the Company that it deems convenient, setting forth their function, powers, obligations, remuneration, as well as the guarantees that they shall grant when the Board deems it necessary.

H) Power to establish branches and agencies of the Company and to remove them.

I) Power to sign all kinds of documents, agreements and deeds that are directly or indirectly related to the Company's purpose.

J) In general, it may be able to carry out all acts and agreements deemed necessary for the Company's purpose and those that are attributed thereto in other clauses of these Bylaws. The Board of Directors may delegate one or several of its faculties to one or several Directors, so that they exercise them in determined businesses and places, to sign by means of the person or people that for such purpose is appointed from among the members, all kinds of documents, agreements and deeds that are directly or indirectly related to the Company's purposes; and in general to appoint from its members one or more delegates for the execution of specific acts.

Notwithstanding the above mentioned:

I. It shall be the exclusive duty of the Board of Directors to determine the way in which the votes corresponding to the shares owned by the Company shall be cast, at the General Extraordinary and Ordinary Shareholders' Meetings of the civil and mercantile companies in which it is holder of the majority of shares.

II. The Board of Directors shall require prior authorization from the General Ordinary Shareholders' Meeting to approve in all events, the purchase or transfer of shares or to exercise the withdrawal right under the following assumptions:

(a) When the purchasing value of shares of another entity by virtue of one or several simultaneous or successive purchases, exceeds 20% of the net worth of the Company, according to the Company's last statement of financial position. Approval from the Meeting shall not be required when shares from other entities whose activities coincide with the corporate purposes of the Company.

(b) When the sale price of shares of another entity by virtue of one or several simultaneous or successive transactions, exceeds 20% of the net worth of the Company, according to the Company's last statement of financial position. Prior approval from the Meeting is required when the transfer of shares implies, by virtue of one or several simultaneous or successive operations, loss of control of the entity issuing the shares, whose activities coincide with the corporate purposes of the Company.

(c) When exercising the withdrawal right in a variable capital Company represents by virtue one or several simultaneous or successive acts, the reimbursement of shares whose value exceeds 20% of the capital stock, according to the Company's last statement of financial position. Prior approval is also required from the meeting when the withdrawal implies, by virtue of one or several simultaneous or successive acts, loss of control of the Company issuing the shares, whose activities coincide with those set forth paragraphs (A) through (K) of clause Four of these Bylaws.

III. The Board of Directors shall have the authority, which may not be delegated in any manner, to decide with respect to transactions out of the ordinary course of business that are to be entered into by the Company and its Shareholders or individuals that are part of the management of the Company, or any persons with whom such individuals maintain an economic interest or are related by blood or are collateral relatives within second degree of kinship, spouse or common law wife or husband of such persons; the purchase or sale of assets representing 10% or more of the total assets of the Company; the granting of guaranties in an amount exceeding 30% of total assets of the Company; and transactions differing from the above, the aggregate value of which represents more than 1% of the value of the total assets of the Company.

The Directors of the Company shall be liable for the resolutions adopted with respect to the matters indicated in paragraph III above, except under the case provided by Article 159 of the General Corporations Law, or in the event that the Directors base their decisions on the opinions of independent specialists or the Audit Committee, that issue their opinion in any of said issues.

#### **AUDIT COMMITTEE**

**THIRTY-FOUR.** The Board of Directors of the Company shall establish an Audit Committee composed of Directors, of which the majority shall be "independent" Directors. The President of the Audit Committee shall also be an independent Director. The statutory auditor(s) shall assist to, and may be heard in, all audit committee meetings but will not cast any vote.

The audit committee shall have the following duties:

- (a) To prepare an annual report on its activities, which is to be presented to the Board of Directors of the Company;
- (b) To opine on any proposed transaction of the Company with any of the related parties referred to in paragraph III of Clause Thirty-Three above; and
- (c) To propose the engagement of special independent advisors when deemed appropriate in order to obtain their opinion with respect to the transactions referred to in paragraph (b) above.

The report(s) of the Audit Committee for each fiscal year of the Company, shall be presented to the General Ordinary Annual Shareholders' Meeting

### **INTERMEDIATE MANAGING BODIES**

**THIRTY-FIVE.** The Board of Directors of the Company may establish one or more intermediate managing bodies, in which case, their structure, functioning rules, and limit of powers shall be subject to this Clause.

Any intermediate managing body shall be composed of that number of members determined by the Board of Directors, but in no event shall be less than three. A substitute may be appointed for each member.

The appointment of the members of each intermediate managing body shall be performed by Directors of the Company, appointed in the same General Ordinary Shareholders' Meeting that elects the members of the Board of Directors.

The intermediate managing bodies shall be responsible for the implementation of the policies and orders of the Board of Directors, within the sphere that the Board of Directors that established them determines, and shall only make resolutions on those issues not reserved for the Shareholders' Meeting or the Board of Directors.

Members of the intermediate managing bodies shall invariably act in the collegiate body without their faculties being delegated in an integral or unlimited way to any other person. It shall meet in quorum with the majority of its members and shall resolve with the favorable vote of the majority thereof; having to inform the Board of Directors on a yearly basis of the most important resolutions that it has adopted, or when facts or acts of transcendence are subscribed for the Company that in its opinion so deserves.

The meetings of the intermediate managing bodies shall be held as regularly as determined by the Board of Directors or the Chairman thereof, and shall be called following the procedure that is set forth in Clause Twenty Nine of these Bylaws for the holding of Board Meetings, having to equally call the Owner Examiner(s) of the Company, who may attend the meetings with voice but without vote. The Director General and other managers or officers of the Company, or of the companies in which the Company owns stock, or any other consultants or experts may attend said meetings to assist the members of the intermediate managing body, but shall have no vote.

Meetings shall be presided over by the Chairman of the Board or in his absence by any person appointed by the members of the intermediate body and the Secretary of the Board shall act as such or if applicable the Assistant Secretary. The minutes drafted thereat shall be signed by those who have acted as Chairman and as Secretary.

Except as otherwise provided by the Board of Directors, the intermediate managing bodies shall have the following powers:

(a) General power of attorney for lawsuits and collections, acts of administration and ownership, with all the general and special powers of attorney that requested a special clause in accordance with the law and according to that set forth in articles 2554 and 2587 of the Civil Code for Mexico City and those related from the Civil Codes for other states of the Mexican Republic. This power of attorney that may be exercised with regards to all those matters of the Company, except to those that are reserved by Law or by the laws to any other Company body.

(b) Power of attorney to grant and subscribe credit instruments under the terms of 9 of the General Credit Instruments and Operations Law, including offerings in tee.

(c) To transfer, as well as guarantee by means of pledge, lien or any other way, the personal property or real estate of the Company.

(d) To authorize the granting of any guarantee or endorsement.

(e) Faculty to confer general or special powers of attorney, as well as to revoke them, within the limits of their power.

(f) In general, it shall have the widest faculties to decide and resolve on all the goods and businesses of the Company, that are directly or indirectly related to subjects thereof, being able to appoint one or more people as Special Delegates for the execution of resolutions, and in the absence of such appointing, they may be executed by the Chairman of the Board of Directors.

Members of intermediate managing bodies shall perceive emoluments fixed by the Board of Directors or the Ordinary Shareholders' Meeting, which shall be charged to income.

## **CHAPTER V**

### **SURVEILLANCE**

**THIRTY-SIX.** The surveillance of the Company shall be performed by as many statutory auditors and their alternates as determined by the General Shareholders' Meeting. Every Shareholder holding subscribed and fully paid shares representing ten percent (10%) or more of the corporate stock of the Company, shall have the right to appoint a statutory auditors and its respective alternate, without prejudice to those elected by the General Ordinary Shareholders' Meeting of the Company, as long as it abstained from voting in said elections.

### **STATUTORY AUDITORS**

**THIRTY-SEVEN.** The statutory auditors may or may not be Shareholders of the Company, and as a general rule their term shall last one year and, except as provided for by the applicable legislation, and shall continue to perform their duties until those selected to replace them are appointed and assume their positions. The statutory auditors' remuneration shall be fixed by the General Shareholders' Meeting that appoints them.

The following shall not be qualified to be statutory examiners: (I) those who have been legally barred from practicing commercial activities, (II) employees of the Company or employees of companies that hold shares representing more than twenty five (25%) of the corporate stock of the Company, or (III) the blood relatives of the Directors of the Company, in direct line without limitation or degree, and distant relatives within the fourth degree or by similar relatives within the second degree.

### **POWERS, OBLIGATIONS AND GUARANTIES**

**THIRTY-EIGHT.** The statutory auditor(s) shall have the powers and obligations established by Article 166 of the General Corporation Law. They shall not be required to hold insurance for the liability they might incur in the exercise of their duties, nor will they have to grant an assignment, bond or cash deposit to the Company, unless the General Shareholders' Meeting that appoints them so expressly determines.

## **CHAPTER VI**

### **FINANCIAL INFORMATION, PROFITS, AND LOSSES**

#### **FISCAL YEARS**

**THIRTY-NINE.** Fiscal years shall not exceed a period of twelve months and shall begin the first of January and end on December 31 every year.

## FINANCIAL INFORMATION

**FORTY.** A) At the end of each fiscal year the following shall be prepared: a general balance, a statement of earnings and losses, a statement of changes in financial positions and a statement of changes in the Shareholder investments, as well as the other financial information referred to by Article 172 of the General Corporation Law, and these shall be finalized within three (3) months following the end of the corresponding fiscal year.

B) The Chairman of the Board of Directors will deliver the balance and remaining financial information to the Statutory Auditors, at least thirty (30) days before the date of the General Shareholders' Meeting that will discuss them, along with the verifying documents and a general report on the Company's course of business. The statutory auditor(s), within the following fifteen (15) days shall prepare an opinion with the observations and proposals that they deem appropriate. The balance with its appendices and remaining financial information and the opinion of the statutory auditor(s) shall be delivered to the Board of Directors during the period of fifteen (15) days prior to the holding of the General Shareholders' Meeting that will discuss them, and a copy of these shall be available to the Shareholders in the Company offices during the above mentioned period.

C) The Company shall maintain an adequate accounting registry in each case.

## PROFITS

**FORTY-ONE.** The profits formulated at the end of each fiscal period shall be distributed in the following way:

A) The Shareholders' Meeting shall separate at least five percent of the profits for the corresponding fiscal year for the creation or reorganization of a legal reserve fund, until this fund reaches a value at least equal to twenty percent (20%) of the capital stock;

B) The amount of such profits, if any, to be separated for the creation of a reserve for repurchasing shares shall be determined by the Shareholders' as set forth in the Thirteenth Clause of these Bylaws;

C) Once what is prescribed in sections (A) and (B) above has been fulfilled, the Meeting shall:

(i) Separate the amount that the Meeting deems pertinent for the formation or increment of the reinvestment or contingency reserves or of any other special reserve that the Meeting deems convenient; and/or

(ii) Declare dividends by means of its distribution, with the understanding that the distribution of profits shall be realized in proportion to the number of shares and of the capital paid with respect to such shares; and/or

(iii) Apply to the retained earnings and profits account the amount so determined by the Meeting.

## LOSSES

**FORTY-TWO.** The liability of Shareholders shall be limited to the amount they paid for their respective shares.

Consequently, the owners of issued, paid and non-assessable shares shall have no additional responsibilities. The owners of shares that have not been fully paid up, shall only be liable up to the unpaid amount of their shares.

## ORIGINAL SHAREHOLDERS

**FORTY-THREE.** The original shareholders that caused the incorporation of the Company do not reserve any share whatsoever in the Company's profits, due to their founding capacity.

## CHAPTER VII

### DISSOLUTION AND LIQUIDATION

#### REASONS FOR DISSOLUTION

**FORTY-FOUR.** The Company shall be dissolved through a resolution adopted by Series "A" Shareholders representing at least seventy five percent (75%) of the Series "A" shares of the Company capital stock in the General Shareholders' Meeting:

- A) Upon the expiration of the Company term established in these Bylaws;
- B) Upon the impossibility of continuing to realize its corporate purpose;
- C) Upon an agreement of the Series "A" Shareholders, in conformity with these Bylaws and the law;
- D) Upon the number of Shareholders becoming less than two; or
- E) Upon the loss of two-thirds of the Company's capital stock, unless the Shareholders reconstitute or reduce it without violating the minimum established by law.

#### LIQUIDATION

**FORTY-FIVE.** A) After the dissolution of the Company is agreed upon, the Company shall be placed in liquidation, which will be directed by one or more liquidators as determined by the respective Extraordinary General Shareholders' Meeting.

B) In the period during which the appointment of the liquidators has not been recorded in the Public Registry of Property and Commerce, and the liquidators have not begun to exercise their duties, the Directors shall continue to carry out their duties.

C) The liquidation shall take place in the manner prescribed by the applicable General Corporations Law. The Shareholders' Meeting, in the act of agreeing upon the dissolution, shall establish the rules that, besides the legal dispositions and the norms established in these Bylaws, shall control the acts of the liquidators.

D) The General Meeting shall be held during the liquidation in the same manner provided during the normal existence of the Company, with the liquidators having the powers corresponding to the Board of Directors, and the functions assigned to them under the General Corporations Law. The statutory auditors will exercise during the liquidation process the same functions they exercised during the normal course of the Company.

## CHAPTER VIII

### FINAL PROVISIONS

#### SUPPLEMENTAL LAWS

**FORTY-SIX.** For everything not provided for by these Bylaws, the provisions of the General Business Law and, if applicable, the Securities Market Law shall govern.