

## Letter from the President

Since its beginning, Grupo México has been committed to its people, its communities, and its surroundings; consolidating material achievements and identifying opportunities through ongoing efforts. Today, we combine these actions with the concept of Sustainable Development to provide a more solid structure with greater strength in the operation of our business. This report represents a significant step in this direction, by communicating our performance voluntarily and with transparency.

When talking about sustainability, the environment, health, and overall wellbeing of our people are a priority and allow us to reach high levels of efficiency and productivity. Safety in our operations is an achievement and commitment undertaken by everyone; we continue to take important steps to reduce incapacitating and time-loss accidents. Only with the continued commitment from each of us will we achieve and maintain our goal of "Zero Accidents". The Mining Division reduced its accident rate during 2008 from 3.45 to 2.32, which represents a 33% reduction, a significant achievement for the company. We invested US \$38.5 million in the areas of safety, health, training, and medical centers. Similarly, we dedicated 915,000 man hours in training for these tasks, representing an increase of 204% over last year.

We are also continuing our efforts to promote the integral development of our workforce, through bettered structured actions, with investments in neighborhoods, schools, and medical centers, making Grupo México the best place to work.

Over 525,000 hours of training were given in the Transportation Division on various topics. Accidents decreased from 7.25 to 5.20 on average per month, representing a 28% reduction. This was achieved through training and investment in technological controls. There was also a significant reduction in personnel turnover in both divisions, resulting in a better and more qualified workforce.

Support for the communities where Grupo México operates was strengthened during 2008, by providing strategic assistance to Development Centers and communities. We invested US \$26.4 million in communities in 2008, representing an increase of over 14% compared to 2007, benefiting more than 425,000 people.

I am pleased to report that in 2008 Grupo México formalized the creation of its Foundation, with which we will integrate additional efforts for our actions to be even more effective benefiting those most in need. Also, Fundación

Grupo México is committed to all those who share their work efforts with us for the betterment of our country.

In the Transportation Division we have achieved significant synergies with the federal, state, and municipal authorities, participating in urban coexistence programs to provide a more efficient railroad service while imposing on the daily life of the local community as little as possible, attaining this through investment in infrastructure and protection systems, such as: underpasses, automatic arms, railroad crossing lights, and also bypasses. These efforts added to our service create a healthy coexistence and economic development in the region.

The majority of the environmental actions undertaken by Grupo México are directed at achieving better energy efficiency, which contributes to mitigating global greenhouse effect gas emissions. Over the year, the Mining Division reduced its electricity consumption by 4% and its consumption of fossil fuels by 8%. In the Transportation Division, energy savings were 3% and we optimized fuel performance by 4%, thanks to advances made in transportation logistics and upgrades made to our fleet. Similarly, Grupo México continues its ongoing search for more efficient water use, regarding

which in 2008, our mining operations achieved that 73% of their consumption is recovered water.

Certainly two actions that merit emphasis because of their enormous environmental benefit are the completion of the modernization project at the Smelter Plant in Ilo, Peru, with a total investment of US \$477 million, and the technological innovation at the Dust and Discharge Treatment Plant at the La Caridad Smelter in Mexico.

Grupo México has always held and will continue to hold the firm conviction to integrate the concept of sustainability in all its operations. I would like to recognize the commitment of each and every one of our collaborators; I am convinced that with the efforts made by all, we will continue to build a more responsible company committed to its people, its surroundings, and its country.

**Germán Larrea Mota-Velasco**  
CHAIRMAN OF THE BOARD