



## INVESTMENTS IN MEXICO

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### 1. Investments by Mexican Companies in Mexico

● With an estimated investment of US\$ 6,000 MM, Mexican companies **Mexichem, Alfa and Idesa** plan to exploit and commercialize petrochemical products in the city of Coatzacoalcos, in the state of Veracruz. This is according to Carlos Garcia Mendez, Secretary of Economic Development and Port Operations of Veracruz.

● **Fomento Economico Mexicano** (Femsa) announced it will invest US\$ 160 MM in the construction of a new soccer stadium for **Club de Monterrey**. The new stadium will have capacity for 50,000 fans and it will be designed by the English firm HOK-Sport, which has designed more than 800 stadiums and arenas all around the world. Although Femsa sponsors several soccer and baseball teams in Mexico, as part of its marketing strategy, this is the first time the company chooses to participate in the development of a complex that outside of its core businesses.

● **Brisas Hotels & Resorts** publicized it completed the renovation of **Las Brisas de Acapulco** hotel after investing US\$ 20 MM. The renovation included changes to the 263 hotel rooms and remodeling of the common areas.

● **Mexichem** announced it will invest US\$ 40 MM to exploit a sulfur deposit in the State of Veracruz.

● **Grupo Elektra's** first motorcycle plant began operations in Mexico, total investment is projected to be US\$ 13.2 MM and will generate 500 direct jobs. The new plant will be located in the City of Toluca, in the State of Mexico. The facility is expected to assemble 350,000 motorcycles a year to meet the demand for this type of transportation in Mexico. The plant will also enable Elektra to export motorcycles to Guatemala, Honduras and Peru.

● **Ignia Fund I**, a fund of Ignia Partners, a venture capital firm, announced it will invest US\$ 2 MM in the expansion of Jardines del Grijalva, a project in Chiapas that will allow the construction of low-income houses for families whose income is less than \$ 8,888 dollars per year.

● **Empresas ICA** said that its subsidiary, **ICA Fluor** won a US\$ 45 MM contract with **Petróleos Mexicanos** (PEMEX), to build a dehydration system for the Mayan Crude mix in the State of Tabasco.

#### About Pablo Rión y Asociados

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- **Carlos Slim** said he will invest US\$ 45 MM in a microfinance project in partnership with the international arm of Grameen Bank, aimed at reducing poverty in Mexico. Slim said that the non-profit project seeks to create new employment opportunities in Mexico. The Carlos Slim Foundation will grant US\$ 5 MM initial equity to the project, while guaranteeing US\$ 40 MM in credit lines to the new financial vehicle to fund out its operations. Grameen Trust will provide its

know-how to the project and will be responsible for the operation.

- **Casa Armado Guillermo Prieto**, a newly founded Mexican beverage company, announced it invested more than US\$ 48 MM in the construction of a mezcal production plant in Tlacomula, in the State of Oaxaca. Their goal is to launch their signature mezcal brand, Zignum, with a production of 15,000 liters per day.

## 2. Investments by Mexican Companies Abroad

- **ArcelorMittal**, the world's largest producer of steel, will invest US\$ 600 MM to build a smelter plant in Mexico. The new plant will produce steel for the construction and automotive industries. The plant's location is yet to be determined. In addition, it announced the opening of a new plant in Monterrey, in the State of Nuevo Leon, which will produce conical gears and ensemble frontal axles. The new plant required an additional investment of US\$ 30 MM.

- **Michellin** canceled its plans to invest US\$ 740 MM in the construction of a new plant in Guanajuato, as well as announcing downward adjustments in their production capacity in North America. The company said this decision is consistent with the fall in demand for tires in the region.

- **Ternium** plans to invest US\$ 4,200 MM in Mexico over the next 5 years to build a new steel mill in the Monterrey plains. The construction of this plant consists of 2 phases: first, the construction of a compact plant, or mini-mill, where it will produce flat laminates with a production capacity of 2 million annual tons of laminate rolls. The second phase will involve the construction of a cold laminate and galvanized plant with a capacity of 1 million tons per year and 300,000 tons of galvanized steel.

- **Moraval Group**, a Spanish commercial real estate developer, together with Almena Developer, announced they will invest US\$ 170 MM in the construction of a new building in Paseo de la Reforma corner of Insurgentes Sur. The real estate development, which will be known as Punta Reforma, will be 36 stories high, of which 24 will be for office space, 7 basements and 9 stories of parking spaces as well as commercial spaces located on the ground floor.

- In the next 3 years, Mexico City will be seeing a boom of **new luxury office developments**. At least 54 new developments, with 11,371,993 ft<sup>2</sup> of lease area and investments that will exceed US\$ 4,300 MM. Currently 34 office buildings are under construction, most of them concentrated in the Santa Fe and Reforma areas. Some of the most important projects are Torre Reforma, which will be 2,626 ft high, making it the tallest in Latin America, the Telcel Tower and the Carso Tower, which will have 1,184,040 ft<sup>2</sup> of combined office space. The additional 20 developments will be ready by 2011.

- **Procter & Gamble** will move most of its global production of Gillette's razor blades to an industrial complex in the State of Guanajuato, with a total investment of US\$ 300 MM.



● **Hines** launched its second fund, US\$ 245 MM, of which US\$ 100 MM will be newly committed equity and US\$ 145 will be debt. The resources will be used for the development of 8 real estate projects in Mexico, the resources will be mainly allocated to housing and retail projects. Highlighted, among the projects undertaken with this investment, is the development of the Cumbres Master Plan, in the State of Nuevo Leon, where lots will be sold for vertical and horizontal housing developments as well as The Cauquel Master Plan, in the State of Merida, which will include a shopping center and mega-lots destined for clinics, hotels and gas stations.

● **Telefonica Mexico** signed a technological cooperation agreement with the government of the State of Veracruz, where it will invest US\$ 40 MM toward the State's telecommunication infrastructure.

● The Chinese company **Hutchinson Ports Holding of Mexico** (HPH) will invest US\$ 12 MM in the port of Ensenada, in the State of Baja California Norte, to improve service infrastructure in the cruise terminal. These resources will be mainly used to build a shopping mall.

● **ProLogis**, the investment fund and the largest manager of industrial properties in the U.S., will invest US\$ 500 MM in Mexico in 2010. The company looks to expand to emerging markets such as Mexico and China, this is aimed mitigate the slowdown in US demand for industrial properties.

### 3. Investments by the Mexican Government and other news

● The government of President Felipe Calderon announced the public tender for the construction of the **System 2 of the Suburban Train** that will go from the Martin Carrera metro station, in the Country's Capital City, to Jardines de Morelos, in the State of Mexico. The authorities estimate the project will require a US\$ 420 MM, of which 40% will come from private investors and the remaining 60% from the government. The System 2 will cover 12 miles with 5 stations.

🇲🇽 **Fixed Investment** rose 2.7% in June compared to May in seasonally adjusted terms, the fourth consecutive increase after the revised rise of 1.3% in May. In annual terms, investment rose 8% in June, according to the National Institute of Statistics and Geography (INEGI). In June, investment in machinery and equipment rose 19.4% in annual terms. Construction rose 0.5% in the past 12 months ending June 2008. In this year's first half, gross fixed investment grew by 5.4%.

● **The Secretariat of Communications and Transports** announced it will invest US\$ 640 MM in the expansion and modernization of the facilities of the **Port of Veracruz**. The authorities said the tender process for this project will begin next year. 45% of the investment will be provided by private investors and the remaining 55% via public resources.

● **The Secretariat of Communications and Transports** announced through the under secretary of infrastructure, Oscar de Buen, said that the investment of US\$ 1,600 MM in 2008 to **built and upgrade rural roads** and power supplies could be increased for next year.

● **The Secretariat of Communications and Transports** said it signed an agreement with the **State of Sonora** to co-invest US\$ 400 MM in the modernization of the Don – Nogales Station Highway . The highway, which will have 4 lanes, 400 miles, will cross the State of Sonora from south to north.



🇲🇽 **Foreign Direct Investment (FDI)** in Mexico. For the first half of the year fell 20% compared to the same period last year, mainly due to the U.S.'s economic slowdown, the main foreign investor in Mexico. In this first half of the year Mexico attracted US\$ 10,537 MM in foreign investment while in the same period last year the amount was US\$ 13,244 MM.

🇲🇽 **Foreign Direct Investment (FDI)** in the world will drop at least 10% this year and an uncertain outlook is expected for 2009 as a result of the recent financial crisis. The United Nations Conference on Trade and Development, in its 2008 Investment Report, estimated that Mexico and Central America will be the most affected. However, the Mexican Ministry of Economic Affairs pointed out that it is not aware of any investment cancellation to in the country. Finally, the study pointed out that Asian countries are the main recipients of FDI among the developing economies. In Latin America, Brazil occupied the first position, followed by Mexico and Chile.

● Luis Tellez, Secretary of Communications and Transportation, said that the plans to tender the construction and operation of a **new airport in the tourist region of the Riviera Maya** have been postponed due to the current financial crisis.

● In 2009 US\$ 2,250 MM will be invested in exploration, 27% more than in 2008, US\$ 1,760 MM, said Carlos Morales Gil, director of **Pemex Exploration and Production (PEP)**. The resources will be used to find new basins.

● **The Mexican Financial System** said it has invested nearly US\$ 300 MM over the past 4 years to strengthen the security measures in more than 10,400 bank branches in the country where more than 1,646 million transactions take place every year.

🇲🇽 **Foreign Investors** in July reduced their participation in the Mexican Stock Exchange (BMV) to 36.4% of its capitalization value compared to the 37.7% they had at the end of June 2008.

● **The government of Felipe Calderon** announced an investment of US\$ 400 MM for the development of a new tourist center in Escuinapa, in the State of Sinaloa, south of Mazatlan. With the aforementioned investment, the government expects to generate US\$ 5,280 MM through a series of private investments in the area.

● **The IMSS**, Mexico's social security institute, plans to invest US\$ 4,800 MM over the next 4 years to increase the number of beds in its hospitals across Mexico. With this investment, the institute expects to have one more hospital bed per 1,000 dependents by 2012.

● **The Integral Port Administration of the Lazaro Cardenas Port**, the unit that manages the port, plans to invest US\$ 40 MM in 2008, toward dredging works, construction of common areas and other infrastructure works.

● Various plants in the country will be responsible of producing **components for the new aircraft models** of Airbus and Boeing, A350 and 787 respectively. Smaller aircrafts, from companies such as Embraer, Bombardier and Gulfstream, will also have parts produced in Mexico. The industry expects this year a US\$ 500 MM in FDI, according to Promexico.

● **Banajercito** sent the Ministry of Finance, an investment project for 2009 that adds up to US\$ 11.2 MM and includes: US\$ 4.4 MM to buy 100 ATMs in regions where the bank has no presence and US\$ 6.8 MM to build 4 more branches and remodel 5 more, as well as the refurbishment of its corporate headquarters.



● **The IMSS** announced various investments totaling US\$ 137.6 MM:

- US\$ 9.6 MM in the opening of a new Family Medical Unit in Cordoba, in the State of Veracruz, where it expects to serve 50,000 patients and give 100,000 consultations per year.
- US\$ 64 MM in infrastructure and hospital equipment in the State of Queretaro. With this investment, the institute will build a general hospital in the City of Queretaro and a new Family Medical Unit in the municipality of El Marques.
- A new General Hospital in Leon with 216 beds. The project will begin in December 2008 and will be completed in 2010.

● **The Government of the Federal District**, Mexico's Capital City, created an investment fund of US\$ 80 MM to be listed on the Mexican Stock Market, with which it expects to improve the performance and management of its resources. The Fund, that will be known as **CUIDADF** and will be listed in the Mexican Stock Exchange (BMV), could be expanded over time to US\$ 400 MM and will invest its resources in federal, corporate, state and municipal debt in order to finance infrastructure projects. The fund will invest 80% of its resources in instruments rated 'AAA' and 20% in instruments rated 'AA'.

## 4. Subscription / Cancellation Policy

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**Pablo Ri3n y Asociados** is a private Mexican investment-banking firm incorporated in 1990.



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