



## 3. FINANCIAL SUSTAINABILITY

### Financial Balance

#### Financial Administration

Metro is a state-owned company that finances its own operations and a third of its new lines and expansions. The company must constantly safeguard its financial sustainability in order to cover its operational and financial costs and replenish its assets.

Passenger transportation accounted for 80% of the company's total revenue in 2014. On January 1st, 2014, Metro raised rush hour fares by \$30 to finance the air conditioning project. This fare increase was enshrined under an Agreement entered into with the Ministry of Transportation and Telecommunications on June 26th, 2013.

It is worth noting that the fare Metro receives as income is different from the fare paid by each passenger transported. Although fares paid by customers in December 2014 were \$700 during peak hours, \$640 during intermediate hours and \$590 in off-peak hours, on average, in December 2014 the company took in a technical fare of \$349.25 per passenger.

The purpose of the technical fare is to cover company costs, which consist of operational costs, the cost of replenishing assets and paying for debt, over a 40-year period. This fare is updated monthly by a polynomial that takes into consideration the various items making up the Company's long-term cost structure (CPI, Dollar, Euro, and the price of power and energy).

[G4-EC4] Metro is one of the few underground trains in the world that finances its own operations, while also contributing a third of the funding for new projects and expansions. The other two thirds are financed through investment projects, e.g., Metro received a total of MM \$189.739 in fiscal contributions in 2014.

Financial Summary Chart (MM\$)			
	2012	2013	2014
Regular Income	238,396,10	250,180,46	281,289,80
Capital issued	1,776,047,71	2,001,000,85	2,207,691,64
Equity	1,676,741,68	1,821,316,28	1,896,866,37
Total Assets	2,984,609,45	3,134,573,45	3,519,027,16



## Investment Plans

Metro currently has US\$ 3.322 million in investment projects under way, the bulk of which (US\$ 2.758 million) corresponds to construction on Lines 3 & 6 while a lesser amount (US\$ 564 million) has been earmarked for network improvements.

The company also allocates significant funds to investment studies and projects related to network expansions, system maintenance and infrastructure improvements. Investments in expansion projects are primarily aimed at consolidating Metro's position as a main artery in the capital city's public mass transit system, while infrastructure maintenance and improvement investments aim to provide riders with better quality services, safer more stable operations, general facility upkeep, and updating and replenishing systems and equipment so that we may provide our customers with a top-notch service.

Regarding funding sources, in 2014 infrastructure and equipment replenishing and improvement investments were financed by operational revenues and capital contributions. Investments slated for network expansion projects overall—equipment imports—are financed by Metro through borrowing, which the company repays through increases in the technical fare received by Metro. However, domestic equipment investments that cover infrastructure, civil works and other expenses, including import taxes and tariffs on imported goods, are funded through fiscal contributions that are later capitalized.

## Metro's Participation in the International Financial Market

With a view to financing construction on Lines 3 & 6 and other network improvements, in February 2014 Metro issued its first bond on the New York Stock Exchange for a sum of US\$500 million. Proceeds were used to finance network improvements, replacing the oldest trains in the fleet with new ones, and installing AC on the rest of the Line 1 cars, along with other projects. This venture has provided Metro with a new option to finance its future projects.

In December 2014, Metro entered into a US\$800-million loan with BNP Paribas and Sumitomo Mitsui as agents—the biggest bank agreement ever in the history of the company. This loan will be used to finance civil works, supplies and other expenses related to Metro's network expansion projects. The BNP Paribas credit will be earmarked for equipment, rolling stock and other expenses incurred during expansion projects.

It is worth noting that the company had to go through a very stringent due diligence in order to obtain credit on the international market. This process entailed conducting a sustainability analysis on the company regarding issues pertaining to communities, the environment and corporate social responsibility.

## Income and Expenditures (Economic Value Generated and Distributed)

[G4-EC1] Metro generated an additional 15% in income in 2014 compared to 2013, recording an increase from MM\$261,454 to MM\$300,542, as a result of a 12.4% bump in revenue from the company's regular activities. Interest income and other revenues also contributed to the company's coffers but to a lesser extent.

With regard to outlays, compared to 2013, the greatest expense was booked under operating costs which experienced a 35.1% increase primarily due to higher energy costs, resulting in MM\$ 44,288 in overhead and maintenance. Additionally, Metro spent MM\$9,000 less on the reinvestment budget item.

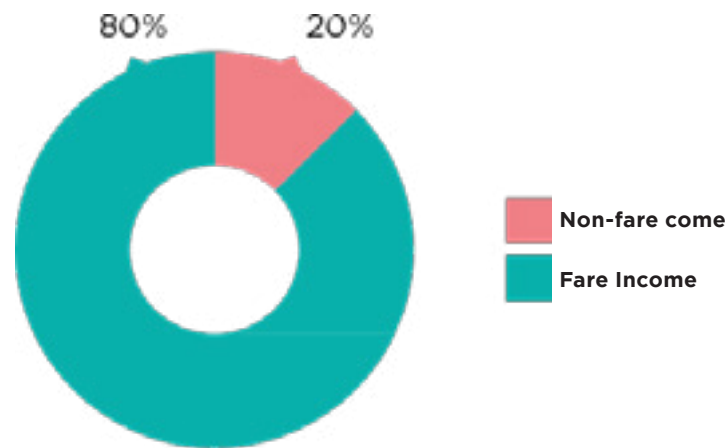
Economic Value Generated and Distributed		MM \$		
		2012	2013	2014
<b>Income (A)</b>		<b>\$247,878</b>	<b>\$261,454</b>	<b>\$300,542</b>
Income	Revenues	\$238,396	\$250,180	\$281,290
	Financial revenues	\$8,470	\$9,036	\$10,343
	Other revenues per function	\$1,012	\$2,238	\$8,909
<b>Outlays (B)</b>		<b>\$247,880</b>	<b>\$261,455</b>	<b>\$300,542</b>
Personnel	Total Personnel	\$52,883	\$59,068	\$61,331
Operating Costs	Maintenance	\$36,056	\$38,637	\$48,348
	Electric Power	\$29,256	\$30,275	\$44,288
	General Overhead Expenses	\$34,522	\$36,588	\$49,913
	Total operating costs	\$99,834	\$105,500	\$142,549
Governance	Total	\$5,548	\$5,288	\$6,396
Lenders	Interest payments	\$42,814	\$39,500	\$46,446
	Debt payment	\$46,060	\$46,216	\$52,819
	Total	\$88,874	\$85,716	\$99,265
Metro's Reinvestment	Total Reinvestment	\$741	\$5,883	-\$9,000



## Non-Fare Business

Non-fare businesses are an important part of Metro's revenue, amounting to 20% of the company's 2014 income. The Business Development Department is responsible for managing current business opportunities and seeking out new ones for the medium and long term.

In addition to providing the company with financial support, non-fare businesses benefit communities as well. Their positive impact is three-fold, i.e., they foster inclusion, provide value-added services, and create a sense of belonging for the Metro brand in the community.



### The main non-fare business are:

**Telecommunications:** inside coverage on trains and at stations and outside coverage through antennas installed on property and infrastructure and a fiber optics network.

**Real estate:** office and land leases, and third-party connections.

**Advertising:** at stations and on trains (JCDecaux), SubTV and external advertising.

**Services:** ATMs, vending machines, public phones, and mobile services

**Retail:** mini-markets, shops, services, restaurants, bakeries, and telephone services.

**Inter-modal Services:** irevenues from departures and leases.

**Consulting Services:** international consulting.

Retail is Metro's largest non-fare business with a total of 340 shops and modules throughout the entire system.

In terms of consulting work carried out in 2014, Metro's income coming from this item jumped 127% in 2014 compared to 2013. Metro provided consulting services to a handful of Latin American metros (Argentina, Brazil, Peru and Panama), primarily regarding design issues and new line construction.

As part of its pledge to non-fare business customers, Metro assesses their satisfaction on a monthly basis in order to identify areas where both parties can make improvements and contribute to their business success.

In September 2013, Metro took over the administration of the bip! Card loading system. Metro's Sales Channel Department is in charge of making, distributing and selling the card.

