TRAXION

WE ARE TRAXION

INTEGRATED REPORT 2019

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WHE ARE TRAXIÓN

We are much more than a transportation company; we are a vehicle that transports stories, we are people connecting more people, we are the force behind dreams and desires, we are the driver behind several industries and part of the engine behind Mexico´s development. We are results, transparency, talent, commitment, ideas, and processes. We are evolution, responsibility, and execution.

TRAXIÓN AT A GLANCE

(GRI-102-7)

[93°48'89.54°]

[46°35'44]

ANNUAL REVENUE:
Ps. **12,154** million
29.3% more than in 2018

EBITDA:
Ps. **2,557** million
43.2% more than in 2018

EBITDA MARGIN:
21%
200 basis points more than in 2018

NET INCOME:
Ps. **449** million,
1.5% more than in 2018

NET DEBT:
Ps. **5,194** million
Net debt/EBITDA ratio: 2.05x

CapEx:
Ps. **1,738** million

8,176
power units

430,225 m^2
of warehouse 3PL solutions

555 million
kilometers driven

[93°48'89.54°]

[36°48'98.54°]

OWN BRANDS **07**

PRESENCE IN:
32 states

+15,000
employees

EMISSIONES:
477,481
tCO_2eq/year

4.3 years
average fleet age of the
personnel and student transportation segment

4.8 years
average fleet age
of the cargo segment

+1000
customers across the country

ABOUT THIS REPORT

(GRI-102-1) (GRI-102-5) (GRI-102-12) (GRI-102-46) (GRI-102-50) (GRI 102-51) (GRI-102-52) (GRI-102-54)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

This is GRUPO TRAXIÓN S.A.B. de C.V.'s first integrated report and third annual report since our IPO. Our purpose in publishing it is to share our financial and non-financial, environmental, social, and governance results with our customers, investors, shareholders, employees, partners, suppliers, and with anyone interested in our growth and development.

The information included in this report stems from the period between January and December 2019. It was prepared following the GRI Standards, in accordance to the CORE option, and the Integrated Reporting methodologies, with data collected from the materiality and stakeholder assessments we carried out in 2019 in our effort to better manage the risks and opportunities we face in both our business segments: personnel and student transportation, and cargo and logistics services. We have also included information on our compliance with the ten principles of the United Nations Global Compact and our contribution to the pursuit of the 2030 Agenda of the Sustainable Development Goals (SDGs).

Our financial information was prepared employing the International Financial Reporting Standards (IFRS) and results are presented in millions of nominal Mexican pesos (MXN), unless otherwise specified.

Our integrated report describes who we are. We begin by telling our story and by describing the lessons we have learned and values we adhere to as the basis for what our strategy has been so far, where we wish to go over the next few years, and how we are going to get there.

This report may contain statements with certain forward-looking estimates regarding the future of Grupo Traxión S.A.B. de C.V., and its subsidiaries (as a whole referred to as "Traxión"), which are not historical facts and represent the current vision of the Traxión management, based on information currently available to the company. These statements are subject to certain risks and factors which are based on assumptions. The intention behind words like "anticipates", "believes", "estimates", "expects", "plans", and other such similar expressions, whether they are directly related to the company or not, is to make estimates and present foresights.

Several factors could cause final results to differ from what we are expecting, which means that the final results could vary materially from those factors described as anticipations, believes, estimates, or expectations within this report.

The report is available for download on Traxión's website (http://traxion.global/inversion), in English and Spanish. Traxión does not assume any obligation to update the statements or information presented herein.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS **AND THE EXECUTIVE PRESIDENT**

(GRI 102-14) (PM-7) (PM-8) (PM-9)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Eight years ago we started Traxión's journey with a truly clear vision: to consolidate a fragmented industry in a strategic manner in order to provide end-to-end solutions across our country's whole supply chain. To this end, we founded the first and only publicly traded company in the sector in Mexico, and we combined the proven experience of leading companies in the personnel and student transportation segment, and in the cargo and logistics segment.Today we are the leading company in the industry, having registered a double-digit growth and profitability in 2019, in spite of the macroeconomic challenges we faced.

Our EBITDA for 2019 was $2,557 million pesos, or a 43.2% growth over the $1,786 million pesos we reported the previous year. In less than a decade, we have multiplied the size of our fleet almost 30 times, going from 300 when we first started, to our current more than 8 thousand units, which collectively this year drove across 555 million kilometers.

In 2019, we capitalized on the accelerated growth registered over the prior years by means of an intensive institutionalization and standardization process, which

has enabled us to offer high-quality services to the more than one-thousand customers to whom we offer comprehensive solutions and a unified experience at all our business units. As part of these efforts, our Shared Services Center, started operating in full in 2019 to manage the group's administrative processes in a centralized manner. In addition, our Business Intelligence platform is now operational at all our business units and we have moved forward on our path to excellence by embedding our sustainable vision into the company's strategy.

We are aware that transportation and logistics needs in Mexico and all over the world are growing, while environmental dynamics are demanding a change in the industry. Population growth, increased urbanization, and the elevation of our planet's temperature associated with CO^2 emissions, make it imperative for the transportation industry to take effective actions to reduce its environmental impact. At Traxión we are committed to promoting the creation of long-term value in all our activities, based on a comprehensive and sustainable strategy that benefits all our stakeholders.

This year we invested in personnel and student transportation units powered by run on natural gas, thus reducing our environmental impact. Our commitment to innovation was strengthened with the creation of the Technological Innovation Committee, whose goal is to find solutions that help increase efficiency in our operations, generate savings, improve productivity, and increase business profitability.

Additionally, we continued to train our operators in safe-driving techniques and to promote a culture of road safety focused on our zero accidents goal. With this in mind, we created a Safety Committee that safeguards the integrity of our employees and users and, at the same time, promotes good health and driving habits among our personnel at the wheel.

WE FOUNDED THE FIRST AND ONLY PUBLICLY TRADED COMPANY IN THE SECTOR IN MEXICO, AND WE COMBINED THE PROVEN EXPERIENCE OF LEADING COMPANIES IN THE PERSONNEL AND STUDENT TRANSPORTATION SEGMENT, AND IN THE CARGO AND LOGISTICS SEGMENT.

THIS YEAR WE INVESTED IN PERSONNEL AND STUDENT TRANSPORTATION UNITS POWERED BY NATURAL GAS, THUS REDUCING OUR ENVIRONMENTAL IMPACT.

In 2020, we will start implementing Traxión's sustainability strategy, which is based on the materiality assessment that we carried out in 2019 to better understand the needs and expectations of our stakeholders. The goal was to include their vision in our strategy, while also taking into consideration trends and risks prevailing in the sector.

Ever since we started operating, we have been known for being disruptive. Our commitment to shareholders, investors, employees, customers, governments, users, and suppliers is to continue increasing our business' profitability in an innovative and sustainable manner, with responsibility and transparency. To this end, we will continue to publish integrated reports in the coming years.

This report opens the door for us at Traxión to share with our stakeholders the steadfast work we carry out to generate present and future value. The report serves as a tool that supports our internal management, and it is, above all, a channel by means of which we can make public our financial and non-financial results, the services we offer, and the circumstances under which we operate.

Likewise, in this report we share the path to our institutional strengthening and describe our corporate governance structure, explaining how it supports our ability to generate short-, medium-, and long-term value. We convey information on the development of our talent, the role we play as corporate citizens, the know-how we generate, our innovations, and the actions we perform in favor of the environment.

The world today is changing rapidly. We strive to be a successful company and, at the same time, we wish to make a contribution to global change; we wish to be a company that combines the best corporate practices of the past with a new vision for the future and continuous innovation, all from a position of responsibility. We aim to provide comprehensive services that benefit our customers, shareholders, and employees by offering safety, excellence, and efficiency in every trip.

On the coattails of our team of talented people who are fully aware that the business map is changing at an extremely fast pace, we are confident that our future will bring positive results. We continue to work enthusiastically to make this an increasingly stronger and more competitive company, committed to society, the environment, and the development of Mexico.

Sincerely,

Bernardo Lijtszain Bimstein
Chairman of the Board of Directors

Aby Lijtszain Chernizky
Executive President

OUR STORY

(GRI-102-10)

2011
538 employees
300 units acquired

2012
560 employees
316 units

2013
2,020 employees
752 units

2014
2,016 employees
760 units

2015
1,768 employees
776 units

2016
9,464 employees
4,963 units

2017
10,055 employees
5,496 units

2018
14,191 employees
7,944 units

2019
15,392 employees
8,176 units

Initial Public Offering (IPO) in the Mexican Stock Exchange (BMV)

CONSOLIDATION AND ORGANIC GROWTH

We became institutionally stronger, triggered synergies among our companies, expanded our service offering, and embedded sustainability into our vision and operations.

OUR BUSINESS MODEL AND VISION OF SUSTAINABILITY

(GRI-102-16)

We are the leading transportation and logistics company in Mexico. Aware of the challenges implicit in our business across all its stages, we offer comprehensive solutions with the most ample and diverse service portfolio in the country. Our platform operates two business segments: **Personnel and student transportation and cargo and logistics services.**

At Traxión our priority is to strengthen our sustainability integrally by focusing on the areas defined in the 2018 Traxión Sustainability Diagnosis and the company's stakeholder and materiality assessments carried out in 2019.

This, our first integrated report, is part of our commitment to convey information on our vision, activities, and results in environmental, social, and governance matters, in parallel to our financial results.

VISION

To be the leader in the transportation and logistics sector; to create value for our stakeholders; committed to profitability, innovation, and sustainability.

MISSION

To solve the logistic needs of our customers with integrated and quality solutions; develop and utilize efficiently our human and technological resources.

VALUES

VISION
We think strategically in order to create value that exceeds the immediate needs of our customers and stakeholders.

STRENGTH
We have the experience and resources necessary to efficiently respond to the market and transform challenges into opportunities.

TRUST
We build positive relationships among employees, suppliers, customers, and shareholders, all of which are based on respect, communication, commitment, and achieving results.

DRIVE
We have the passion required to continue to grow and meet our goals.

TEAMWORK
We focus on achieving excellence through productive and innovative synergies.

OUR BUSINESS SEGMENTS

(GRI-102-2) (GRI-102-4)

CARGO AND LOGISTICS SERVICES

- Cargo and logistics services
- Domestic freight
- Intermodal freight
- Less-than-truckload (LTL)
- Refrigerated freight
- Specialized freight (petrochemicals and materials)
- 3PL logistics warehouse management
- Last mile solutions
- Courier and parcel services
- Moving and relocation

430,225 m²
OF WAREHOUSE 3PL SOLUTIONS

2,191
CARGO UNITS

621
LAST MILE UNITS

PERSONNEL AND STUDENT TRANSPORTATION

- Personnel transportation
- Student transportation
- Private charters

5,364
PERSONNEL AND STUDENT TRANSPORTATION UNITS

CARGO AND LOGISTICS SERVICES

This segment provides comprehensive cargo and logistics solutions across the supply-chain. Following are the main services offered by the company: dedicated cargo, less-than-truckload (LTL), intermodal cargo, refrigerated cargo, international and cross-border cargo, warehouse management, last mile logistics solutions, transportation for petrochemical products, moving services, specialized transportation, and courier and parcel services. We operate a platform that includes 6 highly renowned brands: Transportadora Egoba, Muebles y Mudanzas (MyM), Grupo SID, Auto Express Frontera Norte (AFN), Autotransportes El Bisonte, and Redpack. Traxión has one of the most modern, diverse, and flexible fleets in the industry, with an average **age of 4.8 years, which at year-end 2019 included 2,191 power units and 621 units in its last mile fleet.**

PERSONNEL AND STUDENT TRANSPORTATION

This segment provides transportation services to personnel at corporate offices, industrial parks, and hotels; to school and university students; as well as to tourist groups. Our subsidiary, Transportes LIPU, operates a centralized platform through dedicated contracts or spot services, with the largest and most modern fleet in Mexico, which included **5,364 power units at year-end 2019. The average fleet age is 4.3 years.**

NATIONAL PRESENCE

(GRI-102-4) (GRI-102-6)

We are leaders in transportation and logistics in Mexico. We offer comprehensive solutions through the broadest and most diverse portfolio in the country by operating in two business segments: cargo and logistics services, and personnel and student transportation.

All of Traxión´s companies head the niche where they operate. We have an experienced and committed management team that has consolidated Traxión as the only institutional company in an industry dominated by family enterprises, without losing our sense of humanity. We have established long-term relationships with customers and suppliers, and a forward-looking vision of the markets.

OUR GEOGRAPHIC FOOTPRINT - CARGO SERVICES

OUR GEOGRAPHIC FOOTPRINT
PERSONNEL AND STUDENT TRANSPORTATION, LOGISTICS, AND LAST MILE

OUR SUSTAINABILITY MODEL*

Sustainability is every fundamental element of our business model. It is part of all our operations and the decision we make. We firmly believe that excellence in business is the product of timely management and the balance among eight dimensions: economic capital, governance, human capital, industrial and technological capital, intellectual capital (processes), products and services, social capital, and natural capital.

- **ECONOMIC CAPITAL**
  Generation of long-term value
- **GOVERNANCE**
  Corporate governance, vision, and strategy
- **HUMAN CAPITAL**
  Advanced technologies
- **INDUSTRIAL AND TECHNOLOGICAL CAPITAL**
  State-of-the-art technology
- **INTELLECTUAL CAPITAL**
  Efficient processes and shared knowledge
- **PRODUCTS AND SERVICES**
  Excellence in our supply chain
- **SOCIAL CAPITAL**
  Responsibility and dialogue with the community
- **NATURAL CAPITAL**
  Optimization in the use of natural resources

Based on the ISDPro® Model*

2030 AGENDA TARGETS AND OBJECTIVES

(GRI-102-12)

At Traxión our priority goal is to strengthen our sustainability integrally by focusing on the areas defined in the company's stakeholder and materiality assessments (2019).

SDGS IMPACTED BY THE TRANSPORTATION SECTOR ACCORDING TO THE OECD

Source: Produced by ISD-Initiatives for Sustainable Development for Traxión

SUSTAINABLE DEVELOPMENT GOALS	GOAL	TRAXIÓN
SDG 2 ZERO HUNGER	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.	Traxión offers transportation services that facilitate the access and marketing of agricultural, fishing, and livestock products, among others, as well as the safe mobility of people, which contributes to activating local economies benefiting people.
SDG 3 HEALTH AND WELL-BEING	3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents. 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination.	Moving cargo and people facilitates access to health services and medication. In addition, Traxión has a young fleet, which reduces the emission of contaminants.
SDG 4 QUALITY EDUCATION	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care, and pre-primary education so that they are ready for primary education. 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university.	The Traxión student transportation service promotes access to education.
SDG 7 AFFORDABLE AND CLEAN ENERGY	7.3 By 2030, double the global rate of improvement in energy efficiency.	Traxión has a young, modern fleet and is working to adopt alternative energy in substitution of fossil fuels.
SDG 8 DECENT WORK AND ECONOMIC GROWTH	8.2 Lograr niveles más elevados de productividad económica mediante la diversificación, la modernización tecnológica y la innovación, entre otras cosas centrándose en los sectores con gran valor añadido y un uso intensivo de la mano de obra.	Traxión offers a friendly work environment in which human rights are respected to the fullest. A high percentage of employees are unionized, and we strive to offer constant training.

SUSTAINABLE DEVELOPMENT GOALS	GOAL	TRAXIÓN
SDG 8 DECENT WORK AND ECONOMIC GROWTH	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programs on Sustainable Consumption and Production, with developed countries taking the lead. 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.	
SDG 9 INDUSTRY, INNOVATION, AND INFRASTRUCTURE	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Traxión has modern and reliable facilities across the country. The company invests in the implementation and development of cutting-edge technological systems. Our activities drive economic development in the regions where we are present.
SDG 11 SUSTAINABLE CITIES A ND COMMUNITIES	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	Traxión's logistics and transportation services adhere to the highest safety standards, striving for products and people to safely reach their destination. The age of its fleet reduces the company's environmental impact.

STAKEHOLDERS AND MATERIALITY

(GRI-102-21) (GRI-102-29) (GRI-102-31) (GRI-102-33) (GRI-102-34) (GRI-102-40) (GRI-102-42) (GRI-102-43) (GRI-102-44) (GRI-102-47) (GRI-103-1) (PM-6) (PM-7) (PM-8) (PM-9)

As part of our stakeholder assessment, we analyzed a sample of more than 100 players, including customers and suppliers, who were selected based on the Pareto principle–or the 80-20 rule–in order to identify those actors who contribute the most to our revenue (customers) and are most relevant in terms of our expenses (suppliers).

MATRIX - STAKEHOLDERS (GRI-102-40)

Source: Produced by ISD-Initiatives for Sustainable Development for TRAXIÓN.

We selected other stakeholders (employees, shareholders, investors, communications media, government, NGOs, and authorities, among others) by employing qualitative methodologies which include the analysis and systematization of media publications, as well as interviews with top management and other key employees.

Once we had the sample, we performed an influence-and-impact analysis which resulted in the selection of five relevant stakeholders with whom we consulted before carrying out our materiality assessment. These included: employees (including unions), customers, authorities and regulators, commercial partners, and suppliers.

For Traxión's first materiality assessment, we focused the scope on the operational level of the organization. Our goal was to understand the expectations of stakeholders whose interactions have an impact on or are impacted by our daily operations (in the mid- and long-term), and left the consultation with our strategic stakeholders—shareholders, investors, and debt suppliers (banks)—for the strategy-development phase. This enabled us to approach our consultations from a more informed perspective, which made for a more efficient communication on our path to the construction of our strategy.

As part of the assessment, we analyzed the main trends, risks, and opportunities in terms of sustainability in both the personnel and student transportation sector as in the cargo and logistics sector. Additionally, we reviewed the topics included in relevant reporting methodologies, such as the Global Reporting Initiative, and valuation methodologies, such as the Dow Jones Sustainability Index.

In this way, we obtained a list of 20 relevant issues which were assessed by representatives from each of the stakeholders we mentioned above.

TRAXIÓN MATERIALITY MATRIX

(GRI-102-47)

Source: Produced by ISD-Initiatives for Sustainable Development for Traxión.

2019 MATERIAL ISSUES FOR TRAXIÓN

(GRI-102-47)

OTHER RELEVANT ISSUES INCLUDE:

(INTERNATIONAL TRENDS)

- ROAD SAFETY
- LEGAL/REGULATORY COMPLIANCE
- CERTIFICATIONS AND/OR PATENTS
- ENVIRONMENTAL INVESTMENTS
- EMISSIONS REDUCTIONS AND WASTE MANAGEMENT
- RISK MANAGEMENT
- GOVERNMENT RELATIONS
- INVESTMENTS IN ASSETS WITH SUSTAINABLE ATTRIBUTES

In 2019, we started addressing the material issues identified by the assessment, including innovation and technology, work processes, training and development, labor conditions, as well as ethics and transparency. These issues were approved by our Executive President, presented to the Board of Directors, and are now part, in addition to others, of Traxión's sustainability strategy that will start operating in 2020.

A large part of Traxión's material issues are already being addressed by our business units and several of them are periodically discussed by our governing bodies. In addition to road safety, which constitutes one of our highest priorities, other relevant issues that are trending internationally and are key issues for our operation and functioning include our relationship with the authorities, the company's legal and regulatory compliance, risk management, emissions reductions, waste management, investing in assets with environmentally sustainable attributes, and the constant search for certifications. Starting in 2020 we will periodically report on our progress in terms of sustainability to our different governing bodies.

In 2020, we will consider the inclusion of sustainability topics in our work environment and customer satisfaction surveys, and in our supplier evaluations, in order to get an updated sense of these stakeholders' feelings concerning these issues, and what their expectations are.

As we move forward, our goal is to perform an equally profound stakeholder and materiality assessment every three years.

66%

Independent Members of the Board

04

Committees that support the Board of Directors

AT TRAXIÓN WE RELY ON ROBUST GOVERNANCE BODIES THAT BENEFIT FROM THE PARTICIPATION OF PEOPLE WITH PROVEN TRAJECTORIES IN THE SECTOR, WHICH ALLOWS US TO EFFECTIVELY UNDERSTAND AND ADDRESS THE CHALLENGES FACING OUR INDUSTRY. THE DIVERSITY AND INDEPENDENCE OF THE MAJORITY OF OUR BOARD MEMBERS, ALLOWS FOR COUNTERWEIGHTS IN OUR COLLEGIAL DECISION-MAKING PROCESS, AND IS CONDUCIVE TO MANAGING THE COMPANY IN A PLURALISTIC WAY. WE ARE PRUDENT, AS WE ABIDE BY STRICT POLICIES TO CONTROL OUR DEBT LEVELS.

WE ARE PROUD OF OUR VALUES AND PRINCIPLES, WHICH MAKE US **LEADERS IN THE TRANSPORTATION AND LOGISTICS INDUSTRY IN MEXICO IN A SOCIALLY, ENVIRONMENTALLY, AND FINANCIALLY RESPONSIBLE MANNER.**

(GRI-102-19) (GRI-102-20) (PM-7) (PM-8) (PM-9)

Based on the strategic vision and leadership of our senior management, backed by the Board of Directors and other corporate governance bodies, this year we finalized the consolidation of our integral services platform.

We are the only public company in the sector in Mexico, bringing together the transportation industry and the financial sector. We were born institutional.

In 2019, we reinforced our institutional practices with mechanisms that promote transparency, seeking to enhance communications with our stakeholders and increase trust in the company. Furthermore, we worked on the standardization of key operational processes and on the implementation of policies to promote the integral growth of our business units.

We incorporated our view of sustainability in our Code of Ethics, which we shared with our employees, in order to foster at all levels of the company a unified vision of the topics it includes. We strengthened our risk management by creating a corporate department in charge of identifying, measuring, reporting, and monitoring all issues that could negatively impact the realization of our goals, across all of the company's departments. Our Sustainability department reports directly to the Executive President and, starting in 2020, will periodically brief the Corporate Practices Committee and other governance bodies about its activities, as required. In 2020, we will create the Sustainability Committee in order to formalize the institutionalization of our management on these issues.

As industry leaders, we are the benchmark to follow, and that is why we prioritize sustainability in our strategy. Our goal is to enhance the management of our business, maximize our positive social impacts, and reduce our environmental footprint, while continuing to deliver good results to our shareholders, investors, customers, employees, suppliers, and all our other stakeholders.

CORPORATE GOVERNANCE
STRUCTURE

(GRI-102-18) (GRI-102-19) (GRI-102-20) (GRI-102-22) (GRI-102-23) (GRI-102-24) (GRI-102-26) (PM-2) (PM-10)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Traxión's vision and drive are provided by our senior management, which is made up of entrepreneurial business people who are transforming with their disruptive ideas, the way in which personnel and student transportation services, and cargo and logistics services are provided in Mexico.

Our Board of Directors is composed of experts with ample experience and a keen understanding of the sector, which differentiates us and gives us a competitive advantage over the competition. The Board contributes to defining the strategy and validates the objectives that emerge in the corresponding forums. It is **made up of 15 members, 10 of whom are independent (66%).**

BOARD OF DIRECTORS (COMPOSITION)

05 Related Members

10 Independent Members

BOARD OF DIRECTORS AND ITS SUPPORT COMMITTEES

MEMBERS	BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	AUDIT COMMITTEE	CORPORATE PRACTICES COMMITTEE	NOMINATIONS AND COMPENSATION COMMITTEE
Bernardo Lijtszain Bimstein	PRESIDENT	RELATED MEMBER			RELATED MEMBER
Aby Lijtszain Chernitzky	RELATED MEMBER	RELATED MEMBER			RELATED MEMBER
Rodolfo Mercado Franco	RELATED MEMBER				
Abel Puszkar Kessel	RELATED MEMBER				
Jorge Vargas Diez Barroso	INDEPENDENT MEMBER				
Alberto Moreno Ruíz Esparza	INDEPENDENT MEMBER	SECRETARY		INDEPENDENT MEMBER	INDEPENDENT MEMBER
Carlos Miguel Mendoza Valencia	INDEPENDENT MEMBER		INDEPENDENT MEMBER		
Harry Frederick Krensky	INDEPENDENT MEMBER				
José Ramón Suárez Rotter	RELATED MEMBER				
Juan Mauricio Wurmser Cobos	INDEPENDENT MEMBER				
Arturo José Saval Pérez	INDEPENDENT MEMBER	INDEPENDENT MEMBER		SECRETARY	
Roberto Langenauer Neuman	INDEPENDENT MEMBER				
Iker Paullada Eguirao	INDEPENDENT MEMBER	INDEPENDENT MEMBER	INDEPENDENT MEMBER		INDEPENDENT MEMBER
Aaron Dychter Poltolarek	INDEPENDENT MEMBER		PRESIDENT	INDEPENDENT MEMBER	
Marcos Metta Cohen	INDEPENDENT MEMBER				
Rafael Robles Miaja	INDEPENDENT MEMBER				
Adolfo Salame Mussali	SECRETARY		INDEPENDENT MEMBER	INDEPENDENT MEMBER	
Fernanda Márquez Portill		ALTERNATE			
Avi Yakob Puszkar Reich					ALTERNATE

PRESIDENT · SECRETARY · RELATED MEMBER · INDEPENDENT MEMBER · ALTERNATE

The principles that serve as a guideline for management and decision-making by our board members and senior management include the Mexican Securities Market Law (Ley del Mercado de Valores) and its applicable provisions, as well as the Code of Best Corporate Practices (Código de Mejores Prácticas) and our internal policies, which are based on global best practices. Our policies and guidelines include general corporate guidelines; codes of ethics and conduct for employees, partners, suppliers, and contractors; and sustainability, environmental, integrity, and risk management policies.

We have four committees that support the activities of the Board of Directors, as well as several other committees at our managerial and operational levels, all of which strive to promote efficiency in the company's operations, such as the Management, Safety, Technological Innovation, Procurement and Profitability, Human Capital, and Commercial committees.

WE HAVE FOUR COMMITTEES THAT SUPPORT THE ACTIVITIES OF THE BOARD OF DIRECTORS

The Sustainability department reports directly to our Executive President and, starting in 2020, will periodically brief the Corporate Practices Committee and other governance bodies about its activities, as required.

FURTHERMORE, WE HAVE OTHER COMMITTEES TO SUPPORT THE COMPANY'S OPERATIONS:

- COMMERCIAL COMMITTEE
- SAFETY COMMITTEE
- TECHNOLOGY COMMITTEE
- PROCUREMENT COMMITTEE
- PROFITABILITY COMMITTEE
- HUMAN CAPITAL COMMITTEE

In 2020, we will create the Sustainability Committee in order to formalize the institutionalization of our management of these issues.

EXECUTIVE COMMITTEE

The Executive Committee is responsible for, among other obligations, **reviewing operational results, analyzing new business lines and investments, and discussing the strategy,** business plan, annual budget, and relevant issues for each of the entities that make up Traxión.

CORPORATE PRACTICES COMMITTEE

The Corporate Practices Committee is responsible for, among other obligations, **assessing the performance of the relevant executives and reviewing the compensation they receive;** reviewing transactions entered into with related parties; evaluating any waivers granted to board members or relevant executives which would allow them to take advantage of business opportunities, review sustainability efforts, and carry out the activities outlined in the Mexican Securities Market Law.

NOMINATIONS AND COMPENSATION COMMITTEE

One of the responsibilities of the Nomination and Compensation Committee is to **propose to our shareholders´ meeting a list of the people who, in its opinion and after having interviewed them, should become members of the Board of Directors.** This, in case the members that integrate it at the time of election are not ratified in their positions by the Shareholders Meeting, considering in any case the shareholder group candidates representing 10% of the shares capital.

AUDIT COMMITTEE

The Audit Committee's functions include, among others, **to evaluate the company's internal control and internal audit systems in order to identify any significant deficiencies;** to follow up on corrective or preventive measures to be taken in the event of non-compliance with accounting and operating guidelines and policies; to evaluate the performance of the external auditors and address their suggestions; to review the financial statements and recommend that they be approved by the Board of Directors; to assess the effects derived from any modifications to the accounting policies approved during the fiscal year; to follow up on measures adopted as a result of observations made by shareholders, board members, relevant executives, employees, or third parties regarding accounting, internal control systems, and internal and external audits, as well as any complaints regarding management irregularities, including anonymous and confidential methods for handling reports submitted by employees through our reporting line; and to oversee adherence to the resolutions of the general shareholders' meetings and the Board of Directors..

The measures, decisions, and recommendations issued by the Audit Committee are supported by the analysis of strategic and operational risks managed by the corporate Risks department, taking into consideration all of the company's business units.

RISK MANAGEMENT

(GRI-102-15) (GRI-102-30) (GRI-102-31)

At Traxión, we aim to **strengthen our competitive advantage through outstanding performance and risk management across our value chain.** We are aware that the environment in which we operate presents many challenges, but also many opportunities which can only be leveraged by constantly monitoring the issues that can have an impact on the company's operation and on the realization of the strategic business goals.

Identifying these risks **enables us to develop a comprehensive view of key issues that could have a negative impact on the business.** In our 2019 Annual Report to the Mexican Stock Exchange (BMV), we describe our main risks - financial, operational, legal and regulatory, macroeconomic, and regarding natural disasters, among others.

In 2019, we strengthened our risk management by creating a Risks corporate department, as part of the Corporate Comptroller and Tax department, and that reports to the Audit Committee. **Its purpose is to promote and support risk management in every division, based on the ISO 31000 risk management standard, whose goal is to timely identify, measure, manage, report, and monitor all those events that could negatively impact the realization of the group's objectives.** The Risks department strengthens an environment of measurement and control and promotes a culture of risk awareness within Traxión.

Guided by this department, we have leveraged the experience of our business units to update our risk monitoring in the following four risk dimensions: **strategic, operational, financial, and compliance.**

ISO 31000 RISK MANAGEMENT MODEL

STRATEGIC RISKS:

Risks resulting from **Traxión's strategic decision making process, particularly in connectionto the environment in which it operates,** its activities regarding acquisitions, potential capital risks, and integration risks, as well as its capacity to supply products and services to its customers.

FINANCIAL RISKS:

Risks **related to Traxión's financing,** including financial transactions such as credits and credit risks, market risks, and liquidity levels.

FINANCIAL RISKS

Risks of **losses caused by human error, inadequate design and/or execution of processes,** system failures, or breaches between actual and expected operational functioning.

COMPLIANCE RISKS:

Risks resulting from **a breach or non-compliance with the law, regulations and norms (whether internal or external)** applicable to Traxión, which could make the company liable to fines, sanctions, and penalties, claims for payments, breaches of contract, and damage to its reputation that could affect the company's value and image.

RISKS THAT ARE RELEVANT TO THE BUSINESS

In 2019, we continued implementing our risk plan across all our business units, and we approved the **General Risks Management Policy and the Strategic Risks Management Policy,** which state that:

1. All business units and corporate departments will need to carry out a strategic business risks assessment annually.
2. Business units and corporate departments will be responsible for managing their own risks and for defining and implementing appropriate mitigating measures, as well as for defining and implementing remedial actions, should the risk materialize.
3. Business units and corporate departments will be responsible for providing the necessary and sufficient information that will enable Traxión to generate the group´s integral risk map, as well as to update all relevant reports and indicators needed to follow-up, monitor, and report to the appropriate corporate bodies, in a timely manner.

In 2020, we will continue to work in the identification and prioritization of key risks in all our business segments, **with special attention to the assessment of our environmental and climate change risks.**

ETHICS

(GRI-102-17) (GRI-419-1) (PM-2)

In 2019, in addition to updating our **Code of Ethics** and sharing it with our employees, **we drafted a Code of Conduct** for our partners, suppliers, and contractors. This code includes information on how to use our reporting line (Contacto Traxión). With this we strengthened open-doors policy, establishing the basis for preventing irregularities, frauds, and labor contingencies, and we reinforced the trust our employees and other stakeholders have in us. Furthermore, in order to raise awareness among our employees regarding corruption topics, we shared our Anti-Corruption and Anti-Bribery Policy with them and asked them to sign it in agreement with its terms once they have read and understood it.

CONTACTO TRAXIÓN

01.800.60.78.737

contacto@traxion.global

Contacto Traxión is an anonymous, confidential, secure, and accessible reporting line which is **available 24 hours a day** for the purpose of reporting irregularities in the corporate offices, business units, or with third parties. The line can be used to report irregularities such as:

- FRAUD AND INTERNAL OR EXTERNAL CORRUPTION
- ABUSE OF AUTHORITY
- WORKPLACE AND SEXUAL HARASSMENT
- ACTS OF DISCRIMINATION
- BREACHES TO THE CODE OF ETHICS AND CONDUCT
- CONFLICTS OF INTEREST
- THEFT
- MALICIOUS DEPLETIONS AND WASTE

The reporting line is managed independently of all operational, administrative, and executive departments by the Internal Audit corporate department, which in turn reports directly to the Audit Committee. The Committee handles 100% of the complaints submitted through the reporting line and deals with them in a timely manner in accordance to our reporting system and the process developed specifically for this purpose.

Once a complaint is submitted, it is reviewed and classified depending on the alleged action. The response and sanction will be determined based on the severity of the offense. Remedial actions can range from a verbal reprimand, the obligation to repair the damage, an official warning, to the suspension of duties, a final official report, or even the termination of employment.

IN 2019, IN ADDITION TO UPDATING OUR CODE OF ETHICS AND SHARING IT WITH OUR EMPLOYEES, WE ALSO DRAFTED A CODE OF CONDUCT FOR OUR PARTNERS, SUPPLIERS, AND CONTRACTORS.

TRAXIÓN IS COMMITTED TO TREATING ALL ITS CUSTOMERS, SUPPLIERS, COMPETITORS, AND EMPLOYEES IN A FAIR AND HONEST WAY. LIKEWISE, THE COMPANY IS COMMITTED TO COMMERCIAL PRACTICES THAT DO NOT INFRINGE ON HUMAN RIGHTS AND ARE ALIGNED WITH DIFFERENT INTERNATIONAL STANDARDS ON RESPONSIBLE BUSINESS CONDUCT, INCLUDING THE UNIVERSAL DECLARATION OF HUMAN RIGHTS AND THE INTERNATIONAL LABOUR ORGANISATION'S DECLARATION ON THE FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK.

ACCORDINGLY, WE DEMAND THAT ALL OUR EMPLOYEES COMPLY WITH AND MAKE OTHERS COMPLY WITH WHAT IS STIPULATED BY THE CODE OF ETHICS, ALWAYS KEEPING IN MIND THE BENEFIT OF OUR CUSTOMERS, SHAREHOLDERS, AND OF EACH AND EVERY PERSON WITH WHOM WE COLLABORATE DAY IN AND DAY OUT.

/https://traxion.global/inversion/misc/pdfs/site/CODEETHICS.pdf

In 2020, the goal will be to step up our efforts so that each of us is prepared to respond in case there is a breach in Traxión's policies and guidelines, to continue offering training on these issues to our employees, and to broaden the mechanisms that help resolve any problems that may arise.

IN 2020, WE WILL CONTINUE TRAINING OUR EMPLOYEES ON THE ADOPTION OF TRAXIÓN'S CODE OF ETHICS.

COMPLIANCE

(GRI-419-1)

In 2020, we will continue to strengthen the relevant mechanisms to ensure that operations in all our business units continue to comply with applicable legislation. We will also strengthen the processes to update, monitor, and adhere to our internal policies and codes.

As part of the strengthening plan, we will support our legal and comptroller departments, formalizing the activities of our Compliance Official who, among other responsibilities, will implement and be responsible for the Traxión Ethics, Integrity, and Compliance Program, which will be aligned to the applicable anti-corruption law, as well as national and international standards and best practices. He will also be responsible for overseeing compliance with our Code of Ethics and the applicable law.

Likewise, we will implement a Compliance Management System in terms of criminal and fiscal law to avoid any potential risk, thus decreasing the probability of being liable to sanctions, fines, contingencies, or damages.

[93°48'89.54°]
WE ARE
TALENT
Committed to go
further
[93°48'89.54°]
+15,000
employees
+10,000
trained operators
37%
reduction in our
turnover rate
[46°48'89.54°]

WE ATTRACT, SELECT, AND DEVELOP THE BEST TALENT. OUR GOAL IS FOR OUR PEOPLE TO GROW PROFESSIONALLY AND, IF NECESSARY, WE SEARCH FOR THE BEST TALENT IN DIFFERENT INDUSTRIES. WE OFFER TRAINING PROGRAMS TO OUR EMPLOYEES THAT ARE BASED ON CONTENT AND SKILLS TO HELP THEM DEVELOP THEIR SKILLS AND GENERATE VALUE FOR OUR INTERNAL AND EXTERNAL CUSTOMERS. IN ORDER TO PURSUE THE WELL-BEING OF THE PEOPLE WHO WORK FOR US, WE OFFER COMPETITIVE SALARIES, PLANS, AND BENEFITS. THIS HAS LED TO GREATER EMPLOYEE SATISFACTION AND A LOWER TURNOVER RATE.

WE DEVELOP TALENT; WE ARE TALENT. WE MAINTAIN AND STRENGTHEN OUR LEADERSHIP WITH THE BEST HUMAN CAPITAL IN THE INDUSTRY.

OUR TALENT
AT A GLANCE

(GRI-102-7) (GRI-102-8) (GRI-102-41) (GRI-202-2) (GRI-401-1) (GRI-401-3) (GRI-405-1)

WOMEN
MEN

15,392
EMPLOYEES

63% UNIONIZED WORKERS, OF WHICH **100% ARE COVERED BY THE COLLECTIVE** BARGAINING AGREEMENTS SIGNED WITH EACH OF THE UNIONS WITH WHICH WE HAVE A RELATIONSHIP.

OUR EMPLOYEES

+10,000
TRAINED OPERATORS

17 hrs
OF TRAINING ON AVERAGE

87%
RETURN AND STAY AT WORK AFTER MATERNITY/ PATERNITY LEAVE

ATTRACTION AND RETENTION

(GRI-102-43) (GRI-401-1) (PM-6)

8 DECENT WORK AND ECONOMIC GROWTH

We hired 12,514 new employees this year across the company. For our personnel recruiting and selection processes, we use filters to ensure that we recruit the best talent, with no distinctions for gender, age, religion, ethnic origin, political preferences, or socioeconomic status. In 2019, we reinforced our employee selection processes by performing integrity, personality, and skills assessments, as well as medical exams and socioeconomic studies. Furthermore, all our recruiters participated in a recruitment and selection workshop, which improved our capacity to attract the best talent.

Our human capital is given the opportunity to grow within the company through permanent training. Relying on people with the know-how and skills needed to run the company allows us to take advantage of the opportunities in our environment and to continue to raise our quality standards, for the benefit of our customers and users.

IN 2019, **WE COVERED 99% OF REQUIRED POSITIONS, WHICH IS 10 POINTS BETTER THAN THE TRANSPORTATION INDUSTRY AVERAGE IN MEXICO,** POSITIONING US AS THE NATIONAL LEADERS IN THIS AREA.

This year we performed a materiality assessment which helped us to better understand the expectations of our employees in terms of sustainability, and training and development. In this task, we received inputs from **more than 1,700 employees.**

These actions have given us a better understanding and have allowed us to undertake actions to improve our employee retainment rate, making us the industry leaders in this area.

ENGAGEMENT AND WORK ENVIRONMENT INDEX

TRAINING AND DEVELOPMENT

(GRI-404-1) (GRI-404-2) (GRI-403-3) (PM-6)

In 2019, our drivers covered more than 301.3 million kilometers taking our users to their schools and workplaces. In the cargo and logistics segment, the distance traveled was 253.7 million kilometers. I**n total, we drove 555.1 million kilometers.**

Our priority is to take our users to their destination safely and to render our services with the highest quality and safety standards.

BEST PRACTICES IN OUR BUSINESS UNITS

- Training on safe driving
- Training on efficient driving
- Training on the Code of Ethics
- Training on road safety
- Training on organizational policies
- Training on regulations
- Training for instructors
- E-learning
- Social integration events
- Sports integration events
- Volunteering
- Certifications in well-being
- Amenities for employees
- Family therapy services
- Psychological help
- Health services
- Monitoring of blood alcohol levels in drivers
- Public safety measures
- Employee satisfaction surveys
- Financial support for workers to finish their studies
- Onboarding programs
- Review of wage scales

For this reason, in 2019 we undertook administrative and training efforts to motivate our employees and consolidate their abilities, including the improvement of our training centers where we offer our operators training courses on accident prevention and safe driving techniques.

In the personnel and student transportation segment, 100% of our operators have the skills and know-how required to safeguard the life and safe arrival of our users.

This year, we boosted our talent by offering training in safe, preventive, and efficient driving to more than 10 thousand operators. We offered our employees an average of 17 training hours on matters such as organizational policies, ethics, and driving standards.

THE 10 PRINCIPLES OF THE GLOBAL COMPACT

UNITED NATIONS

THE TRAXIÓN PROTOCOL TO PREVENT DISCRIMINATION AND ADDRESS CASES OF WORKPLACE VIOLENCE AND SEXUAL HARASSMENT, AS WELL AS TO ERADICATE FORCED AND CHILD LABOR, ESTABLISHES THE NORMS, OBJECTIVES, ACTIONS, AND PROCEDURES TO FOLLOW IN THE EVENT OF POSSIBLE CASES OF DISCRIMINATION, HARASSMENT OR VICTIMIZATION, SEXUAL VIOLENCE AND/OR HARASSMENT, AND FORCED LABOR AND/OR CHILD LABOR IN ORDER TO CONTRIBUTE TO THEIR TIMELY PREVENTION, DETECTION, AND SUPPRESSION. IT ALSO HAS THE PURPOSE OF CONTRIBUTING TO A PLEASANT WORKPLACE ENVIRONMENT AND PROVIDES PROPER COMMUNICATION MECHANISMS FOR OUR EMPLOYEES.

Furthermore, **we created a Safety Committee that is in charge of looking after the safety of our employees and users by promoting good driving habits among our operators, and reducing road risks, including traffic accidents and robberies as well as their related costs**. In 2019, the committee carried out accident-prevention campaigns by means of talks, training sessions, and the distribution of informational materials among Traxión´s operational staff. One of our most important efforts was our "Road Safety Awareness Caravan", which included seven workshops in the period between April and June 2019 for the personnel of our business units.

(GRI-403-2)

ACCIDENTS AND ROBBERIES BY BUSINESS SEGMENT

2019

BUSINESS SEGMENT	ACCIDENTS/ ROBBERIES*	TRIPS	RATIO
Personnel and student transportation – **accidents**	255	6,359,174	**0.004%**
Cargo – **accidents**	2,663	385,334	**0.69%**
Cargo – **robberies**	99		**0.03%**

(*) Accidents and robberies (claims) reported to insurance companies.

We also offered scholarships to the staff in our business units to support them with their studies; we looked after their well-being through health campaigns, early detection of ailments, and psychological support programs. In addition, we offered educational support to their families through scholarships.

As a result of our efforts in 2019 to ensure the well-being of everyone who is part of Traxión, LIPU, one of our companies, was recognized as a Super Enterprise to work at, by the business magazine *Expansión.*

In 2020, we will develop a standardized operator profile; we will standardize our operator policies and programs, such as trip assignments, service settlements, and applicable discounts; we will establish a protocol to deal with crisis management after an accident occurs; and we will standardize the procedures to handle emergencies and accident criticality.

In addition, we will develop platforms and control panels for monitoring blood alcohol levels, drug abuse, workloads, and safety; we will implement technological systems that generate information that will contribute to accident prevention, such as digital breathalyzers; and we will manage the implementation of the ISO 39001:2012 standard to control road safety in our business units.

COMPENSATION AND BENEFIT

(GRI-401-2)(PM-6)

We take into consideration capabilities and experience criteria when assigning functions, which helps us avoid discrimination in allocating job positions. We offer competitive salaries and benefits to our employees and their families. In 2019, we reviewed our compensation metrics at our business units. Moreover, every year we conduct employee satisfaction surveys. Currently, our satisfaction index is at 82%.

THE TRAXIÓN CULTURE

(GRI-102-17) (PM-1) (PM-2)

8 DECENT WORK AND ECONOMIC GROWTH

At Traxión we listen to every voice. For that, we have an open doors policy that promotes transparency and facilitates communication among our employees. In 2019, we strengthened the mechanisms that promote our people´s well-being and satisfaction, while at the same time fostering an increased sense of belonging with actions such as:

1. **Preventing harassment and promoting human rights,** diversity, gender equality, job security, and social responsibility by incorporating these topics into our Code of Ethics.

2. Drafting and communicating our **"Protocol for the prevention of discrimination and for addressing cases of violence, workplace harassment, and sexual harassment, as well as the eradication of child and forced labor", and of our "Policy for the identification and prevention of psychosocial risks",** which establishes our explicit commitment to the principles of the Global Compact and to the Mexican Standard NOM035 of the Mexican Ministry of Labor and Social Welfare.

3. **Communicating our Code of Ethics** to 100% of our employees.

These measures are based on international best practices and they promote a pleasant workplace, which facilitates integration and a sense of belonging for Traxión's staff, who also benefit from the emotional stability that translates into familial security and safety.

At the end of 2019, 15% of our employees were women. We expect to increase this percentage through a proactive effort that is embedded in our initiatives to promote inclusion and diversity in our team.

In 2020 we will lay the foundations for Traxión's organizational culture. The objective is to generate a transversal climate of growth and excellence in the company. For this reason, in 2020 we will aim to replicate across all our company best practices that have been identified at our business units. **The objective is to keep attracting the best talent, to underpin our organizational culture, and to continue to lead the industry in terms of labor standards.**

TURNOVER

(GRI-401-1)

8 DECENT WORK AND ECONOMIC GROWTH

Taking care of our workers' well-being and raising their satisfaction levels has helped us reduce our turnover rate by 37% in just one year, from 105% in 2018 to 68% in 2019. This is a great achievement in an industry in which turnover rates tend to exceed 89%1. High turnover rates can be attributed to different factors, including road safety issues, work-related illnesses, and long working hours, all of which produce fatigue in drivers and discontent in their homes, as they are often required to be away for long periods of time.

1. "Fourth Quarter Truck Driver Turnover Shows Muddled Picture". American Trucking Association, 2019. https://www.trucking.org/news-insights/fourth-quarter-truck-driver-turnover-rate-shows-muddled-picture

DECREASING TURNOVER

- THE AVERAGE COST PER HIRE IN PASSENGER AND CARGO IS 10K PESOS AND 4K PESOS IN WAREHOUSE LOGISTICS.
- A 1-PERCENTAGE POINT REDUCTION IN TURNOVER RATES TRANSLATES INTO SAVINGS OF 850K PESOS IN PASSENGER AND CARGO AND 92K PESOS IN WAREHOUSE LOGISTICS.

[13°23'89.54°]
WE ARE
COMMITMENT
Establishing relationships
that create value
[93°4'9.54°]
[45°23'89.54°]
[46°48'89.54°]

[93°48'89.54°]

AT TRAXIÓN WE ARE STRONGLY COMMITTED TO THE FAMILIES OF OUR EMPLOYEES AND THEIR COMMUNITIES. **AS PART OF OUR SOCIAL RESPONSIBILITY EFFORTS, WE COLLABORATE WITH NGOS AND WITH THE LOCALITIES** WHERE WE HAVE AN IMPACT. WE CREATE VALUE BY UNDERSTANDING NOT ONLY OUR CUSTOMERS' NEEDS, BUT ALSO THE NEEDS OF THE END USERS. **OUR PERSONNEL AND STUDENT TRANSPORTATION SERVICES IMPROVE PEOPLE'S QUALITY OF LIFE BY PROVIDING SAFE AND EFFICIENT COMMUTING,** WHICH IN TURN ALLOWS PEOPLE TO SPEND MORE TIME WITH THEIR FAMILIES AND REDUCES FATIGUE. OUR CARGO AND LOGISTICS SERVICES PROMOTE ECONOMIC DEVELOPMENT IN THE COMMUNITIES BY MOVING PRODUCTS AND MERCHANDISE, AND WITH JOB CREATION. ALL OF THIS GENERATES AN IMPACT RADIUS ACROSS ALL OF MEXICO.

WE ARE COMMITTED TO SOCIAL RESPONSIBILITY AND WE VIEW IT AS A CONDITION OF OUR CORPORATE EXISTENCE, OF OUR WAY OF WORKING, AND OF THE WAY IN WHICH WE RELATE TO OUR SURROUNDINGS.

COMMUNITY ENGAGEMENT

(GRI-413-1) (PM-1) (PM-2)

4 QUALITY EDUCATION

Aware of the needs of our employees, we work to ensure the well-being of their families and communities. In 2019 we offered our support to the Traxión families by granting scholarships for their children.

We also **continued promoting education and the respect for human rights by helping the DH Bus travel across Southeastern Mexico. The goal is to communicate the importance of human rights, sustainability, and financial education in the farthest and most vulnerable communities** by means of play activities that make these issues easier to understand.

ON ROUTE FOR EDUCATION

- **EDUCATE CHILDREN, TEENAGERS, AND THEIR FAMILIES** in low-income communities on issues dealing with human rights, finances, and sustainability in a mobile classroom.
- **THE BUS IS EQUIPPED WITH PLAY ELEMENTS SUCH AS:**

MOVIES THEATER GAMES

- **2016 WAS THE YEAR WHEN DH BUS FIRST STARTED OPERATING** in partnership with Citibanamex, the Consejo para Prevenir la Discriminación (Council to Prevent Discrimination), Coppel, the ADO Foundation, and the Cinépolis Foundation.
- **THE BUS PROVIDES A TEAM OF EXPERIENCED EDUCATORS AND CONTENT** that has been endorsed by UN organisms and public entities, NGOs, and allied foundations.

DIRECT BENEFICIARIES IN 2019:
42,179
THROUGH 1,056 ACTIVITIES CARRIED OUT DURING VISITS TO 151 COMMUNITIES AND 232 SCHOOLS.

TO DATE DH BUS HAS:

BENEFITED
156,565 PEOPLE

CARRIED OUT
3,206 ACTIVITIES

VISITED
352 COMMUNITIES
(40% OF WHICH IT HAS VISITED 4 OR MORE TIMES) AND 732 SCHOOLS.

CASE STUDY: DH BUS PROJECT

Currently, Mexico is undergoing a human rights crisis. Although the problem is rooted on the approach of public institutions, it is also true that people do not recognize or demand their fundamental rights.

To contribute to the solution, the issue needs to be viewed in a more comprehensive manner and it needs to include environmental and social topics, and this requires that players and new leaders work together. **The DH BUS Project came about under these circumstances. It is an educational, mobile platform whose goal is to encourage people living in at-risk communities in Mexico** to reflect about human rights and sustainability in order to promote a change in attitude and improve their quality of life.

The following are among the main activities developed by the team of professionals who head the bus: workshops to promote learning based on social and ecological awareness, including the use of virtual reality technologies; and artistic activities such as dancing, theater, music, and painting, all this with the purpose of fostering empowerment, inclusion, and communal living.

During 2019, **there were 42,179 direct program beneficiaries** resulting from 1,056 activities carried out during visits to 151 communities and 232 schools.

To date, **DH Bus has benefited 156,565 people, has carried out 3,206 activities, visited 352 communities** (40% of which it has visited 4 or more times), and 732 schools.

Additionally, we carry out different campaigns to establish the best relationship possible with society by **donating food, clothes, and toys to foundations and organizations who work with at-risk communities.**

Resulting from our support efforts in the communities, **in 2019 our business units LIPU and MyM were once again granted the Socially Responsible Company (ESR)** distinction. In 2020, we will continue to strengthen our culture of social responsibility across our business units, as part of our commitment to society. We will do so by means of an institutional process that will be led by the Sustainability Committee, which will be created in 2020, reporting to our senior governing bodies.

INSTITUTIONAL PARTNERSHIPS

(GRI-102-13)

We currently have partnerships with NGOs, foundations, and academic institutions that expand the scope of our social efforts and ensure that help reaches those who need it most.

In 2019, our collaboration with partners included, among others, the following organizations: CANACAR, CEMEFI, CANACINTRA Puebla, the Esperanza Azteca Foundation, VW Foundation, the municipal government of Celaya, the mayor's office in Salvatierra, Universidad Anáhuac Puebla, Instituto Oriente, Universidad Tecnológica de San Luis Potosí, Instituto La Paz, Instituto Cumbres, and Sociedad Civil Somos Iguales.

Our engagement with industry chambers and associations has been fundamental to institutionalizing our social efforts. **In 2020, we will continue to actively participate in sector forums in order to continue our positioning as socially responsible leaders in our industry.**

[46°55'79.54°]
[41°93'589.54°]
WE ARE
IDEAS
AND PROCESSES
That move us to
make a difference
REDPACK
[43°54'85.64°]
430,225m²
of 3PL warehouse solutions
[43°46'49.54°]

WE HAVE AN INNOVATIVE AND DISRUPTIVE BUSINESS MODEL THAT UNIFIES IN **A SINGLE PLATFORM PERSONNEL AND STUDENT TRANSPORTATION, AND CARGO AND LOGISTICS SERVICES. THIS VALUE PROPOSITION HAS ENABLED US TO BE THE LEADING COMPANY IN THE INDUSTRY AND THE ONE-STOP-SOLUTION** FOR MEXICO.

ADDITIONALLY, AS PART OF OUR INSTITUTIONALIZATION PROCESS, WE DESIGN AND EXECUTE HARMONIZED PROCESSES THAT CONTRIBUTE TO STANDARDIZATION AND REPLICATE BEST GLOBAL PRACTICES IN THE OPERATION AND MANAGEMENT OF THE COMPANY.

WE IMPLEMENT OUR INSTITUTIONAL MANAGEMENT SYSTEM IN ALL OUR BUSINESS UNITS TO FURTHER EFFICIENCIES AND OPTIMIZATION IN OUR OPERATION. THIS IS POSSIBLE THROUGH THE USE OF AD HOC PLATFORMS AND INFORMATION TECHNOLOGIES THAT MAKE IT EASIER TO TRACE AND HARNESS THE DATA WE COLLECT.

BASED ON THE SUCCESS OF OUR MANAGEMENT SYSTEMS, WE HAVE OBTAINED CERTIFICATIONS AND AWARDS THAT BOTH ENCOURAGE AND PUSH US TO KEEP INNOVATING IN OUR INDUSTRY.

WE ARE LEADERS IN THE INDUSTRY AND HAVE BECOME THE BENCHMARK, OUR IDEAS AND PROCESSES PROVE THIS WITH INNOVATION, RELIABILITY, AND RESPONSIBILITY.

Mexico has a great opportunity to develop the logistics supply chain. At Traxión we draw on the business environment advantages to offer integral personnel and student transportation and cargo and logistics solutions that meet the needs of our customers.

We are disruptive by nature and are constantly striving to innovate; at the same time, we measure our performance continuously. **This is how we devise improvements tailored to the features and demands of each segment.** This, in addition to the standardization of our processes in order to offer a more consistent experience in all our business units, enables us to offer a better quality of services, an effort which is setting the standard for services in the industry nationally.

OUR PROCESSES

In order to capitalize on our accelerated growth of prior years, in 2019 we worked on standardizing our processes, aligning best practices in all our business units, and improving our ability to monitor our operations, finances, and human capital by employing KPIs and Balance Scorecards harmonized across our business units.

BEST PRACTICES IN PROCESSES

- AERODYNAMIC CONFIGURATION OF UNITS
- CERTIFICATIONS
- PROCESS STANDARDIZATION
- ROUTE OPTIMIZATION
- PROCESS COMMUNICATION
- TRAFFIC CONTROL
- PARTICIPATION IN AUDITS
- PARTICIPATION IN THE "NATIONAL SAFETY STRATEGY"
- IMPROVEMENTS IN PROCESSES
- PROCESSES FOR IMPROVING ROAD SAFETY
- IMPROVEMENTS IN CUSTOMER SERVICES PROCESSES
- CUSTOMER SATISFACTION SURVEYS
- MANAGEMENT SYSTEMS
- ASSESSMENT OF THE VALUE CHAIN

INTEGRAL MANAGEMENT SYSTEM

Our Operational Excellence (OPEX) department is in charge of standardizing and promoting continuous improvement in our operations.

QUALITY AND PROCESSES

- Operational and administrative processes
- Follow-up on customer complaints
- Integral Quality Management System
- Crossed audits
- Certifications

SAFETY, HYGIENE, AND ECOLOGY

- Safe workplace environment
- Lower environmental impact
- Zero accidents policy

PERFORMANCE METRICS

- TOP indicators
- Balanced Scorecard by company
- Individual N1, N2, and N3 goals
- Weekly monitoring

PROJECT MANAGEMENT

- Definition of a portfolio for each company
- Resource management
- Monitoring execution

We also have a Shared Services Center (Centro de Servicios Compartido, CSC) that centralizes administrative and back office processes employing a diversity of software programs such as One Stream, SAP, Oracle, WMS, FLEETCO, and Salesforce, just to mention a few. The use of shared infrastructure promoted by the CSC improves our procurement conditions and generates a high cross-selling potential[2].

2. In our context, cross-selling occurs when one business unit offers or sells the services of another business unit to customers who require services to complement those offered by the business unit which was the first point of contact.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

OUR VALUE CHAIN

MANUFACTURING — CUSTOMS/PORT — WAREHOUSING — DISTRIBUTION — RETAIL - E-COMMERCE — CONSUMER

(*) Transportation of heavy articles such as refrigerators, washing machines, bedroom furniture, etc. to consumer addresses.

COMPUTER SYSTEMS AND INFORMATION TECHNOLOGY

The investments we have made in technology have given us clarity concerning our processes, **offering a 360 vision of our business cycle**. This has allowed us to identify areas of opportunity in our operations and to improve our business administration, leveraging the advantage of having real time information. Our Business Intelligence (BI) system is fed by our CRM, ERP, and TMS platforms. All this enables us to improve our decision-making process at the strategic and operational levels, and to optimize our course of action on the basis of reliable and timely data.

In the personnel and student transportation segment, we employ tracking systems to monitor the routes followed by all our units, ensuring that users arrive at their destination safely. In the cargo and logistics services segment, we employ monitoring systems so we can always know how our operators are doing, and collect the data needed to safeguard their well-being and the safe arrival of our customers' merchandise.

OUR IT PLATFORMS

TRAXIÓN RESPONSIBLE OPERATION

Our commitment to innovation has made us the technological benchmark in the industry, as we override Mexico's technological gap with integrated, modern, and efficient services. Our vision of the future includes the addition of state-of-the-art digital technologies such as Big Data and Artificial Intelligence into the business models of all our segments.

RESPONSIBLE OPERATION WITH ADVANCED TECHNOLOGIES

SYSTEM OR MODULE	OBJECTIVE	PERSONNEL AND STUDENT TRANSPORTATION	CARGO TRANSPORTATION
Tracking systems	Monitor routes and transfer points via satellite.	✓	✓
Telemetry	Understand the behaviors and habits of our operators to avoid incidents; optimize routes and improve performance in the use of fuel and tires.	✓	✓*
Tour Solver	Design optimal routes based on variables such as time, capacity, collection radius, and number of users to pick-up.	✓	NR
ETA app	Manage and monitor personnel transportation in real time, ETAs, and supervise the moment when users get on and off.	✓	NR
Bustracker	Detect delays and route detours, and estimate pick-up and arrival times.	✓	NR
Schools app	Manage and monitor student transportation in real time, ETAs, and supervise the moment when users get on and off.	✓	NR
Sigi	Record the evidence needed to generate analyses and action plans in the incidents management system.	✓	NR

* Egoba and El Bisonte. We expect our other companies in the cargo segment to start using the system in 2020.

CERTIFICATIONS AND AWARDS

(GRI-102-11) (PM-7) (PM-8) (PM-9)

As part of the certification processes, we periodically subject our business units to assessments by external auditors, which helps us identify opportunities for improvement and strengthen the efficacy of our systems and processes. Our certifications provide a competitive advantage, as well as assurance to Traxión´s customers, shareholders, and investors that we abide by the best international standards.

CERTIFICATIONS AND AWARDS

	ISO9001:2015 ISO39001:2012 CRM (Cargo Risk Management) C-TPAT (Customs-Trade Partnership Against Terrorism) OEA (Authorized Economic Operator)
	ISO9001:2015 C-TPAT (Customs-Trade Partnership Against Terrorism) OEA (Authorized Economic Operator) Certified to carry out vehicular verification of trucks (SCT)
	ISO9001:2015 C-TPAT (Customs-Trade Partnership Against Terrorism) FIDI-FAIM
	C-TPAT (Customs-Trade Partnership Against Terrorism) Certified to carry out vehicular verification of trucks (SCT)
	C-TPAT (Customs-Trade Partnership Against Terrorism)
	ISO9001:2015

OUR RECOGNITIONS

Besides adhering to all applicable regulations, we strive to achieve excellence and sustainability in our business by employing integral and profitable processes that generate value for the environment and society. The recognitions we have obtained are testament to this vocation.

	ESR - Empresa Socialmente Responsable ((Socially Responsible Company Award) Top Companies Great Place to Work (LIPU Saltillo)
	Transporte Limpio (Clean Transportation) CANACAR - Transporting the country, transporting Mexico
	Transporte Limpio (Clean Transportation)
	ESR - Empresa Socialmente Responsable (Socially Responsible Company Award)
	Transportation Awards 2019 (T21): Sustainability

SUSTAINABLE COMPANY

One of the achievements we are most proud of is having been **recognized with the Special Sustainability Award, granted by Grupo T21 in the framework of the Top 100 in Road Transportation.**

In order to grant us this distinction, the judges took into consideration the incorporation of our companies to the Ministry of the Environment's (SEMARNAT) Clean Transportation program, our commitment to vehicular renewal, our efforts to reduce fuel consumption with specific actions including working with suppliers, the implementation of eco-technologies at our facilities, efficient logistics, tire-renewal, and the implementation of disruptive technologies.

Next year we will continue to work on the standardization and consolidation of our business unit processes in order to continue reinforcing our operation with high-quality standards. We will also continue to establish the innovation standard in our industry.

[46°55'79.54°]
WE ARE
EVOLUTION
Innovating in an
increasingly dynamic world
[41°93'589.54°]
[43°46'49.54°]
[43°54'85.64°]
+555
millions of kms
driven
8,176
power units

HAVING A YOUNG, MODERN FLEET ENABLES US TO NAVIGATE THE ROADS IN OUR COUNTRY WITH SAFETY AND EFFICIENCY. WE MOVE IN A HIGHLY COMPETITIVE INDUSTRY THAT DEMANDS HIGH-QUALITY ASSETS. THIS ENCOURAGES US TO REMAIN AT THE CUTTING-EDGE IN THE USE OF TECHNOLOGIES IN ALIGNMENT TO WORLD TRENDS, ENABLING US TO MANAGE, CONTROL, AND TRACK OUR UNITS AND, AT THE SAME TIME, HELPING US REDUCE OUR ENVIRONMENTAL IMPACT. **TECHNOLOGY IS ONE OF OUR MAIN DIFFERENTIATORS AND A PILLAR IN OUR BUSINESS MODEL.**

OUR FLEET

(GRI-102-7)

In the personnel and student transportation segment, we have the largest and most modern fleet in the country; in the cargo and logistics services segment we place second in terms of the number of units. **In 2019, the number of personnel and student transportation buses grew 15.6%, and the number of cargo and logistics trucks grew 42%. In total, today we own a fleet of 8,176 power units.** We also have 430,225 square meters of warehouse 3PL solutions. With these assets, we offer an integrated services platform, covering the country from top to bottom.

FLEET-SIZE COMPARISONS

TRAXIÓN'S FLEET IS CONSIDERABLY LARGER THAN THAT OF ITS COMPETITORS

COMPOSITION OF THE FLEET

2,191
CARGO TRUCKS

5,364
PERSONNEL AND STUDENT TRANSPORTATION UNITS

621
LAST MILE UNITS

430,225 m²
OF WAREHOUSE 3PL SOLUTIONS

+4,000
TRAILERS: DRY AND REFRIGERATED VANS, BULK TANKS AND HOPPERS, PLATFORMS

INVESTMENT IN TECHNOLOGY

(GRI-203-1)

Our priority is for our customers, users, and employees to reach their destinations safely. **In 2019, we worked towards achieving our "zero accidents" goal** by, among other measures, equipping our buses in the personnel and student transportation segment with anti-collision systems. These technologies help us decrease traffic accident rates and the severity of collisions. At year-end 2019, more than 22% of our fleet (1,186 units) were already equipped with these systems, and we continue to expand this to the rest of our units. We also developed control panels—known as Safety Scores—that allow us to monitor the attentiveness of our drivers, improve their driving habits, and avoid fatigue.

We developed mobile apps by means of which users and their loved ones can track the buses in real time and estimate arrival times. The apps also send an alert when there are any deviations in the route, offering greater certainty and safety to our customers.

Technology is one of the pillars of our business model and an important component in our decision-making process. **In 2019, we created a Technological Innovation Committee which is in charge of analyzing world trends in the sector and searching for technological solutions we can apply in our operation.** This in order to help us enhance efficiency, generate savings, improve productivity, and increase profitability for the business.

This year the committee carried out an in-depth analysis of the technologies and applications used at our business units, in order to map potential improvements and enhancements. With this, we were able to identify opportunities that will help us improve our customer service. One such example is the telemetry system being used in the personnel and student transportation segment, which is being adapted so it can complement and improve existing systems in the cargo and logistics services segment.

COMPOSITION OF OUR CUSTOMER BASE

In 2020, the Committee will promote technological projects which improve our operation transversally through our business segments, and generate value for our customers, users, and suppliers.

Since we are a publicly traded company, one of our advantages is that we have access to diverse and efficient financing sources. However, in order to ensure that our investments are profitable in the long-term, we follow a rigorous process for CapEx allocation, which is validated by Traxión's Profitability Committee. This is how we make sure that capital allocations comply with the parameters previously established by our top management and contribute to the realization of the company's objectives.

EFFICIENCY TESTS

(GRI-302-5)

Since we are one of the most important buyers of buses and trucks in Mexico, we typically source our fleet under very favorable conditions. In addition, given our scale, as well as our growing and sustained leadership, we have gained access to state-of-the-art technology by working in partnership with our suppliers to test new technologies. In 2019, we carried out pilot testing which included assessing our fuel consumption levels and monitoring emissions in habitual operation conditions in the Mexican context. One of them consisted of using and monitoring performance for the Euro V and Euro VI engines designed with state-of-the-art technologies in terms of efficiency and emissions reductions. We also tested hydrogen cells, biofuels, and additives, as complementary solutions to improve fuel consumption savings and reduce emissions.

Additionally, our constant search for innovation resulted in us designing apps to track our cargo and logistics services and to analyze fuel consumption in real time.

BEST PRACTICES IN INNOVATION AND TECHNOLOGY

- CONSTANT RENEWAL OF UNITS
- USE OF EURO IV AND V ENGINES
- SAFETY SCORE AND ANTI-COLLISION SYSTEM
- TESTING STATE-OF-THE-ART TECHNOLOGIES IN PARTNERSHIP WITH SUPPLIERS
- TRIP TRACKING APPS (USERS)
- TELEMETRY - MONITORING AND OPTIMIZING DRIVING HABITS AND FUEL CONSUMPTION
- DIGITALIZATION OF THE LOADING, TRANSPORTATION, AND DELIVERY PROCESS

IN 2020, WE WILL CONSIDERABLY INCREASE OUR OFFERING OF CONTRACT LOGISTICS ON A 100% DIGITAL PLATFORM AND WILL CONTINUE TO ADOPT CUTTING-EDGE TECHNOLOGIES TO ADDRESS THE EFFICIENCY, SAFETY, AND ECOLOGICAL NEEDS OF OUR CUSTOMERS, USERS, AND EMPLOYEES.

WE ARE RESPONSIBILITY

Working for a better planet

100

newly acquired units that run on natural gas reduce emissions to the atmosphere by 70%

+9,500

reused tires

AS INDUSTRY LEADERS, WE ARE CONSTANTLY SEARCHING FOR **ACTIONS THAT WILL HELP US REDUCE OUR ENVIRONMENTAL FOOTPRINT AND COMPENSATE THE IMPACT THAT OUR ACTIVITY HAS ON OUR NATURAL SURROUNDINGS.**

IT IS OUR RESPONSIBILITY AND COMMITMENT TO FUTURE GENERATIONS. WE WILL REMAIN AT THE FOREFRONT OF THE TECHNOLOGICAL CHANGES IN THE INDUSTRY IN ORDER TO CONTRIBUTE TO THE SHARED EFFORT OF PROTECTING AND SAFEKEEPING THE NATURAL ENVIRONMENT.

OUR COMMITMENT TO THE PLANET

(PM-7) (PM-8) (PM-9)

Reducing the impact that transportation has on the environment is fundamental for the sustainable growth of world economies. Accordingly, **we seek to set a precedent in the industry by promoting efficient and sustainable transportation**, with best practices and technological developments.

NATURAL RESOURCES IN OUR OPERATIONS

(GRI-301-2) (GRI-302-4) (GRI-302-5) (GRI-305-1) (GRI-305-5) (PM-7) (PM-8) (PM-9)

We are the only publicly traded and institutional company in a fragmented industry that is dominated by family businesses. This drives us to become the benchmark in the sector. While most of the fleet age in Mexico spans between 18 and 22 years, **the average fleet age of our buses for personnel and student transportation is 4.3 years; the average age of our trucks in the cargo and logistics segment is 4.8 years.**

We are constantly searching for ways in which to make our operations more efficient and minimize our impact on the environment, implementing a wide variety of strategies, including: renewal of our buses and trucks before they reach 1 million kilometers (roughly every 3-5 years); tire renewals; the use of special additives to improve fuel mileage; the use of aerodynamic features in our trucks to reduce weight, fuel consumption, and emissions; route optimization and commercial strategies to minimize empty backhauls; tests with hydrogen cells to improve the energy efficiency in the engine´s fuel-burning process in order to reduce fuel consumption and emissions; among others.

Additionally, we train our operators on efficient-driving, and we have established collaboration programs with suppliers aimed at testing engines equipped with the most advanced fuel-saving technologies.

BEST ENVIRONMENTAL PRACTICES

- **OFFSETTING ACTIONS** (REFORESTATION)
- **TRANSPORTE LIMPIO** (CLEAN TRANSPORTATION) CERTIFICATION GRANTED BY SEMARNAT
- **TESTING OF CUTTING-EDGE ENGINE TECHNOLOGIES TO REDUCE FUEL CONSUMPTION** (HYBRID UNITS, HYDROGEN CELLS)
- **REDUCTION IN THE NUMBER OF EMPTY BACKHAUL KILOMETERS**
- **SOLAR TECHNOLOGY TO SAVE ENERGY**
- **TIRE RENEWAL**
- **WATER TREATMENT**
- **FUEL QUALITY ANALYSIS**
- **RESPONSIBLE WASTE MANAGEMENT**

The tire renewal factor in our business units varies depending on how each vehicle is driven, the market segment it services[3], and the state of the roads on which it travels. **Currently, it ranges from 1 to 2 renewals for each new tire. In 2019, the average share of renewed tires was 37%, with approximately 26 thousand tires used in the year.** This translates into more than 9,500 tires renewed annually, with each being subject to a rigorous maintenance process[4].

When the tires reach the end of their useful life, we employ certified waste management companies which dispose of them responsibly, thus avoiding contamination by such wastes.

Furthermore, over the past few years we have been fitting our installations with ecotechnologies in an effort to generate savings, mainly in our energy consumption. In one of our main cargo terminals, in Querétaro, we installed solar panels to power the lights in the common areas. In another two facilities, we have water treatment plants that enable us to reuse the water from washing our trucks and containers, for the maintenance of our green areas.

We also installed electric air conditioners in one of the cargo terminals in order to maintain a pleasant truck cabin temperature. This allows our drivers to rest comfortably without having to keep their engines idling, with the resulting avoidance of pollutant emissions. This is especially relevant in states like Tamaulipas, where summer temperatures can exceed 30º C.

3. Tire wear is more intensive in the cargo and logistics segment than in the personnel and student transportation segment.

4. Tire renewals data does not include the last mile solutions segment.

RESTING BETTER, REDUCING ENVIRONMENTAL IMPACT

- **Committed to reducing our environmental footprint** and improving working conditions for our employees, we save fuel and reduce emissions by replacing the air conditioning that our operators usually keep running when they are resting inside their units, with external air conditioners that run on electrical current and solar power.

BETWEEN 2017 AND 2019:

WE REDUCED EMISSIONS BY
+3,700 TONS OF POLLUTANTS,
IN ADDITION TO GENERATING SAVINGS IN DIESEL CONSUMPTION.

- **By installing these systems in the Northern region of the country,** we offer better resting conditions for our employees who endure extreme weather.

CASE STUDY
RESTING BETTER, REDUCING ENVIRONMENTAL IMPACT

Given the extreme weather conditions that our cargo transport drivers endure, the use of air conditioning during their rest hours is indispensable. However, running the trucks' air conditioning requires fuel consumption, which produces greenhouse gas emissions and increased engine wear.

In an effort to reduce our environmental footprint and improve the working conditions for our employees, we **have replaced the air conditioning in idle vehicles for electric air conditioning systems outside the units.**

These systems, installed in our loading dock located in the city of Nuevo Laredo, in Tamaulipas, **run on both electricity and solar panels, thus reducing our environmental impact.**

Our business unit Egoba is the first company in Mexico to use this system, with 48 external air conditioning units currently installed. **Between 2017 and 2019, by employing this equipment we saved more than one million liters of fuel, equivalent to more than 3,700 metric tons of emissions.** For 2020, we expect to increase the number of air conditioning units to 72, for additional monthly savings of 30,000 liters.

Another important effort to save fuel and reduce our air emissions is our "zero kilometers of empty backhaul" goal, which we started implementing in 2019. For our El Bisonte business unit, this resulted in a reduction in fuel consumption of 900 thousand liters of diesel, representing 2,571.38 tons of CO_2 equivalent (tCO_2eq) which were not emitted. MyM and AFN also joined in on this initiative and saved 15 thousand liters of diesel, thus avoiding 42.86 tCO_2eq of greenhouse gas emissions (GHG).

Route optimization is a standardized practice in all our business units. The goal is to define safe and strategic routes in order to promote safe journeys and reduce fuel consumption.

In addition, operators in our business units have received training in ecodriving, or efficient driving, aimed at reducing the wear of the equipment and improving fuel efficiencies, which results in cost savings and a lower environmental impact from our operations.

Additionally, **in 2019 we acquired 100 buses powered by on natural gas with roughly 70% less emissions than their diesel-powered equivalents, for a total cost of approximately 350 million Mexican pesos**. These units are being used for the transportation of personnel in the city of Tijuana and are working at 100% capacity.

MEDIO AMBIENTE

SECRETARÍA DE MEDIO AMBIENTE Y RECURSOS NATURALES

La Secretaría de Medio Ambiente y Recursos Naturales otorga el

PRESENTE RECONOCIMIENTO

A

Transportadora EGOBA S.A. de C.V.

Por su excelente desempeño ambiental durante el 2018 en el Programa Transporte Limpio

Transporte Limpio

Ciudad de México, 28 de noviembre de 2019

Luis Felipe Acevedo Portilla

Director General de Gestión de la Calidad del Aire y Registro de Emisiones y Transferencia de Contaminantes

DGGCARETC/FJ/30/2019

SEMARNAT

Subsecretaría de Gestión para la Protección Ambiental

Dirección General de Gestión de la Calidad del Aire y Registro de Emisiones y Transferencia de Contaminantes

Ciudad de México, a 08 MAY 2019

CARTA DE BIENVENIDA AL PROGRAMA TRANSPORTE LIMPIO

TRANSPORTE DE CARGA GRUPO MYM S.A. DE C.V.
KEVIN MARTÍNEZ CÁRDENAS
GERENTE DE ADMINISTRACIÓN
PRESENTE

La Secretaría de Medio Ambiente y Recursos Naturales y la Secretaría de Comunicaciones y Transportes firmaron el 06 de octubre de 2010 las Bases de Colaboración en Materia de Calidad del Aire, con el objeto de establecer las acciones para implementar el programa voluntario denominado Transporte Limpio.

El objetivo del programa es lograr que el autotransporte federal de carga, pasaje y turismo sea más eficiente, competitivo y amigable con el medio ambiente a través de la adopción de estrategias y tecnologías que disminuyan el consumo de combustible, los costos de operación y la emisión de contaminantes a la atmósfera, entre otros, de gases de efecto invernadero y contaminantes criterio.

Por lo anterior, y habiendo recibido por parte de la empresa TRANSPORTE DE CARGA GRUPO MYM S.A. DE C.V. la carta de adhesión al programa Transporte Limpio, la Dirección General de Gestión de la Calidad del Aire y RETC de la Secretaría de Medio Ambiente y Recursos Naturales le da la bienvenida como socio del programa y le ofrece asistencia técnica y apoyo necesario para el fomento del cumplimiento, la elaboración del plan de acción y la evaluación de las estrategias.

ATENTAMENTE
EL ENCARGADO DE LA DIRECCIÓN GENERAL

DANIEL LÓPEZ MOLINA

SEMARNAT

Transporte Limpio

TRANSPORTE LIMPIO

REPORTE DE DESEMPEÑO AMBIENTAL

PARA LA EMPRESA:

AUTO EXPRESS FRONTERA NORTE S.A. DE C.V.
MARIA ELENA ZALDIVAR GONZALEZ
GERENTE EXCELENCIA OPERATIVA
TEL. 72 2213 3725 EXT. 125
ALFREDO NOBEL LT 2, 3 Y 4 ZONA INDUSTRIAL
TOLUCA, ESTADO DE MÉXICO
C.P. 50071
elena.zaldivar@afn.com.mx

This is one way in which our operations contribute to caring for the planet. As a result of these efforts, **two of our business units (Egoba and AFN) have obtained the Clean Transportation recognition, and a third business unit (MyM) is in the process of obtaining it as well. The distinction is issued by the Mexican Ministry of the Environment and Natural Resources (Secretaría del Medio Ambiente y Recursos Naturales, SEMARNAT).**

In 2020, we will carry out the corresponding audits to continue to promote environmentally sound practices. We will strive to reduce our fuel consumption even more by employing our telemetry systems, which allow us to monitor fuel consumption and the number of kilometers driven, in real time. In addition, by working hand in hand with our providers and customers we will continue to adopt environmentally sustainable technologies in our fleets and facilities.

OFFSETTING ACTIONS

(GRI-304-3)

As part of our company's sustainability activities, and with the purpose of contributing to the restoration of natural resources, we participate in reforestation efforts and recycle materials used in our operation.

El Bisonte, Redpack, and LIPU, for example, have planted more than one thousand trees in various parts of the country over the past few years, in addition to setting up a tree nursery.

In 2020, we will work on the institutionalization and standardization of best environmental practices to contribute to the development of a sustainable culture focused on reducing our environmental impact and on the conservation and regeneration of natural resources.

OUR ENVIRONMENTAL PERFORMANCE

(GRI-302-1) (GRI-305-1) (PM-7) (PM-8) (PM-9)

13 CLIMATE ACTION

Our main air emissions impact comes from our use of fossil fuels. In 2019, our units consumed 161,663,265 liters of diesel; 3,661,563 liters of gasoline, and 1,743,786 liters of natural gas, for a total consumption of 167,068,614 liters, emitting 474,765.27 metric tons of CO_2 equivalent (tCO_2eq) to the atmosphere.

TOTAL EQUIVALENT EMISSIONS FROM FUEL CONSUMPTION

TOTAL LITERS	167,068,614
Diesel ltr	161,663,265
Gasoline ltr	3,661,563
Natural gas ltr	1,743,786

474,765

GHG EMISSIONS (tCO_2eq)*

Furthermore, in 2019 our electricity consumption came to 5,152,544 kWh (5,153 mWh)**, an additional 2,715 tCO_2eq of emissions. This means that in 2019 our total emissions came to 477,481 tCO_2eq.

In 2020, we will continue to promote initiatives to create savings in our fuel and electric power consumption in order to reduce our emissions, while simultaneously strengthening our measuring systems in order to monitor and manage the use of natural resources and contribute to the conservation of the environment.

* In 2015, Mexico emitted 683 million tCO_2eq, of which 160 million are attributed to the transportation sector (source: Instituto Nacional de Ecología y Cambio Climático, latest data published).

** Estimate based on the 2019 electricity costs of our business units and on average kWh rates calculated for each business unit based on the electricity invoices paid by them to the utility company (CFE).

[33°856'64.54°]

WE ARE EXECUTION

That drives us towards profitable growth

[23°84'64.54°]

$12,154

million pesos
consolidated revenue

$2,557

million pesos
EBITDA

[43°04'64.54°]

[33°85'64.54°]

WE OFFER SOLID FINANCIAL AND OPERATIONAL RESULTS. OUR SUSTAINED GROWTH IS BACKED BY BEST CORPORATE PRACTICES THAT SUPPORT OUR WORKFORCE AND SHOW RESPECT FOR THE ENVIRONMENT.

FINANCIAL RESULTS

(GRI-102-7) (GRI-201-1)

Our unique, innovative business model, as well as our operational strategy and focus from an integral and sustainable standpoint, enabled us to deliver positive financial results in 2019.

We registered a 29.3% increase in revenue year-over-year, for a total 12,154 million pesos. This was mainly due to the 1,647 million pesos increase in revenue from the cargo and logistics segment and a 1,104 million pesos increase in the revenue from the personnel and student transportation segment.

Our operational cash flow grew 126.1%, for a total of 2,405 million pesos; our EBITDA was 2,554 million pesos, or a 43.2% compared respect to 2018.

Net income for 2019 was up 1.5% compared with 2018, driven mainly by the increase in depreciation resulting from fleet growth and the increase of financial costs derived from the average debt level in 2019, which represented more than 27% above the 2018 average.

FINANCIAL INDICATORS 2019 VS 2018

FINANCIAL INDICATORS	2019	2018	Δ
Consolidated revenue	**12,154**	**9,403**	**29.3%**
Cargo and logistics	7,137	5,490	30.0%
Personnel and student transportation	5,017	3,913	28.2%
Total costs	**8,662**	**6,587**	**31.5%**
General expenses	2,277	1,904	19.6%
Consolidated operating profit	1,215	986	23.2%
Depreciation and amortization	**1,296**	**702**	**84.6%**
Non-recurring expenses	46	97	-52.6%
Consolidated EBITDA	**2,557**	**1,786**	43.2%
EBITDA margin	21.00%	19.00%	200 pbs
Consolidated net income	**449**	**442**	1.5%
Earnings per share[5]	0.84	0.82	2.4%

5. Earnings per share was calculated using a weighted average of outstanding shares, excluding buybacks: 4Q19: 533,173,330 shares; 2019 537,431,806; and 2018: 4Q18: 541,717,497; 2018: 542,523,447 shares.

In operational terms, we closed the year with an average 19.3% growth in our fleet, or 8,176 units. The expansion was organic in the personnel and student transportation segment, whose fleet grew 15.6%; in the cargo and logistics segment, the increase was due to the acquisition of El Bisonte. Additionally, we also expanded our warehousing space by 51,545 sqm, closing 2019 with 430,225 sqm.

General expenses grew 19.6% for the year, in line with the expansion of the company's operations.

OPERATIONAL INDICATORS 2019 VS 2018

OPERATIONAL INDICATORS[6]	2019	2018	Δ
Kilometers driven (millions)	**555.1**	**439.7**	**26.2%**
Cargo	253.7	189.3	34.0%
Personnel and student transportation	301.3	250.4	20.4%
Average fleet (power units)	**8,176**	**6,848**	**19.3%**
Cargo	2,191	1,543	42.0%
Personnel and student transportation	5,364	4,642	15.6%
Última milla	621	663	(6.3)%
Average revenue per kilometer[7] (Ps./km.)			
Cargo	**21.92**	**21.55**	1.7%
Personnel and student transportation	16.65	15.63	6.5%
Average revenue per kilometer (Ps./km.)[8]			
Cargo	15.97	15.97	0.0%
Personnel and student transportation	11.20	10.37	8.0%

6. Includes cargo; does not include logistics. Non-consolidated figures that include inter-company transactions.
7. Does not include data on Redpack's last mile fleet (last mile solutions).
8. Refers to cost per kilometers driven: salaries, maintenance, net fuel, tolls, and other costs including depreciation and amortization; does not include warehousing costs.

Total costs grew 31.5% due mainly to the approximately 9.7% growth in fuel prices in the course of the year, which exceeded the company's estimates, and the increase in the depreciation and amortization costs resulting from the fleet's organic and inorganic growth, compared to the prior year.

TOTAL COSTS 2019 VS 2018

TOTAL COSTS	2019	2018	Δ
Fuel	**2,316**	**1,733**	**33.7%**
% Revenue	19%	18.4%	
Labor costs	**1,622**	**1,427**	**13.6%**
% Revenue	13.3%	15.2%	
Tolls (highways)	**554**	**432**	**28.2%**
% Revenue	4.6%	4.6%	
Fleet maintenance	**684**	**574**	**19.2%**
% Revenue	5.6%	6.1%	
Facilities, services, and supplies	**2,533**	**1,856**	**36.5%**
% Revenue	20.8%	19.7%	
Depreciation and amortization	**945**	**565**	**67.2%**
% Revenue	7.8%	6.0%	
Total costs	**8,655**	**6,587**	**31.4%**
% Revenue	71.2%	70.0%	

9. From 3Q17 to 1Q19, this item was denominated "Other costs (ex D&A)". Starting in 2Q19, the company decided to rename the item as "Facilities, services, and supply costs", which includes costs such as leases (terminals, loading docks, offices, workshops, points of sale, etc.), communications, services, supplies, maneuvers, safety, and computer systems, among others, as well as operational costs directly related to the business.

FINANCIAL AND OPERATIONAL RESULTS BY BUSINESS SEGMENT

(GRI-102-45)

CARGO AND LOGISTICS

In 2019, revenue from the cargo and logistics segment grew 30%, for a total of 7,137 million pesos. This result was mainly due to the 34% increase in the volume of kilometers, driven mainly by a more efficient fleet allocation and by the acquisition of El Bisonte in October 2018, which included 485 units to the cargo transportation fleet and contributed with 1,310 million pesos in the segment's revenue. We also registered a 1.7% increase per kilometer and a 51,545-square meter growth in our 3PL logistics space.

Total costs grew more than the segment's revenue growth, given the increase in the volume of kilometers and operating activities; the 9.7% increase in the prices of fuel, exceeding the company's estimates; and the increase in depreciation costs, derived mainly from the integration of the El Bisonte fleet in October 2018. Excluding depreciation, operating costs in the segment grew 29.8%, a behavior which is in line with the increase in revenue and operating activities.

The increase in general expenses grew below consolidated revenue, reflecting efficiencies in the structure.

This resulted in a 25% growth in the operating income, to 623 million pesos, and in a 41.8% growth in EBITDA, to 1,347 million, with an 18.8% margin and a 150-basis points expansion with respect to 2018.

FINANCIAL AND OPERATIONAL INDICATORS 2019 VS 2018

CARGO AND LOGISTICS SEGMENT

FINANCIAL INDICATORS	2019	2018	Δ
Cargo and logistics revenue	7,140	5,490	30.0%
Revenue excluding acquisitions[10]	5,830	5,183	12.5%
Total costs	5,279	3,994	32.2%
General expenses[11]	1,297	1,078	20.4%
Operating income	623	499	25.0%
EBITDA	1,344	950	41.5%
EBITDA margin	18.8%	17.3%	150

OPERATIONAL INDICATORS	2019	2018	Δ
Kilometers driven (millions)	253.7	189.3	34.0%
Average fleet (power units)	2,191	1,543	42.0%
Last mile fleet[11] (units)	621	663	(6.3)%
Average fleet age (years)	4.8	5.2	
Average revenue per kilometer[12] (MXN)	21.92	21.55	1.7%
Average costs per kilometer (MXN)	15.97	15.97	0.0%
Warehouse space (sqm)	430,225	378,680	13.6%
Average revenue per sqm (MXN)	169.89	171.99	(1.2)%
Average costs per sqm (MXN)	133.57	115.97	15.2%

10. Only excludes revenue from El Bisonte
11. Includes general expenses and estimates of doubtful accounts
12. Last mile units include the Redpack fleet which includes 65 trucks, 354 light trucks, 44 automobiles, and 158 motorcycles.
13. Includes cargo; does not include logistics nor the last mile fleet.

PERSONNEL AND STUDENT TRANSPORTATION

In 2019, revenue for this segment grew by 1,104 million pesos, representing a 28.2% increase, for a total of 5,017 million. This growth is mainly due to the continuity of businesses that began operating in 2018–which over the course of the year contributed to the company's positive performance–and to the expansions and new businesses generated in 2019. It is important to point out that this growth is 100% organic.

The latter is in response to a strong demand, particularly in the Bajío and North regions, and the metropolitan area of Mexico City. **Growth in 2019 was driven by an increase in the fleet by approximately 722 new units.** A 15.6% increase compared to 2018. The volume of kilometers increased by 51 million, while revenue per kilometer grew 6.5%.

Operational costs in the segment grew at a level above the increase in revenue and the volume of kilometers, due mainly to the 9.7% increase in fuel prices, which exceeded company estimates; and to the increase in depreciation costs given the organic growth of the fleet during 2018 and 2019. Excluding depreciation, operational costs in the segment were up 24% in 2019, below the increase in revenue in the segment. Another contributing factor was the effect of pre-operating costs that emerge prior to the start of operations of new units.

General expenses were up mainly because of the growth in revenue, the operation activities of the segment, and the before mentioned pre-operating costs of the new units. **This resulted in a 41.7% growth in EBITDA, with a 24.1% margin, representing a 230 basis points expansion with respect to 2018.**

FINANCIAL AND OPERATIONAL INDICATORS 2019 VS 2018

PERSONNEL AND STUDENT TRANSPORTATION SEGMENT

FINANCIAL INDICATORS	2019	2018	Δ
Personnel and student transportation revenue	5,017	3,913	28.2%
Total costs	3,375	2,593	30.2%
General expenses[14]	975	758	28.7%
Profit from operations	650	568	14.4%
EBITDA	1,209	854	41.7%
EBITDA margin	24.1%	21.8%	230pbs

OPERATIONAL INDICATORS	2019	2018	Δ
Kilometers driven (thousands)	301.3	250.4	20.4%
Average fleet (power units)	5,364	4,642	15.6%
Average fleet age (years)	4.3	4.9	
Average revenue per kilometer (Ps)	16.65	15.63	6.5%
Average costs per kilometer (Ps)	11.20	10.37	8.0%

14. Includes general expenses and estimate of doubtful accounts

DEBT PROFILE

In 2019 we maintained a healthy leverage ratio, in line with the company's strategy. We increased our total debt by 910 million pesos, and at year-end our Net debt/EBITDA ratio was 2.05x.

2019 DEBT BREAKDOWN

DEBT BREAKDOWN	2019	2018	Δ$	Δ%
Short-term debt	1,307	686	621	90.4%
Capitalizable short-term leasing	223	152	71	46.9%
Long-term debt	3,478	3,529	(51)	(1.4)%
Capitalizable long-term leasing	760	491	269	54.8%
Total debt	**5,768**	**4,858**	**910**	**18.7%**
Cash	574	501	73	14.6%
Net debt	**5,194**	**4,357**	**837**	**19.2%**

2019 LEVERAGE RATIO

LEVERAGE RATIO	2019
Total debt / EBITDA UDM[15]	2.28x
Net debt / EBITDA UDM	2.05x
Total debt / Stockholders' equity	0.56k

15. EBITDA last twelve months, on a proforma basis with respect to 2018.

MATURITY PROFILE

RATE TYPE

GRUPO TRAXIÓN, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019, AND 201

((WITH INDEPENDENT AUDITORS' REPORT THEREON)

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND STOCKHOLDERS GRUPO TRAXIÓN, S. A. B. DE C. V.

(IN THOUSANDS OF MEXICAN PESOS)

OPINION

We have audited the consolidated financial statements of Grupo Traxión, S. A. B. de C. V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Traxión, S. A. B. de C. V. and subsidiaries as at December 31, 2019 and 2018, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming of our opinion thereon, and we do not express a separate opinion on these matters.

PRUEBA DE DETERIORO DEL CRÉDITO MERCANTIL Y ACTIVOS INTANGIBLES ($5,189,598)

See Note 13 to the consolidated financial statements.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Goodwill and intangible assets come mainly from the acquisition, in previous years, of the following CGUs: Transportadora Egoba, S. A. de C. V., Corporación Lipu, S. A. P. I. de C. V., Almacenadora y Distribuidora Aquarius, S. A. de C. V., Auto Express Frontera Norte, S. A. de C. V., Potencia Logística Potosina, S. A. P. I. de C. V. and Redpack, S. A. de C. V. The recoverable amount of the Cash Generating Units ("CGU") is based on the higher of value in and fair value less costs to sell, has been from discounted cash flow models. These models use key assumptions, including estimates of future sales volumes and prices, operating costs, terminal value growth rates, and the weighted average cost of capital (discount rate). The assessment of goodwill impairment and intangible assets through annual testing is considered a key audit matter due to the complexity of accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount.	The main procedures we performed to address this key audit issue included the following: We performed the sensitivity analysis on the assumptions of the long-term growth rate and the discount rate to evaluate their impact on the determination of the fair value of the CGUs. We evaluated the long-term growth rates projected by the Group for these CGUs, comparing the growth assumptions with publicly available information. We compare the Group's historical projections of cash flows with current results to assess the Group's ability to make reasonable projections. In addition, we involve our valuation specialists, who assisted us in: – Evaluate the discount rate used in the valuation, comparing it with a range of discount rates that was determined independently using public information available for comparable entities; and – Calculate the fair value of CGUs, using the Group's cash flow projections and determining a discount rate independently, and compare the results of our estimates with the fair value estimates determined by the Group.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2019 which must be be filled to the National Banking and Securities Commission (CNBV) and the Mexican Stock Exchange, ("the Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies In ternal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

KPMG Cárdenas Dosal S. C.

L.C.C. Alejandro Lozano Rodríguez

Mexico City, April 22, 2020.

GRUPO TRAXIÓN, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

(IN THOUSANDS OF MEXICAN PESOS)

ASSETS	NOTE		2019	2018
CURRENT ASSETS:				
Cash and cash equivalents	7	$	580,503	501,130
Accounts receivable	8		2,025,652	2,003,735
Related parties	10		1,249	21,756
Other receivables	9		943,952	968,686
Inventories (mainly spare parts)			46,765	96,555
Prepayments	11		101,288	82,767
Total current assets			3,699,409	3,674,629
NON-CURRENT ASSETS:				
Long-term prepayments	11		128,152	11,600
Transportation equipment and machinery	12		7,881,999	7,984,456
Right-of-use assets	19		1,330,428	-
Investment in associated companies			3,017	3,365
Goodwill	13		4,322,892	4,289,608
Intangible assets and other assets	13		1,368,566	490,842
Deferred tax assets	20		369,876	217,857
Derivative financial instruments	26		-	41,201
Total non-current assets			15,404,930	13,995,604
Total assets		$	19,104,339	17,670,233

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE		2019	2018
CURRENT LIABILITIES:				
Current installments of long-term debt	14	$	1,307,385	686,477
Current lease obligations (includes $223,440 of lease previously classified as finance leases)	19		397,718	152,057
Suppliers	15		551,198	528,199
Other liabilities			87,621	286,546
Other taxes	16		582,306	474,461
Accruals	18		407,392	426,179
Income taxes			49,906	26,599
Employee statutory profit sharing	18		66,698	46,491
Related parties	10		2,215	6,821
Advances from customers			63,877	83,562
Total current liabilities			3,516,316	2,717,392
NON-CURRENT LIABILITIES:				
Long-term debt, excluding current installments	14		3,477,822	3,528,873
Long-term lease obligations excluding current maturities (incluides $759,753 of leases previously previamente classified as finance leases	19		967,227	490,842
Derivative financial instruments	26		52,213	-
Employee benefits	17		75,027	60,886
Deferred taxes liabilities	20		712,009	823,013
Total non-current liabilities			5,284,298	4,903,614
Total liabilities			8,800,614	7,621,006
EQUITY:				
Capital stock	22		8,599,249	8,855,224
Additional paid-in capital			135,944	135,944
Legal reserve			39,200	34,169
Actuarial gains	17		1,932	1,224
Earnings from derivative financial instruments			(36,549)	28,841
Other equity accounts			375,035	248,707
Retained earnings			1,188,914	745,118
Total equity			10,303,725	10,049,227
Total liabilities and equity		$	19,104,339	$ 17,670,233

The Group applied IFRS 16 as at January 1st 2019, using the modified retrospective approach. Accordingly the comparative information of 2018 is not restated.
See accompanying notes to consolidated financial statements.

GRUPO TRAXIÓN, S.A.B. DE C.V. Y SUBSIDIARIAS

ESTADOS CONSOLIDADOS DE RESULTADOS INTEGRALES
AÑOS TERMINADOS EL 31 DE DICIEMBRE DE 2019 Y 2018

(MILES DE PESOS)

SERVICE REVENUES:	NOTE		2019	2018
Freight revenues	4(k)	$	5,644,468	4,103,200
Logistic services	4(k)		855,362	814,172
From courier and parcel service	4(k)		632,823	532,559
Personnel transportation	4(k)		5,019,200	3,912,900
Other income	4(k)		2,407	40,269
Total revenues			12,154,260	9,403,100
Total costs	10 y 23		8,661,861	6,586,841
Gross profit			3,492,399	2,816,259
General expenses	10 y 24		2,308,025	1,851,355
Allowance for doubtful accounts			68,107	52,602
Others profit	25		(139,036)	(74,131)
Others expenses	1(ii)		39,993	-
Operating income			1,215,310	986,433
Financial cost, net				
Interest expenses			(689,445)	(382,863)
Financial cost of the defined benefit plan			(4,226)	(1,360)
Other financial cost			(31,822)	(44,415)
Net foreign exchange loss			(10,104)	(49,167)
Valuation effect of financial instruments			20,236	(11,550)
Interest income			26,920	55,454
Financial cost, net			(688,441)	(433,901)
Profit before income taxes			526,869	552,532
Income tax	21			
On tax basis			284,844	183,373
Deferred			(206,802)	(73,102)
Total income tax			78,042	110,271
Consolidated net income		$	$ 448,827	442,261
Other comprehensive results				
Actuarial gains of the defined benefit plan				
Actuarial gains of the defined benefit plan		$	1,011	5,490
Deferred income tax			(303)	(1,620)
Losses that can be reclassified after the period result:				
Valuation effect of derivative financial instruments			(93,414)	41,201
Deferred income tax			28,024	(12,360)
Other comprehensive results			(64,682)	32,711
Integral result		$	384,145	474,972
Basic income per share (in mexican pesos)	28	$	0.835	0.815

The Group applied IFRS 16 as at January 1st 2019, using the modified retrospective approach. Accordingly the comparative information of 2018 is not restated.

See accompanying notes to consolidated financial statements.

GRUPO TRAXIÓN, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

(IN THOUSANDS OF MEXICAN PESOS)

	NOTE		CAPITAL STOCK	ADDITIONAL PAID- IN CAPITAL	LEGAL RESERVE	ACTUARIAL (LOSSES) GAINS	VALUATION EFFECT FROM DERIVATIVE FINANCIAL INSTRUMENTS	OTHER EQUITY ACCOUNTS	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
Balances as of December 31, 2017		**$**	**8,930,167**	**135,944**	**23,159**	**(2,646)**	**-**	**176,297**	**379,622**	**9,642,543**
Initial recognition effects of IFRS 9, net of deferred taxes			-	-	-	-	-	-	**(65,755)**	**(65,755)**
Balances as of January 1st, 2018			8,930,167	135,944	23,159	(2,646)	-	176,297	313,867	9,576,788
Legal reserve	22(b)		-	-	11,010	-	-	-	(11,010)	-
Employee stock ownership plan (ESOP)	22(d)(i)		-	-	-	-	-	72,410	-	72,410
Repurchase of shares	22(c)		(74,943)	-	-	-	-	-	-	(74,943)
Net comprehensive income	22		-	-	-	3,870	28,841	-	442,261	474,972
Balances as of December 31, 2018			**8,855,224**	**135,944**	**34,169**	**1,224**	**28,841**	**248,707**	**745,118**	**10,049,227**
Legal reserve	22(b)		-	-	5,031	-	-	-	(5,031)	-
Employee stock ownership plan (ESOP)	22(d)(i)		-	-	-	-	-	126,328	-	126,328
Repurchase of shares	22(c)		(255,975)	-	-	-	-	-	-	(255,975)
Net comprehensive income	22		-	-	-	708	(65,390)	-	448,827	384,145
Balances as of December 31, 2019		**$**	**8,599,249**	**135,944**	**39,200**	**1,932**	**(36,549)**	**375,035**	**1,188,914**	**10,303,725**

The Group applied IFRS 16 as at January 1st 2019, using the modified retrospective approach. Accordingly the comparative information of 2018 is not restated

See accompanying notes to consolidated financial statements

GRUPO TRAXIÓN, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(IN THOUSANDS OF MEXICAN PESOS)

CASH FLOWS FROM OPERATING ACTIVITIES:		2019	2018
Consolidated net income	$	448,827	442,261
Items relating to operating activities:			
Income tax expense		78,042	110,271
Depreciation and Amortization		1,296,488	702,494
Gain on sale of transportation equipment and machinery		(36,391)	(32,447)
Financial cost of the defined benefit plan		4,226	1,360
Interest income		(26,920)	(55,454)
Unrealized foreign exchange gain		1,127	809
Items related to financing activities:		-	
Loss on valuation of financial instruments		(20,236)	11,550
Effect of subsidiary desincorporation		39,993	-
Interest expense		721,267	382,863
Subtotal		2,506,423	1,563,707
Accounts receivable, net		(21,917)	(374,457)
Accounts receivable from related parties		(1,146)	28,325
Other receivables, net		(23,856)	(123,549)
Inventories, net		49,790	17,048
Prepayments		(18,521)	(31,868)
Income taxes		(290,037)	(225,463)
Suppliers		22,999	(61,352)
Other liabilities		85,906	115,236
Other taxes		107,844	115,127
Accruals		(19,471)	73,275
Accounts payable to related partie		(4,606)	(10,806)
Employee benefits		10,926	1,117
Advances from customers		(19,685)	(22,414)
Employee statutory profit sharing		20,207	(173)
Net cash provided by operating activities		2,404,856	1,063,753

CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of transportation equipment and machinery		(1,738,347)	(2,829,654)
Advance payments for adquisitions of transportation equipment and machinery		(74,234)	(11,600)
Proceeds from sale of transportation equipment and machinery		573,019	141,776
Intangible assets and other assets		(95,207)	(26,276)
Consideration paid for business acquisitions, net of cash acquired		(67,500)	(1,616,534)
Interest received		26,920	55,457
Net cash used in investing activities		(1,375,349)	(4,286,831)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Shares repurchase		(255,975)	(74,943)
Payments of bank loans		(3,315,189)	(1,136,750)
Lease payments capitalized		(603,057)	(174,006)
Settlement of derivative financial instruments		20,235	16,212
Proceeds from bank loans		3,857,654	2,292,231
Interest paid (1)		(652,675)	(469,889)
Net cash (used in) provided by financing activities		(949,007)	452,855
Net increase (decrease) in cash and cash equivalents		80,500	(2,770,223)
At beginning of year		501,130	3,272,162
Revaluation effect on cash		(1,127)	(809)
At end of year	$	580,503	501,130

(1) El Grupo ha elegido clasificar los flujos de efectivo por pagos de intereses como actividades de financiamiento.

El Grupo aplicó inicialmente la norma NIIF 16, al 1o. de enero de 2019, usando el enfoque restrospectivo modificado y bajo este enfoque la información comparativa no se reexpresa.

Ver notas adjuntas a los estados financieros consolidados. 8

(1) REPORTING ENTITY-

The consolidated financial statements of Grupo Traxión S. A. B. de C. V. includes the financial information of the holding entity Grupo Traxión, S. A. B. de C. V. ("Traxión") and the following subsidiaries: Transportadora Egoba, S. A. de C. V. ("Egoba"), Grupo Mudancero, S. A. de C. V. and subsidiaries ("GM"), Almacenaje y Distribución Avior , S. A. de C. V. and subsidiaries (formerly Almacenadora y Distribuidora Aquarius, S. A. de C. V.) ("Grupo SID"), Auto Express Frontera Norte, S. A. de C. V. and subsidiaries ("AFN"), Corporación Lipu, S. A. P. I. de C. V. and subsidiaries ("Lipu"), Servicios Corporativos FTM, S. C. ("Servicios TM"), Palex Servicios Internacionales de Carga Consolidada, S. A. de C. V. ("Palex"), Comercializadora Traxión, S. A. de C. V. ("Comercializadora") Prosperity Factor, S. A. de C. V. SOFOM, E.N.R. ("SOFOM"), and beginning 2018, the financial information of the following acquired entities are consolidated (see note 29): Redpack, S. A. de C. V., ("Redpack") and Potencia Logistica Potosina, S. A. P. I. de C V. ("Bisonte"), and beginning 2019 Traxión Logistics, S. A. de C. V. and subsidiaries ("Traxión Logistics"), together referred to as ("the Group") or ("Grupo Traxion").

Grupo Traxión was incorporated in Mexico on July 27, 2011, under the name of Fondo de Transporte México, as a corporation of investment promotion with variable capital. On September 14, 2017, at the shareholders' extraordinary meeting it was agreed the change of name and denomination to stock corporation with variable capital, to be named "Grupo Traxión, Stock Corporation with Variable Capital" or its abbreviation "S. A. B. de C. V.".

Traxión adress is at Paseo de la Reforma 115 floors 17 and 18, Colonia Lomas de Chapultepec, Mexico City, Mexico. The main activities of Grupo Traxión are: to participate as partner, shareholder, or investor in all kinds of mercantile corporations, Mexican or foreign; acquire, dispose and negotiate all types of shares, certificates of participation or any other security, whether debt or equity; as well as obtain, grant, perform financing activities of any kind in the short, medium or long term, with or without specific guarantee, including pledges and mortgages.

Through its subsidiaries, the Group's main activities are to provide freight services, storage and logistics services necessary for the coordination of these activities; It also provides refrigerated freight services, transportation of raw materials, specialized cargo activities, shipping and courier services.

As well as provide school, personnel and tourist transportation services in Mexico.

Entities of the group-

The subsidiaries in which the Group has control, as well as its equity participation and main activities, are mentioned below:

SUBSIDIARY	2019	2018	MAIN ACTIVITY
GM:			Main activity
Grupo Mudancero, S. A. de C. V.	100	100	Cargo and freight
Transportes Muebleros MYM, S. A. de C. V. (ii)	-	100	Cargo and freight
Transportes Olímpicos, S. A. de C. V. (ii)	-	100	Cargo and freight
Transportes FL, S. A. de C. V. (ii)	-	100	Cargo and freight
MyM Internacional, S. A. de C. V.	100	100	TGeneral merchandise, packing, relocation and cargo
Transporte de Carga Grupo MyM, S. A. de C. V.	100	100	Cargo and freight
Egoba: Transportadora Egoba, S. A. de C. V.	100	100	Cargo and freight
Servicios FTM: Servicios Corporativos FTM, S. C.			Professional services
Grupo SID:			
Transportes Suvi, S. A. de C. V.	100	100	Cargo and freight
Almacenaje y Distribución Avior, S. A. de C. V. (vi)	100	100	Storage services
Tractocamiones Europeos, S. A. de C. V.	100	100	Maintenance
AFN:			
Auto Express Frontera Norte, S. A. de C. V.	100	100	Cargo and freight
Inter Mexicana de Transportes S. A. de C. V.	100	100	Box transfers
AFN Logistics, LTD.	100	100	International logistic

SUBSIDIARIA	2019	2018	ACTIVIDAD PREPONDERANTE
Lipu:			
Transportes Lipu, S. A. de C. V.	100	100	Schoolar and personnel corporate transportation
Corporación Lipu, S. A. P. I. de C. V.	100	100	Bus leasing
Fastbus, S. A. P. I. de C. V.	100	100	Bus leasing
Autotransportes Miguel Meza Sánchez, S. A. P. I. de C.V.	100	100	Schoolar and personnel transportation
Loxtel Asesores, S. A. P. I. de C. V.	100	100	Personnel transportation
Grupo Settepi, S. A. P. I. de C. V.	100	100	Personnel transportation
Settepi de Oriente, S. A. P. I. de C. V.	100	100	Bus leasing
M&A Traxion, S. A. P. I. de C.V. (iv) Antes (Servitransportes Empresariales de Sahuaro, S. A. P. I. de C. V.)	100	100	Personal Service
Excelencia en Transporte Escolar y de Personal S. A. P. I. de C. V.	100	100	Schoolar and personnnel transportation
Publica Advertising, S. A. de C. V.	100	100	Advertising Service
Palex:			
PLX Servicios Internacionales de Carga Consolidada, S. A. de C. V.	100	100	Cargo and freight
SOFOM:			
Prosperity Factor, S. A. de C. V. SOFOM, E.N.R	100	100	Financial services
Comercializadora:			
Comercializadora Traxión, S. A. de C. V.	100	100	Administrative services
Redpack:			
Redpack, S. A. de C. V. (v)	100	100	Shipping and courier
Redpack U.S.A. Inc. (v)	100	100	Shipping and courier
Bisonte:			
Potencia Logística Potosina, S. A. P. I. de C. V. (vii)	100		Refrigerated freight specialized
Autotransportes el Bisonte, S. A. de C. V. (vii)	100		Refrigerated freight specialized
Traxión Logistics:			
Traxión Logistics, S. A. de C. V. (i)	100	-	National Logistics
Traxión Technologies, S. A. de C.V. (i)	90	-	Logistics services through technological platforms
Loadsapp Colombia, S.A.S. (i)	100	-	Logistics services through technological platforms
Insoftel Logistics, Inc. (i)	100	-	Logistics services through technological platforms

During 2019, the following transactions occurred:

i. On March 25, 2019, was agreed, the incorporation of Traxion Logistics, S. A. de C. V. Was established, the purpose of which is to provide national and international logistics services, which will be hereinafter referred to as "Traxion Logistics" for future reports; and on October 24, 2019, Traxion Technologies, S. A. de C. V., a subsidiary of Traxion Logistics, carried out the acquisition of 100% of the shares of Insoftel Logistics, Inc. and Loadsapp Colombia, S. A. S., the purpose is to develop a new business scheme, which will provide services such as distribution, x-border, FC e-commerce and Big Ticket mainly, with a commercial, engineering, operational and technological engine, by using its own and/or third-party assets.

ii. On June 1, 2019, the Group sold all the shares representing the capital stock of Transportes Muebleros MyM, S. A. de C. V., Transportes Olímpicos, S. A. de C. V., and Transportes FL, S. A. de C. V., owned by the Group to on that date, which generated a loss in results of $ 39,993, which was recorded in the other expenses of the Group..

iii. On September 23, 2019, was agreed, the incorporation of Traxion Technologies, S. A. de C. V., Whose purpose is to provide intermediation services through technological media and / or platforms focused on logistics and administrative activities, which will be referred "Traxion Technologies" for future reports.

During 2018, the following transactions occurred:

iv. On January 31, 2018, by means of an act, the change of corporate name of Servitransportes Empresariales Sahuaro, S. A. P. I. de C. V., by M&A Traxion, S. A. P. I. de C. V., was protocolized for future reports.

v. On May 17, 2018, the acquisition of 100% of the capital of Tenedora 2017, S. A. P. I. de C. V. and its subsidiaries, hereinafter "Redpack" with part of the resources obtained in the Initial Public Offering carried out in September 2017, was carried out. This acquisition is strategic for Grupo Traxion, since it allows it to expand its services and participate decisively in the e-commerce market, a sector with great growth in Mexico, through Redpack's parcel and messaging services. (note 29 (a)).

vi. On October 31, 2018, "Redpack" carried out the merger of the companies named Redpack S. A. de C. V. " Redpack "as a merging company and therefore will subsist with respect to Tenedora 2017, S. A. P. I. de C. V., TNR México, S. A. de C. V., Dolapa, S. A. de C. V. and Transpomin S. A. de C. V., which were merged companies and therefore ceased to exist a legal entity.

vii. On September 30, 2018, Grupo SID carried out the merger of the companies called "Almacenaje y Distribución Avior", S. A. de C. V. as a merging company and therefore will subsist, with respect to "Almacenaje y Distribuidora Aquarius", S. A. de C. V., "Adara", S. A. de C. V., "Almacenaje y Distribucuón Anthar", S. A. de C. V., "Beaumont", S. A. de C. V., "Servicios Administrativos Cetus", S. A. de C. V.,

"Almacenaje y Distribución Cygnus", S. A. de C. V., " Almacenadora y Distribuidora Hesse ", S. A. de C. V.," Almacenaje y Distribución Naos ", S. A. de C. V., and "Servicios Integrales SUVI" S. A. de C. V., were merged companies and ceased to exist a legal entity.

As part of its expansion plans, on October 2, 2018, Grupo Traxion acquired 100% from the entity called "Potencia Logistica Potosina", S. A. P. I. de C. V. and its subsidiary the company Autotransportes el Bisonte, S. A. de C. V., ("Bisonte"), which expands its offer to the refrigerated cargo and materials transportation segments, complementing its service portfolio, and consolidating other dedicated, intermodal and specialized cargo operations (note 29 (b)).

The foregoing entities have their main place of business in Mexico except AFN Logistics, L. T. D., and Redpack U.S.A., Inc whose operations are insignificant, and which carry out their activities in the United States of America.

(2) RELEVANT EVENTS-

During March 2019, Grupo Traxion acquired 100 passenger buses powered by gas, which is part of company's plan and strategy of strengthening the growth of personnel transport segment and expansion of its fleet, this investment was for approximately $350,000.

During 2018, the following transactions occurred:

a) Business acquisitions-

i. On May 17, 2018, Grupo Traxión acquired 100% of the stocks of Tenedora 2017, S. A. P. I. de C. V. and its subsidiaries, thereinafter "Redpack" as part of its strategy to provide a platform to develop the e-commerce and retail segments of "less-thantruckload" through shipping and courier services. The details of the acquisition are presented in note 29 (a).

ii. On October 2, 2018, Grupo Traxión acquired 100% of the shares of Potencia Logística Potosina, S. A. P. I. of C. V. and its subsidiary the entity Autotransportes el Bisonte, S.A. de C.V ("Bisonte") which had a fleet of 485 tractor trucks with an average age of 3.5 years and more than 700 employees. Grupo Traxión used part of the resources available in its line of credit to finance the operation (see note 29 (b)).

iii. On October 24, 2018, Grupo Traxión purchased some assets to Transportes Roncalli Lolek, S. A. de C. V. a regional refrigerated transportation entity based in the region of el Bajío. This transaction qualified as a business acquisition. The tangible assets include a fleet of 76 tractor trucks and 108 refrigerated boxes, and an intangible asset referred as customer relationships. (see note 29 (c)).

(3) BASIS OF PREPARATION-

a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

On April 22, 2020, Rodolfo Mercado Franco (Chief Executive Officer) and Wolf Silverstein Sandler (Vice President of Finance and Administration), authorized the issuance of these consolidated financial statements and accompanying notes.

In accordance with the General Corporations Law and the Traxión's bylaws, the stockholders are empowered to modify the consolidated financial statements after issuance. The consolidated financial statements will be submitted for approval at the next Shareholders' Meeting.

Note 4 includes details of the Group's accounting policies.

b) Basis of measurement-

The accompanying consolidated financial statements are presented in thousands of Mexican pesos (Thousands of pesos) which is both, the reporting and the functional currency of the Group.

For the purpose of disclosure in the notes to the consolidated financial statements, when reference is made to pesos, these are Mexican pesos, and when reference is made to dollars, it means thousands of dollars of the United States of America.

c) Use of estimates and judgments-

The preparation of the consolidated financial statements requires management to make a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses reported.
Actual results may differ from those estimates.

The relevant estimates and assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized prospectively.

d) Use of estimates and judgments-

The preparation of the consolidated financial statements requires management to make a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses reported. Actual results may differ from those estimates.

The relevant estimates and assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized prospectively.

A. JUDGMENTS

- Note 4 (t) - determination of discount rate for the calculation of the asset and liability for right-of-use.

B. ESTIMATION ASSUMPTIONS AND UNCERTAINTIES

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the consolidated financial statements in the next year are included in the following notes:

- Note 4(d)(iii) - useful lives of transportation equipment and machinery;
- Note 4(h)(i) - estimate for accounts receivable from customers;
- Note 4(h)(ii) - impairment of goodwill;
- Note 4(i) - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 4(j) - Provisions
- Note 4(k) - timing of service revenue recognition over time
- Note 4(m) - deferred income taxes.
- Note 4(p) - contingencies

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated..

(a) Basis of consolidation-

(i) Subsidiaries-

The consolidated financial statements of Grupo Traxión include the financial information of the subsidiaries mentioned in note 1. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases.

(ii) Transactions eliminated in consolidation-

Intercompany balances and transactions between consolidate entities, as well as any unrealized gain and loss, have been eliminated in the preparation of these consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(iii) Business combinations-

Business acquisitions are recognized through the purchase accounting method. The consideration transferred in a business acquisition is measured at fair value, which is calculated as the sum of the values of the assets acquired, less the liabilities assumed by the Group with the previous owners of the acquired entity on the date of acquisition.
At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at fair value.

Costs related to the acquisition are recognized in the income statement as incurred.

(b) Foreign currency transactions-

Transactions in foreign currency are translated to the respective functional currencies of the Group entities at the exchange rate prevailing at the dates of the transactions. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for payments and effective interest during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reported period. Foreign exchange differences arising from the conversion are recognized in the comprehensive financial results as a cost or financial gain.

(c) IFinancial instruments-

(i) Capital Stock-

That are directly attributable to the issue of ordinary shares are recognized as a deduction from stockholders' equity, net of tax effects. The Group has a single type of ordinary share, which is Class I Series A, which are representative of the fixed portion without par value. Said series A has full voting rights.

Repurchased (treasury shares), the amount of the consideration paid is recognized as a capital reduction. The repurchased shares are classified as part of the share capital.

(ii) Classification and measurement of financial assets and financial liabilities-

IFRS 9 includes three main classification categories for financial assets: measured at amortized cost, at fair value with changes in other comprehensive income (VRCORI), and at fair value with changes in results (VRCR). The classification of financial assets under this standard is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

(iii) Initial measurement and recognition-

All other financial assets and liabilities are initially recognized when the Group becomes part of the contractual provisions of the instrument. Trade accounts receivable and debt instruments issued are recognized when they originate.

A financial asset (unless significant financing component) or financial liability is initially measured at fair value plus transaction costs directly attributable to its acquisition or issue, with the exception of a transaction not measured at fair value with changes in results. A commercial account receivable without a significant financing component is initially measured at the transaction price.

(iv) Classification and subsequent measurement-

Financial Assets

At initial recognition, a financial asset is classified as measured at: amortized cost, at fair value with changes in other comprehensive income - investment in debt, at fair value with changes in other comprehensive income - investment in equity, or at fair value with changes in results.

Financial assets are not reclassified subsequent to their initial recognition, unless if the Group changes its business model to managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period, following the change in the business model.

A financial asset is measured at amortized cost if the following two conditions are met and it is not measured at fair value with changes in results as shown in the following sheet.

a. the financial asset is held within a business model whose objective is to hold to collect contractual cash flows; and

b. the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only payments of the principal and interest on the amount of the outstanding principal

An investment in debt must be measured at fair value with changes in other comprehensive income if the following two conditions are met and it is not measured at fair value with changes in results, in the next pagen.

a. It is hold within a business model whose objective is achieved both by obtaining the contractual cash flows and by selling the financial assets; and

b. its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of the outstanding principal.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocable elect to present subsequent changes in fair value in other comprehensive income. This election is made individually for each investment.

All financial assets not classified as measured at amortized cost or at fair value with changes in other comprehensive income, are measured at fair value with changes in results. This includes all derivative financial assets.

At initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortized cost or at fair value with changes in other comprehensive income as at fair value with changes in results if doing so eliminates or Significantly reduces a measurement or recognition inconsistency that would otherwise arise.

(v) Business model evaluation-

The Group makes an assessment of the business model objective in which a financial asset is maintained at the portfolio level, since this asset is the one that best reflects the way the business is managed. The information considered includes: the policies applicable to the management of trade accounts receivable (portfolio), the portfolio performance evaluation model and how this is reported to key Group management personnel; managing the risks that affect the performance of the business model (and financial assets held in the business model) and the frequency, value, and timing of sales, etc. are considered.

(vi) Assessment of contractual cash flows are solely payments of principal and interest –

i. For purposes of this evaluation, the 'principal' is defined as the fair value of the financial asset at the time of initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated loan risks and costs (for example, liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are only payments of principal and interest, the Group considers the contractual terms of the instrument. This includes evaluating whether a financial asset contains a contractual condition that could change the schedule or amount of the contractual cash flows in a way that would not fulfill this condition. In making this assessment, the Group considers:

– Contingent events that would change the amount or timing of the cash flows;
– terms that could adjust the contractual rate, including rate characteristics variable;
– prepayment and extension features; and

(vii) Medición posterior y ganancias y pérdidas-

Financial assets at fair value with changes in results	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by the impairment losses. Interest income, gains and losses from foreign currency translation and impairment are recognized in results. Any gain or loss on the derecognition of accounts is recognized in results.
Debt investments to VRCORI	These assets are subsequently measured at fair value. Interest income calculated under the effective interest method, foreign currency translation gains and losses and impairment are recognized In come. Other net gains and losses are recognized in other comprehensive income. At the time of derecognition, accumulated gains and losses are recorded in other comprehensive income and then reclassified in profit or loss.
Equity investments to VRCOR	These assets are subsequently measured at fair value. Dividends are recognized as income in results unless the dividend clearly represents a recovery of part of the cost o the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to income.

(viii) Financial liabilities - Classification, subsequent measurement and gains and losses-

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss.

A financial liability is classified at fair value through profit or loss if it is classified as held-for-trading, is a derivative or is designated as such on initial recognition. Net gains and losses, including any interest expense, are recognized in results.

The other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest income and gains and losses on translation of foreign currency are recognized In come. Any gain or loss on derecognition is also recognized in profit or loss..

(ix) Derecognition-

The Group derecognizes a financial asset when the contractual rights over the cash flows of the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are transferred, or does not transfer or retain substantially all the risks and benefits related to the property and does not retain control over the assets transferred.

Derecognition of a financial liability is generated when the contractual obligations are paid or cancelled or expired. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized based on the new conditions at fair value.

At the time of derecognition of a financial liability, the difference between the carrying amount of the extinguished financial liability and the consideration is recognized in profit or loss.

(x) Offsetting--

A financial asset and liability are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts recognized, and intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

(xi) Derivative financial instruments and hedge accounting -

The Group holds derivative financial instruments to hedge its interest rate risk exposure rates from its long-term liabilities at the TIIE interest rate plus a spread.

Derivatives are initially measured at fair value. Subsequent to the initial recognition, derivative financial instruments are measured at fair value, and changes therein are recognized in results, if they were not designated as accounting hedges.

The Group designates interest rate swaps, which cover its exposure to the TIIE interest rate, as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes In terest rates, for the interest payment of its financial liabilities at a variable rate.

At the inception of designated hedge relationships, the Group documents the objective and risk management strategy for undertaking out the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether it is expected that changes in the cash flows of the hedged item and the hedging instrument will compensate each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the derivative is recognized in other comprehensive income and is accumulated in the cash flow hedge valuation item.

The effective portion of the changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in the fair value of the hedged item, determined on a present value basis, from the beginning of the hedge. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only the change in the fair value of the spot element of interest rate swaps, such as the hedging instrument in cash flow hedging relationships. The change in the fair value of the forward element, such as the interest rate spread in the swaps, is accounted for separately as a cost of the hedge and is recognized in an item called hedge costs within stockholders' equity.

For all other hedge forecast transactions, the accumulated amount in the cash flow hedge valuation and the hedge cost is reclassified to results in the same period or periods during which the future expected cash flows covered will affect the result.

A hedging relationship should be discontinued prospectively when it fails to meet the criteria to recognize a hedging relationship, this includes when the hedging instrument is sold, expires, terminates or is exercised, as well as after it has been considered or taken to any rebalancing of the hedging relationship and the hedging relationship is not effective or does not meet the objective of the Group's risk management.

When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge valuation and the cost of coverage remains in the stockholders' equity until it is reclassified to income in the same period or periods in which the expected future cash flows covered affect the result.

(d) Transportation equipment and machinery, net-

(i) Recognition and measurement-

Upon initial recognition, the transportation equipment and machinery are recognized at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. Acquired computer programs that are integral to the functionality of the related fixed assets are capitalized as part of that equipment.

In its subsequent measurement, transportation equipment and machinery are recognized at cost less accumulated depreciation, and less any impairment losses.

When parts of the transportation equipment and machinery have different useful lives, they are recorded as separate components (major components).

Gains and losses on the sale of an item of transportation equipment and machinery are determined by comparing the proceeds from the sale against the carrying value of transportation equipment and machinery and are recognized net in statement of comprehensive income..

(ii) *Subsequent costs-*

The replacement cost of an item of transportation equipment and machinery is recognized when it is probable that future economic benefits will flow to the Group and its cost can be determined reliably. The carrying value of the replaced part is recorded in the statement of comprehensive income. Repair and maintenance costs are recognized in results as incurred.

(iii) *Depreciation-*

Transportation equipment and machinery are depreciated from the date they are available for use or, in the case of internally constructed assets, from the date the asset is completed and ready for use.

Depreciation is calculated on the amount susceptible to depreciation, which corresponds to the cost of an asset, less its residual value.
Depreciation is recognized in the statement of comprehensive income using the units produced method (kilometers traveled) for certain tractor-trucks and for the rest of the machinery and equipment the

straight-line method is used in accordance with the estimated useful life each time that this better reflects the expected consumption pattern of the future economic benefits included in the asset.

The annual depreciation rates of the principal asset classes are as follows:

• Tractor-trucks and personnel transportation equipment	5% a 20%
• Platforms and boxes (for tract-trucks)	% y 15%
• Transportation equipment	20% a 25%
• Machinery and equipment	10% a 25%
• Computer equipment	30%
• Telephonic equipment	10% y 25%
• Building	5%
• Storage equipment	10%
• Office furniture and equipment	10%
• Trawling equipment	10% a 50%
• Safety equipment	10%

Leasehold improvements are amortized during the useful period of the improvement or as of the termination of the contract, whichever is lower.

The Group's Management performs economic-financial analyzes to determine the residual value that corresponds to its transportation equipment, and has determined that the residual value is in a range that ranges from 5.5% to 75% of the acquisition cost, depending of the use of assets and the reported historical disposal (sale) value. The group updates its residual value analysis at least once a year.

The transportation equipment used to provide personnel transportation has a residual value of 10%.

Management reviews at the end of each year: the depreciation method, useful lives and residual values, and where applicable, these values are adjusted.

(e) AIntangible assets-

Intangible assets with defined useful lives are mainly composed of the recognized customer relationship in a business combination, at its fair value as of the acquisition date, and is amortized in a straight line over its estimated useful life of 10 and 15 years, which was determined based on the historical facts of the permanence that the clients have with the Group.

Intangible assets with indefinite useful life include mainly acquired brands in a business combination, at its fair value as of the combination date less impairment losses.

(f) Goodwill-

Goodwill is measured as the excess of the sum of the consideration transferred in a business combination, over the net of fair value of the assets acquired and liabilities assumed at the acquisition date.

(g) Inventories and cost of sales-

Inventories are measured at cost or net realizable value, whichever is lower. Inventories are mainly represented by fuel, lubricants and spare parts. The cost of inventories is determined by the acquisition cost method.

Unit cost is determined using the average cost method. The Group records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the use or realization of the items that are part of the inventory will be lower than the recorded value.

(h) Impairment-

(i) Non-derivative financial assets -

The Group recognizes loss allowances for expected credit losses on:
- financial assets measured at amortized cost;
- debt investments measured at fair value with changes in other comprehensive income; and
- contract assets.

The Group measures the value corrections for an amount equal to the expected credit losses during the life of the asset, except for the following, which is measured at the amount of twelve-month expected credit losses:

- debt instruments that are determined to have low credit risk at the reporting date; and
- other debt instruments and bank balances for which credit risk (i.e. the risk of default occurring during the expected life of the financial instrument) has not increased significantly since initial recognition.

Value adjustments for trade accounts receivable and contract assets are always measured at an amount equal to the expected credit losses over the lifetime.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition by estimating expected credit losses, the Group considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Group's historical experience and an informed credit evaluation including that related to the future.

In the case of trade accounts receivable without a significant financing component, the entity may choose as its accounting policy to apply the general model to measure the value correction or always measure the value correction for an amount equal to the expected credit loss during lifetime. The Group has chosen the latter policy.

The Group considers that a financial asset is in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as the execution of the guarantee (if
- the financial asset is 60, 90 or 120 days past due depending on the portfolio and the analysis on the absorbing statement.

Expected credit life losses are the credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are the probability-weighted average of credit losses. Credit losses are measured as the present value of cash shortages (that is, the difference between the cash flow owed to the entity under the contract and the cash flows that the Group expects to receive).

Under the selected expected loss methodology, provisions are calculated according to the following:

The probability of default (PD) and the severity of loss (LGD) are the result of the application of the statistical model under the simplified method for measuring the impairment of accounts receivable during the life of the instrument (invoice or account by charge). As a result, the loss rate (PD * LGD) is obtained, which must be used to calculate the provisions / reserves applicable for events from the 1st. January 2018.

This quantitative evaluation will be continuous and, if applicable, adjustments will be made to the expected loss rate (impairment) every six months.

Presentation of the correction of value for expected credit losses in the statement of financial position.

Value adjustments for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

In the case of debt instruments at fair value with changes in other comprehensive income, the value correction is charged to income and recognized in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due..

(ii) Non-financial assets –

On annual basis, during third quarter, the Group reviews the carrying amounts of its non-financial assets, (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

Value in use is based on the estimated future cash flows. discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For impairment testing purposes, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

For the purposes of the impairment tests, Goodwill arising from a business combination is allocated to CGUs or groups of CG Us that are expected to benefit from the synergies of the combination. Such distribution is subject to an operating segment ceiling test and reflects the lowest level at which the goodwill is monitored for internal reporting purposes.

Corporate assets do not generate separate cash flows. If there is any indication that a corporate asset is impaired, then the recovery value of the CGU to which the corporate asset belongs is determined.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(i) Employee benefits-

(i) Defined benefit plans-

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the maturity of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The Group recognizes the actuarial gains and losses derived from the defined benefit plans in OCI, in the period in which they accrued.

(ii) Termination benefits-

Termination benefits are expensed when the Group is demonstrably committed, can no longer withdraw the offer of those benefits, with a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer that is made to encourage voluntary resignation. Termination benefits for voluntary retirement are recognized as an expense only if the Group has made an offer of voluntary resignation, it is probable that the offer is accepted, and the number of acceptances can be reliably estimated.

If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) Short-term employee benefits-

Obligations for short-term employee benefits are valued on an undiscounted basis and recognized In come of the period in which the services rendered are accrued.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans, if the Group has a legal or assumed obligation to pay such amounts as a result of prior services rendered by the employee, and the obligation can be reliably estimated.

(iv) Employee statutory profit sharing (ESPS)-

The ESPS payable in the year is determined in accordance with the tax regulations. Under tax legislation, companies are required to share 10% of their taxable profits to their employees. ESPS is recorded as a general expense.

(j) Provisiones-

Based on management´s estimations, the Group recognizes provisions accruals for present obligations that arise as a consequence of past events and when Group expects to disburse resources that incorporate economic benefits.

(k) Revenue-

Revenue from ordinary activities is recognizse when it transfers control over a good or service to a customer. Therefore, performance obligations may be satisfied over time and the recognition of their revenue will be made also over time through the use of methods to measure progress towards complete satisfaction of the performance obligation and this can be measured reasonably.

If the performance obligation is not satisfied over time, then it will be done at a point in time. Therefore, the Administration will determine the specific moment in which a client obtains control of a committed asset and therefore a performance obligation is satisfied.

The indicators of the transfer of control of the goods and / or services should be considered.

TYPE OF SERVICE	NATURE AND TIMING OF SATISFACTION OF OBLIGATIONS	REVENUE RECOGNITION POLICY
Freight revenues	National and international land freight transportation services and related services, such as loading and unloading maneuvers, storage and any other service previously requested by the client. Invoices are issued as services are rendered and are payable within 30 to 120 days.	Service revenue is recognized over time, when the customer simultaneously receives and consumes the benefits as the services are provided.
Logistics service	Services of warehousing, collection, preparation and loading of merchandise for shipments, in addition to inventory control. Invoices are issued monthly and are usually payable within 120 days.	Service income is recognized as it is rendered.
Income by courier and parcel service	Delivery services, collection and distribution of couriers and parcels of individuals and companies, nationally and internationally. Invoices are issued monthly and are usually payable within 30 days.	Service income is recognized over time, as provided.
Personal Transportation	School transport, personnel and tourist transport services. Invoices are issued monthly and are usually payable within 30 to 90 days.	Transportation service revenue is recognized as it is provided

(l) Finance income and costs-

Finance income consists of interest income on invested funds and highly liquid bank deposits and exchange earnings. Interest income is recognized as incurred.

Financial costs include interest expenses on debt, as well as those corresponding to leases in accordance with IFRS 16, exchange losses, the valuation effect of financial instruments and the financial cost of the defined benefit plan.

(m) Income taxes-

Current tax and deferred tax are recognized in the statement of comprehensive income, except when it relates to a business combination or items recognized directly in equity, as part of the other comprehensive income.

The income tax for the year is determined in accordance with legal and tax requirements, applying the rates of taxes enacted or substantially enacted at the reporting date, and any adjustment to the tax charged in respect of prior years. These tax requirements require calculating the tax result considering the income collected and deductions paid in the year.

Deferred income tax is recorded under the assets and liabilities method, which compares the book and tax values of the Group's assets and liabilities and recognizes deferred income taxes (assets or liabilities) in respect of differences between these values.

Deferred income taxes are not recognized for the initial recognition of assets and liabilities in a transaction that does not affect the accounting or fiscal result, and differences related to investments in subsidiaries and associates as long as the Group can control the reversal date and will likely not be reversed in the foreseeable future.

Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be materialized simultaneously.

A deferred asset is recognized for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which it can be applied. Deferred tax assets are reviewed at the reporting date and are reduced to the extent that realization of the related tax benefit is no longer probable.

(n) Prepayments-

Include mainly insurance, security deposits and rents paid in advance that will be received after the date of the statement of financial position and during the normal course of operations. When the terms of the acquisitions and services are over 12 months, the amount that exceeds the established term is presented as non-current assets in the statement of financial position.

(o) Government incentives-

Derived from the main activity of the Group, it is entitled to subsidies, mainly the Government providing for tolls and fuel. Such subsidies are transferred to the Group as a reduction to the income tax. Due to its economic substance, the Company recognizes these subsidies as a decrease from total costs.

(p) Contingencies-

Liabilities or significant losses related to contingencies are recorded when it is probable that its effects are likely to materialize and there are reasonable elements for their quantification. If these reasonable elements do not exist, their disclosure is included qualitatively in the notes to the financial statements. Income, profits or contingent assets are recognized until there is certainty that they will be realized.

(q) Share-based payment-

The Group established a payment program based on shares of its equity for to certain key executive personnel of the Administration, subject to certain conditions of performance. The cost of the payments is recognized in the general expenses line within the concept of labor cost, with the corresponding application in the equity, in the vesting period (3 years). The details of this plan are mentioned in note 22(d) (i).

(r) Utilidad básica por acción-

The Group presents information on the basic amount corresponding to its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common stockholders of the Group between the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(s) Segment information-

An operating segment is a component of the Group that engages in business activities for which it can earn revenues and incur expenses, which includes revenues and expenses related to transactions with any of the other components of the Group. Inter-segment transactions are determined on the basis of comparable prices to those that would be used with or between independent parties in comparable transactions.

(t) Changes in significant accounting policies-

The Group has initially applied IFRS 16 on January 1, 2019. Some other regulations also became effective on the same date, but do not have a significant effect on the Group's financial statements.

Policy applicable before the January 1, 2019.

When the Group acted as lessee, it determined at the beginning of the lease whether each lease was a finance or an operating lease. To classify each lease, the Group made a general assessment of whether the lease transferred substantially all the risks and benefits inherent in ownership of the underlying asset. If this was the case, the lease was a finance lease; if not, it was an operating lease.

As part of this evaluation, the Group considered certaln dicators such as whether the lease covered most of the economic life of the asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases are recognized linearly in the income statement during the lease term.

Applicable policy from the 1st. January 2019

i) IFRS 16 Leases-

The Group initially applied IFRS 16 Leases from January 1, 2019., which replaced IAS 17 and eliminated for the lessee the distinction between operating and finance leases.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

A lessee may elect not to apply the accounting established in the rule in the following cases:

1. Short-term leases.
2. Low value leases.

i.1) Initial measurement

The initial measurement of the right-of-use asset will be determined by the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is measured at amortized cost using the effective interest method which corresponds to the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The incremental interest rate is defined as the interest rate that a lessee would have to pay to borrow for a similar term, and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments less any incentive, the amounts expected to be payable under a residual value guarantee and variable lease payments.

i.2) Subsequent measurements

After the commencement date, a lessee will measure its right-of-use asset using the cost model, less depreciation using the straight-line method, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment (in accordance with IAS 16) and accumulated impairment losses (in accordance with IAS 36), if any, and adjusted for certain remeasurements of the lease liability.

Subsequent measurement of the lease liability shall include the interest determined less the payments for leases made..

i.3) Modifications to the contract

A change in the scope of a lease, or consideration for a lease, that was not part of the original terms and conditions (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual duration of the lease).

A lessee will remeasure the lease liability by discounting the modified lease payments using a modified discount rate and also in cases where:

(a) there is a change in the lease term, or
(b) there is a change in the evaluation of an option to buy the asset

The adjustment will be made against the right-of-use asset.

i.4) Short-term leases and low-value asset leases

The Group has chosen not to recognize rights-of-use assets and lease liabilities for lowvalue asset leases and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) Leases classified as finance leases under IAS 7

The Group leases a series of trucks, boxes and people transport equipment. These leases were classified as finance leases under IAS 17. For these financial leases, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and the lease liability under IAS 17 immediately prior to that date.

iii) INIIF 23-

The Group's current accounting policy for uncertain treatment of income taxes is consistent with the requirements of IFRIC 23. Uncertainty over Income Tax Treatments, which became effective on January 1, 2019. The adoption of this standard had no impact on the consolidated financial statements.

(i) Pronunciamientos normativos no adoptados-

The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements..

– Amendments to References to Conceptual Framework in IFRS Standards.

– Definition of a Business (Amendments to IFRS 3).

– Definition of Material (Amendments to /AS 1 and /AS 8).

(5) DETERMINATION OF FAIR VALUES-

Some of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values for the purposes of measurement and disclosure were determined on the basis of the new categories and criteria established in IFRS. Where applicable, disclosures in the notes to the consolidated financial statements include information on the assumptions made in determining the specific fair values of that asset or liability.

a) Call deposits-

The fair value of call deposits with original maturities of three months or less from the date of acquisition is similar to the historical cost since they are subject to insignificant risks of changes in their fair value and are used by the Group to follow its business model to fulfill short-term commitments.

b) Accounts receivable from customers and other accounts receivable-

The fair value of accounts receivable from customers, related parties and other accounts receivable is estimated at the present value of future cash flows, discounted at the market interest rate at the reporting date.

c) Non-derivative financial liabilities-

The fair value of non-derivative financial liabilities is calculated based on the present value of future cash flows of principal and interest, discounted at the market interest rate at the reporting date.

d) Assets acquired in business combinations-

The fair value of the intangible asset in relation to customer relationships was determined through the "multi-period excess earnings" method, which requires a return to each of the tangible and intangible assets that contribute to the generation of income by the intangible asset subject to evaluation.

For the estimation of the fair value of the brand, the "relief from royalty" methodology was used, which considers market royalties comparable to the acquired business transaction.

For property and equipment, the fair value is determined based on quotes considering the price at which the asset would be purchased ("exit price").

According to the hierarchy of fair value levels, these assets correspond to level 3..

e) Derivative financial instruments-

Derivative financial instruments are measured at fair value with valuation methodologies and inputs accepted in the financial environment. The Group specifically has interest rate swaps, for which the fair value is calculated as the present value of the estimated future net cash flows. Estimates of future floating rate cash flows are based on quoted swaps, future prices or interbank debit rates. Cash flows are discounted using a yield curve created from similar sources and reflecting the corresponding interbank reference rate used by market participants. The fair value estimate is subject to an adjustment for credit risk that reflects the credit risk of the Group or of the counterparty, as the case may be.

(6) FINANCIAL RISK MANAGEMENT-

The Group is exposed to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information on the Group's exposure to each of the aforementioned risks, the objectives, policies and processes of the Group for risk measurement and management, as well as the Company's capital management. More quantitative disclosures are included in various sections of these consolidated financial statements.

Risk management framework-

Management has overall responsibility for the establishment and supervision of the risk management framework. Management is responsible for the development and monitoring of risk management policies and reports its activities to the Board of Directors on a regular basis.

Risk management policies are established to identify and analyze the risks they face, to establish appropriate limits and controls, and to monitor risks and to enforce limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and in Group activities.

The risk management framework applied and the identified risks to which the Group is exposed at the date of preparation of these audited consolidated financial statements is the same as that applied in the preparation of the Group's consolidated financial statements for the years ended, as of December 31, 2019 and 2018.

Credit risk-

Credit risk represents the risk of financial loss of the Group, if a customer or counterparty risk of a financial instrument does not comply with its contractual obligations and originates mainly from the accounts receivable and investment instruments available to the Group.

The carrying amount of financial assets represents the maximum exposure to credit risk.

Accounts receivable from customers and other receivables-

The Group's exposure to credit risk is derived mainly by the individual characteristics of each customer. However, Management also considers the demographics of the Group's customer base, which includes the default risk of the industry in which customers operate, as these factors may influence credit risk. The Company's revenues are attributed to sales transactions with different customers. As of the date of these consolidated financial statements there is no significant concentration of sales and accounts receivable in a single customer.
The Management has implemented a credit policy under which each new customer is analyzed individually. The review carried out by the Group includes external ratings, when available, and in some cases bank references.

When monitoring the credit risk of clients, they are grouped according to their credit characteristics, which include geographical location, industry, seniority, etc.

Likewise, as mentioned in note 31, the economic and financial impacts of the appearance of COVID-19 on the main clients of the group are still unknown, however, any unfavorable effect on the general economic environment of the country or in particular for each of our clients will be incorporated into the model for determining the expected loss.

Investments-

The Group limits its exposure to credit risk by investing only in "call deposit" in solid financial institutions, as such, it does not anticipate that any counterparty will default on its obligations.

Derivatives-

The Group's policy is to contract derivative financial instruments solely to hedge the risk exposure. Derivative financial instruments are currently held to hedge the interest rate risk of the Group's main credit and have been formally recognized as hedging from January 1, 2018, so its initial recognition is at fair value; Any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent measurements are valued at fair value, and their changes are recognized in OCI. Derivative financial instruments are contracted with counterparties that are rated in the range A2 to A3 according to the rating agency Moody's.

Impairment losses-

The following is the classification of accounts receivable from customers according to their aging at the date of the statement of financial position:

		2019		2018	
		Gross	Impairment	Gross	Impairment
Current	$	1,706,167	(20,071)	1,445,807	(15,422)
Past due from none to 90 days		284,515	(13,836)	491,596	(5,244)
Past due from 91 to 120 days		27,046	(461)	11,905	(127)
Past due over 121 days		84,855	(42,563)	147,345	(72,125)
	$	2,102,583	(76,931)	2,096,653	(92,918)

The Group determined its provisions considering the risk level criteria assigned for each company or group of companies and applying the corresponding loss rate, which is distributed in ranges from 0.0003% to 3.325% for accounts receivable and 100 % for unrecoverable accounts receivable.

The movements of the allowance for doubtful of accounts receivable from customers, is as follows:

		2019	2018
Balance at the beginning of the year	$	92,918	53,385
Initial effect of IFRS 9		-	93,936
Increases		53,733	39,029
Applications		(69,720)	(93,432)
Balance at the end of the year	$	76,931	92,918

Liquidity risk-

Liquidity risk represents the possibility that the Group may have difficulties complying with its obligations related to its financial liabilities that are settled through the delivery of cash or another financial asset. The approach to manage liquidity is to ensure, to the extent possible, that it will have enough liquidity to settle its liabilities on maturity, in both normal and extraordinary conditions, without incurring unacceptable losses or risk to the reputation of the Group.

The Group uses budget control based on cost centers and activities, which helps it monitor cash flow requirements and optimize the cash performance of its investments. Normally, the Group ensures that it has sufficient cash available to cover the expected operating expenses for a period of 15 to 30 days, which includes the payment of its financial obligations; the foregoing excludes the possible impact of extreme circumstances that are not reasonably predictable, such as natural disasters.

The following table shows the maturities of financial liabilities, including estimated interest payments and excluding the impact of the netting agreements, customer advances and income taxes:

2019		Carrying amount	Cash flows	0-12months	1 a 2 years	More than 3 yeras
Debt	$	4,785,207	5,598,601	1,673,074	1,231,151	2,694,376
Lease obligation		1,364,945	1,470,493	420,210	472,072	578,211
Suppliers and accruals		958,590	958,590	958,590	-	-
Other liabilities		87,621	87,621	87,621	-	-
Derivative financial instruments		52,213	58,896	22,625	30,739	5,532
Related parties		2,215	2,215	2,215	-	-
	$	7,250,791	8,176,416	3,164,335	1,733,962	3,278,119

2018		Valor en libros	Saldo total flujos	0-12 meses	1 a 2 Años	3er. año en adelante
Debt	$	4,215,350	4,898,241	952,764	822,083	3,123,394
Lease obligation		642,899	642,899	152,057	490,842	-
Suppliers and accruals		954,378	954,378	954,378	-	-
Other liabilities		286,546	286,546	286,546		
Related parties		6,821	6,821	6,821	30,739	5,532
	$	6,105,994	6,788,885	2,352,566	1,312,925	3,123,394

Likewise, as mentioned in note 31, the economic and financial impacts of the appearance of COVID-19 are still unknown and it is not expected that they could significantly affect the company's short-term rights and obligations, since it has the resources to make In addition to these, the Group also has available credit lines that can help mitigate short-term risk.

Market risk-

It is the risk generated by changes in market prices, such as exchange rates and interest rates, which may affect the Group's income. The objective of the Market Risk Management is to manage and control exposures to this risk within reasonable parameters, while optimizing returns.

Currency risk-

Exposure to currency risks -

Below is shown the Group´s exposure to currency risks, based on amounts in thousands of US amounts::

		2019	2018
Assets (1)	$	16,947	13,972
Liabilities		(649)	(3,743)
Net assets	$	16,298	10,229

The following exchange rates at the closing and average exchange rates have been applied periods in the preparation of these audited consolidated financial statements:

		Average	
		2019	2018
US Dollar	$	19.26	19.23

		Closing	
		2019	2018
US Dollar	$	18.87	19.65

Sensitivity analysis-

A strengthening of the US dollar against the Mexican peso would have increased the equity and the results of the period in the amounts shown below. This analysis is based on the variations in the currency exchange rate that the Group considers will be reasonably possible at the end of the period of the consolidated financial statements. The analysis assumes that all other variables, especially interest rates, remain constant.

		Closing	
		2019	2018
US Dollar (30% oscillation)(1)	$	92,274	60,300

A strengthening of the Mexican peso at December 31, 2019 would have had the same effect, but opposite, in the previous currencies, in the amount shown, on the basis that the other variables remain constant.

(1) As of the date of issuance of the financial statements, the Mexican peso has had a depreciation of 30%, therefore the sensitivity analysis for 2019 was carried out considering that effect in the variation see (note 31).

Interest rate risk-

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Exposure to interest rate risk-

The exposure to the Group's interest rate risk comes mainly from the amount disposed at the reporting date of the $4,500,000 line of credit in which the cash flows of the interest payable are referenced to the TIIE rate plus a margin. The Group contracted derivative financial instruments, specifically interest rate swaps (IRS), which have been designated and documented as cash flow hedge instruments to mitigate the risk of the variable rate, covering 75% of the rate, and 75% of the term of the simple credit arranged to date.

All designated hedge relationships as of December 31, 2019 meet the criteria for hedge accounting under the new regulations at January 1, 2018 and, as a result, continuous hedging.

Grupo Traxion has five interest rate swap contracts, however, the amounts recognized in the financial cost by said instruments are considered immaterial.

The interest rate profile at December 31, 2019 and 2018 by the swaps instruments, were as follows:

		December 31	
		2019	2018
Fixed rate:			
Financial liabilities	$	1,490,782	1,025,488
Derivative financial instrument		2,390,625	2,596,875
		3,881,407	3,622,363
Variable rate:			
Financial liabilities	$	4,277,618	3,832,761
Derivative Financial instruments		(2,390,625)	(2,596,875)
		1,886,993	1,235,886

The Group is exposed to the interest rate risk in the short and long term of this loan, for the part not covered by the derivative financial instruments contracted, which is 25% of the amount disposed of the syndicated loan and for 25% of the term.

Sensitivity analysis on cash flows

The effective portion of the losses and / or gains of the instruments are recognized directly in Other Comprehensive Results (ORI). The ineffective portion of the coverage is recognized in the Comprehensive Financing Result (RIF).

Sensitivity analysis on cash flows for variable-rate instruments

An increase or decrease in the interest rate, at the end of the year, could affect the valuation of the derivative financial instruments and the debt at variable rate, as follows:

		2019	2018
Variable Interest Rate (TIIE+ 50pbs)	$	1,490,782	1,025,488
Tasa de interés de los swaps		1,207	-

Fair values versus book values-

The following table shows the carrying amounts and fair values of financial assets and financial liabilities:

		2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value					
Cash and cash equivalents	$	580,503	580,503	501,130	501,130
Accounts receivable, net		2,025,652	2,025,652	2,003,735	2,003,735
Related parties		1,249	1,249	21,756	21,756
Other accounts receivable, net		943,952	943,952	968,686	968,686
	$	3,551,356	3,551,356	3,495,307	3,495,307

		2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets at fair value:					
Derivative financial instruments	$	-	-	41,201	41,201
Financial liabilities at amortized cost:					
Debt	$	4,785,207	4,948,613	4,215,350	3,479,487
Obligations for financial leasing		1,364,945	1,364,945	642,899	642,899
Suppliers and provisions		958,590	958,590	954,378	954,378
Creditors		87,621	87,621	286,546	286,546
Related parties		582,306	582,306	474,461	474,461
Other taxes		49,906	49,906	26,599	26,599
Income taxes		2,215	2,215	6,821	6,821
	$	7,830,790	7,994,196	6,607,054	5,871,191
Financial liabilities at fair value:					
Derivative Financial instruments		52,213	52,213	-	-

At 31 December 2019, the Group held the following instruments to hedge exposures to changes In terest rates:

		Expiration		
Interest rate risk		1-6 months	6-12 months	More than a year
Interest rate swaps				
Net exposure	$	412,856	700,000	467,188
Average fixed interest rate		8%	8%	5%

The amounts at the reporting date relating it items designated as hedged items were as follows:

		2019			
		Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Costs of hedging hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Rate risk interest					
Rate instruments variable	$	(93,414)	52,213	-	-

The amounts related to items designated as hedging instruments and hedge effectiveness were as follows:

	2019										
	Carrying amount										
	Nominal amount	Assets	Liabilities	Lineitem in the statement of financial position where the hedging instrument is included	Change in the value of the hedging instrument recognizer in OCI	Hedge ineffectiveness recognized in profit or los	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognized in OCI	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
Interest rate risk											
Swaps interest rate	2,390,625	-	(52,213)	Derivative financial instruments	93,414	-	Financial income (cost)	-	-	-	Financial income (cost)

The following table below presents a reconciliation by risk category of the components of capital and an analysis of OCI, net of tax, resulting from cash flow hedge accounting.

Rate risk interest		2019 Hedging reserve	2019 Cost of hedging reserve
Balance as of January 1, 2019	$	(28,841)	-
Cash flow hedges			
Changes in fair value			
Interest rate risk		93,414	-
Reclassified amount of results			
Deferred interest rate risk		-	-
Deferred		(28,024)	-
Balance at December 31, 2019	$	36,549	-

Capital management-

The policy of the Board of Directors is to maintain a solid capital base in order to maintain confidence in the Group of the investors, creditors and market, and to sustain the future development of the business. The Board of Directors monitors the capital yield.

The debt-equity ratio is overseen by the Board as well. The Group's debt-equity ratio at the end of the reporting periods is as follows:

		December 31 2019	December 31 2018
Total liabilities	$	8,800,614	7,621,006
Cash and cash equivalents		580,503	501,130
Net debt	$	8,220,111	7,119,876
Capital stock	$	10,303,725	10,049,227
Ratio of debt to equity	$	0.80	0.71

Risks in the price of diesel-

Effective January 1, 2017, the Mexican Government announced the release of the price of diesel (and gasoline). This release has generated variations that have been recognized in the cost of diesel during the 12 months ended December 31, 2019 and 2018.

The cumulative average public diesel price in the twelve-month period ended December 31, 2019 was $21.26 pesos per liter. The Group carries out a sensitivity analysis based on the changes that the price of diesel could undergo under 2 scenarios (+/- twelve percentage points to the price of diesel).

The result of the analysis indicates that an increase or decrease in the price could affect the gains or losses for the period by $381,343.

In addition to this, a change in the credit factor for the IEPS stimulus could have a direct impact on the cost of fuel and the Group's profitability.

Other market price risk-

Major investments within the portfolio are managed individually and all purchase decisions and sales are approved by the Administration. The Group only invests in liquid funds with high credit ratings.

(7) CASH AND CASH EQUIVALENTS--

Cash and cash equivalents are integrated as shown below:

		2019	2018
Cash funds	$	2,151	2,290
Call deposits		113,235	223,304
Cash in banks		395,826	210,608
Restricted cash [1]		69,291	64,928
Cash and cash equivalents	$	580,503	501,130

(1) As of December 31, 2019, and 2018, the Group has restricted cash of $69,291 and $64,928 respectively. In accordance with some covenants that the Group has in relation to its main bank credit, a cash reserve fund (restricted cash) is maintained and extended only when certain conditions are met.

Note 6 discloses the Group's exposure to credit risks related to cash and cash equivalents.

(8) ACCOUNTS RECEIVABLE, NET-

		2019	2018
Accounts receivable	$	2,102,583	2,096,653
Less allowance for doubtful accounts		76,931	92,918
Total accounts receivable	$	2,025,652	2,003,735

Note 6 discloses the Group's exposure to credit risks, foreign exchange and impairment losses related to accounts receivable.

(9) OTHER RECEIVABLES-

		2019	2018
Recoverable taxes, mainly VAT	$	783,600	805,911
Sundry debtors		134,772	103,862
Bus operators		19,998	37,081
Officials and employees		10,869	17,349
Other		14,386	15,782
		963,625	979,985
Less allowance for doubtful accounts		19,673	11,299
	$	943,952	968,686

Note 6 discloses the Group's exposure to credit, foreign exchange and impairment losses related to other accounts receivable.

(10) TRANSACTIONS, LOANS AND BALANCES WITH RELATED PARTIES-

(a) Compensations to key management personnel-

The key members of the Administration of the Group received the following remunerations and other benefits (share based plan), which are included in personnel costs (note 22):

		2019	2018
Short-term benefit	$	185,577	140,467
Termination benefit		72,410	72,410

(b) Transactions with related parties-

All related parties listed in this note correspond to "related parties", as they are not joint agreements, subsidiaries, partners or key personnel of the administration.

In the normal course of activities, Grupo Traxión commercial transactions with other related parties, including raw materials and the leasing of real estate.

Transactions with related parties for the years ended December 31, 2019 and 2018 were as mentioned:

Company	Income from operation:		2019	2018
Operadora Arrendadora de Vehículos Puli, S. A. de C. V.	Personnel transportation	$	840	2,651
Pública Entertaiment, S. A. de C. V.	Management Services		431	17,873
Soluciones Integrales de Transporte SISA, S. A. de C. V.	Recovery of expenses		-	66

Company	Expense:	2019	2018
Inmobiliaria Albali, S. A. de C. V.	Leasing and other expenses	15,688	13,920
Tracto servicios Especializados de Querétaro, S. A. de C. V.	Maintenance costs	11,030	11,841
Inmobiliaria Eventus, S. A. de C. V.	Leasing	9,609	9,587
Operadora y Arrendadora de Vehículos Puli, S. A. de C.V.	Personnel transportation	143	5,692
Publica Entertaiment, S.A de C.V.	Administrative expenses / labeling expenses	-	16,374

As of December 31, 2019, and 2018, the outstanding balances from related parties were as follows:

Accounts receivable in the short term		2019	2018
Empaques MYM, S. A. de C. V. (1)		-	6,035
Muebles y Mudanzas, S. A. de C. V. (2)		-	4,300
Empresas Coordinadas, MYM, S. A. de C. V. (2)		-	4,721
Operadora y Arrendadora de Vehículos Puli, S. A. de C. V. (1)		34	1,984
Other related parties (2)		1,215	4,716
	$	1,249	21,756

(1) The receivable does not have specific due date, nor bear interests..

(2) Accounts receivable transactions for services provided that do not have specific due date nor bear interests.

Accounts payable		2019	2018
Tracto Servicios Especializados de Querétaro, S. A. de C. V.	$	1,782	2,057
Inmobiliaria Terminal Carga Oriente, S. A. de C. V.		-	1,510
Operadora y Arrendadora de vehículos Puli, S. A. de C. V.		324	1,505
Partes relacionadas diversas		109	1,749
	$	2,215	6,821

The balance payable to related parties and shareholders correspond to current account loans that do not have specific due, nor cause interest.

(11) PREPAYMENTS-

		2019	2018
Advances to suppliers (1)	$	39,583	39,631
Insurances paid in advance		45,496	35,271
Other expenses paid in advance		16,209	7,865
Advances to suppliers for purchase of equipment (long term)		74,234	11,600
Advance payments		53,918	-
Total prepayments		$ 229,440	94,367

(1) Advances to suppliers are classified according to the destination of the acquisitions.

(12) TRANSPORTATION EQUIPMENT AND MACHINERY-

Transportation equipment and machinery comprise the following:

Additions and disposals

Costo		2018	Additions	Disposals	Reclassifications	2019
Personnel transportation equipment	$	4,575,578	1,148,113	48,458	(172,050)	5,503,183
Tractor trucks		2,812,473	471,799	519,463	(796,390)	1,968,419
Platforms and boxes (1)		932,655	178,661	204,056	-	907,260
Transportation equipment		495,676	51,186	17,782	(747)	528,333
Machinery and equipment		123,888	32,409	503	-	155.794
Improvements to premises		96,954	21,078	-	-	118.032
Computer equipment		82,439	34,838	5,815	-	111,462
Tracking equipment		25,453	15,003	2,376	-	38,080
Office furniture and equipment		24,966	17,188	1,040	-	41,114
Building		20,525	135	151	-	20,509
Storage equipment		12,748	-	-	-	12,748
Telephones		5,320	-	-	-	5,320
Safety equipment		1,037	275	-	-	1,312
Other assets		15,257	11,135	-	-	26,392
	$	9,224,969	1,981,820	799,644	(969,187)	9,437,958

Depreciation-

Accumulated depreciation		2018	Additions	Disposals	Reclassifications	2019
Personnel transportation equipment	$	276,474	421,145	67,959	(21,207)	608,453
Tractor trucks		355,274	258,106	167,274	(265,691)	180,415
Platforms and boxes		345,965	108,178	29,465	-	424,678
Transportation equipment		107,483	60,166	20,482	(249)	146,918
Machinery and equipment		38,944	10,067	321	-	48,690
Improvements to premises		37,193	3,527	-	-	40,720
Computer equipment		41,197	24,595	5,091	-	60,701
Tracking equipment		6,369	4,510	2,047	-	8,832
Office furniture and equipment		6,028	3,858	422	-	9,464
Building		3,229	1,681	-	-	4,910
Storage equipment		4,241	-	-	-	4,241
Telephones		3,203	-	-	-	3,203
Safety equipment		1,247	232	553	-	926
Other		13,666	142	-	-	13,808
	$	1,240,513	896,207	293,614	(287,147)	1,555,959
Carrying value, net		7,984,456	1,085,613	506,030	(682,040)	7,881,999

The movements of the items that compose the transportation equipment and machinery for the year 2018, are shown below:

Additions and disposals-

Cost		2017	Business acquisitions	Additions	Disposals	2018
Personnel transportation equipment	$	2,656,743	0	1,936,510	17,675	4,575,578
Tractor trucks		1,660,239	873,797	556,712	278,275	2,812,473
Platforms and boxes (1)		531,366	202,489	212,238	13,438	932,655
Transportation equipment		401,066	53,889	50,365	9,644	495,676
Improvements to premises		63,449	1,090	32,415	-	96,954
Machinery and equipment		81,528	8,712	36,504	2,856	123,888
Computer equipment		50,612	5,712	28,242	2,127	82,439
Building		17,305	2,799	421	-	20,525
Office furniture and equipment		15,068	4,210	6,406	718	24,966
Storage equipment		12,748	-	-	-	12,748
Tracking equipment		12,678	8,073	5,153	451	25,453
Telephones		4,436	-	884	-	5,320
Safety equipment		1,037	-	-	-	1,037
Other		3,112	477	17,370	5,703	15,256
	$	5,511,387	1,161,248	2,883,220	330,887	9,224,968

Depreciation-

Accumulated depreciation		2017	Business acquisitions	Bajas	Reclasificaciones	2018
Transportation equipment	$	68,733	-	216,568	8,827	276,474
Tractor trucks		328,822	-	188,370	161,918	355,274
Platforms and boxes		257,112	-	96,449	7,596	345,965
Personnel transportation equipment		86,214	-	26,351	5,082	107,483
Improvements to premises		29,377	-	7,816	-	37,193
Machinery and equipment		34,887	-	6,913	2,856	38,944
Computer equipment		25,235	-	16,990	1,028	41,197
Building		1,983	-	1,246	-	3,229
Office furniture and equipment		3,759	-	2,623	354	6,028
Storage equipment		4,241	-	-	-	4241
Tracking equipment		3,722	-	2,909	264	6,367
Telephones		3,130	-	73	-	3203
Safety equipment		1,247	-	-	-	1247
Other		5	-	13,662	-	13,667
Valor neto en libros		848,467	-	579,970	187,925	1,240,512
		4,662,920	1,161,248	2,303,250	142,962	7,984,456

Impairment-

During the periods ended December 31, 2019 and 2018, the Group did not recognize any impairment in relation to transportation equipment and machinery.

(13) GOODWILL, INTANGIBLE ASSETS AND OTHER ASSETS-

As of December 31, 2019, and 2018, goodwill is derived from the acquisitions of the entities shown in the following sheet.

Entity		2019	2018
Egoba	$	335,988	335,988
Grupo SID		509,599	509,599
AFN		295,518	295,518
LIPU		2,229,351	2,229,351
Redpack		280,780	280,096
Bisonte		639,056	639,056
Roncalli		32,600	-
	$	4,322,892	4,289,608

(1) For further reference see note 29

Additions and disposals-

The movement in the account of intangibles and other assets as of December 31, 2019 are shown below:

Cost		2018	Additions	Disposals	Reclassifications	2019
Brands	$	866,706	-	-	-	866,706
Relationship with customers		621,784	-	-	32,600	589,184
Security deposits		24,126	5,620	3,314	-	26,432
Other assets		67,843	20,505	-	-	88,348
	$	1,580,459	26,125	3,314	32,600	1,570,670

Amortization-

Amortización		2018	Additions	Disposals	Reclassifications	2019
Relationship with customers	$	108,344	39,938	-	-	148,282
Other assets		24,598	29,224	-	-	53,822
		132,942	69,162	-	-	202,104
Valor neto en libros	$	1,447,517	(43,037)	3,314	(32,600)	1,368,566

The movements In tangible assets and other assets for the year 2018, are as follows:

Additions and disposals-

Cost		2017	Business acquisitions	Additions	Disposals	2018
Brands	$	676,938	189,768	-	-	866,706
Relationship with customers		544,284	77,500	-	-	621,784
Security deposits		12,443	8,460	7,833	4,610	24,126
Other assets		27,856	49,349	9,169	18,531	67,843
	$	1,261,521	325,077	17,002	23,141	1,580,459

Amortización-

Cost		2017	Business acquisitions	Additions	Disposals	2018
Relationship with customers	$	71,339	-	37,005	-	108,344
Other assets		11,489	-	13,109	-	24,598
		82,828	-	50,114	-	132,942
Intangible assets and other assets, net	$	1,178,693	325,077	(33,112)	23,141	1,447,517

Goodwill and other intangible assets with indefinite useful are tested annually for impairment. When an impairment test is performed, the recoverable amount is the greater of its value in use of the corresponding CGU and its fair value less the cost to sell.

The recoverable amount of the CGU has been determined based on fair value calculations less disposal costs. These calculations require the use of estimates, including management's expectations of future growth in revenue, operating costs, profit margins, and operating cash flows for each CGU.

As of December 31, 2019, and 2018, no goodwill impairment was recognized and the most sensitive variable in the calculations is the discount rate.

If as of December 31, 2019 and 2018, the estimated discount rate used in the calculation of the value in use for each of the CGU's had been 0.5% higher and / or lower than those estimated by Management, the Group would not have either had the need to reduce the values of goodwill, due to impairment.

(14) LONG-TERM DEBT-

The long-term debt as of December 31, 2019 and 2018, is as follows:

	2019	2018
Loan at a quarterly compound annual TIIE rate plus a variable margin due in 2023 (1)	1,680,333	1,895,104
Loan at a quarterly compound annual TIIE rate plus a variable margin due in 2023 (1)	1,462,500	1,500,000
Loan at an annual TIIE rate plus 1.95 percentage points due in 2022.	275,000	-
Loan at an annual TIIE rate plus 2.0 percentage points due in 2026.	269,783	-
Loan at an annual TIIE rate plus 1.70 percentage points due in 2024.	200,000	
Loan at an annual TIIE rate plus 1.90 percentage points due in 2020.	200,000	90,000
Loan at an annual TIIE rate plus 1.90 percentage points due in 2020.	190,000	-
Loan at an annual rate of 9.95% due in 2024.	122,977	-
Loan at a rate of 10.21% due in 2023.	163,048	195,272
Loan at a rate of 10.70% due in 2024.	85,711	100,344
Loan at an annual rate of 10.10% with variable margin due in 2023.	23,878	30,700
Crédito Prendario contratado a una tasa de 11.0% con vencimiento en 2022.	17,145	24,573
Crédito Prendario contratado a una tasa de 11.0% con vencimiento en 2022.	15,587	21,394
Loan at an annual rate of 9.90% with a variable margin due in 2023.	14,667	19,067
Loan at a rate of 10.07% with a variable margin due in 2023.	14,512	18,214
Loan at an annual rate of 10.07% with a variable margin due in 2023.	14,016	19,092
Loan at a rate of 9.86% with a variable margin due in 2023.	11,491	13,642
Loan at a rate of 10.0% due in 2021.	8,404	13,741
Loan at a rate of 11.0% due in 2022.	7,214	9,402
Loan at a rate of 11.0% due in 2021	5,371	8,043
Loan at an annual rate of 9.20% due in 2021.	3,519	5,088
Brought forward	$ 4,785,156	3,963,676

	2019	2018
Carried forward	$ 4,785,156	3,963,676
Loan at an annual rate of 9.95% due in 2020.	31	-
Loan at an annual rate of 8.01% due in 2020.	20	953
Loan at an annual TIIE rate plus 2.00 percentage points due in 2019.	-	100,000
Loan at an annual TIIE rate plus 2.00 percentage points due in 2019.	-	97,929
Loan at an annual TIIE rate plus 1.70 percentage points due in 2019..	-	49,014
Loan at a rate of 31.32% due in 2022.	-	222
Loan at a rate of 16.0% due in 2020.	-	1,778
Loan at a rate of 16.0% due in 2020.	-	1,778
Total debt	4,785,207	4,215,350
Less current maturities	1,307,385	686,477
Long-term debt, excluding current maturities	$ 3,477,822	3,528,873

(1) On May 9, 2018, the balance of $2,926,076 of the long-term loan was restructured, of which $926,000 were settled with own funds and $2,000,000 were restructured with a 5year term with interest payments and increasing amortizations. The previous restructuring did not cause the write off of the costs related to the previous loan.

Additionally, Grupo Traxión has an extension of the line of credit of $2,500,000, which may be arranged over a period of 18 months, at 28 days TIIE rate, plus a margin that will range between 200 and 315 basis points, and whose quarterly calculation will depend on the ratio of total debt over income before financial costs, taxes, depreciation and amortization (EBITDA for the last twelve months) of the Group.

	Beginning balance 2018	Loans received	Payments of principal	Interest paid	Total cash transactions	Accrued interest	Business acquisitio	Ending balance 2019
Long term debt	4,215,350	3,857,654	(3,315,189)	(506,155)	4,251,660	533,547	-	4,785,207

	Beginning balance 2017	Loans received	Payments of principal	Interest paid	Total cash transactions	Accrued interest	Business acquisitio	Ending balance 2018
Long term debt	3,060,640	2,292,231	(1,136,750)	(446,016)	3,770,105	339,173	106,072	4,215,350

This credit (the original and its subsequent provisions) establishes certain restrictive covenants, among which are:

- limitations on the transfer title of its assets (including, without limitation, fixed assets or securities of any subsidiary),
- limitations on participation in acquisitions, spin offs or mergers,
- not to reduce the Group's equity.
- insurances on the property and equipment,
- maintain certain financial measurements,
- not to grant any type of loan or credit, with or without guarantee, except for loans or credits between Grupo Traxión and the jointly obligors.
- not to pay dividends or make distributions in cash or in kind to its shareholders,
- not to contract, or allow any of its subsidiaries to contract, debt (including the granting of encumbrances that guarantee it) for a total amount that implies the breach of any of the financial obligations in the contract.
- not assume or guarantee obligations of third parties, except for the obligations under this agreement.

Also, as shown in note 7, the Group shall maintain and expand a cash reserve fund was established in its credit agreement.

As of December 31, 2019, and 2018, all covenants have been met.

(15) SUPPLIERS--

The Group's main costs correspond to diesel and gasoline, which represents 26.42% and 26.31% of total costs for the periods ended December 31, 2019 and 2018, respectively. The rest of the supplies are provided by various suppliers.

Note 6 discloses the Group's exposure to exchange rate and liquidity risk related to suppliers.

(16) OTHER TAXES-

		2019	2018
Other taxes and duties	$	232,024	318,249
Value added tax		350,282	156,212
	$	582,306	474,461

(17) EMPLOYEE BENEFITS-

	2019	2018
Present value of unfunded obligations	75,027	60,886
Recognized liability for defined benefit obligations	75,027	60,886

Movements in the present value of defined benefit obligations (DBO)

		2019	2018
DBO as of January 1	$	60,886	40,880
Business acquisitions (note 29)		-	23,019
Current service labor cost		28,414	7,534
Financial cost		4,226	3,790
Actuarial gain		(1,011)	(9,006)
Payments during the period		(17,488)	(5,331)
DBO as of December 31	$	75,027	60,886

a) Recognized expense on results-

		2019	2018
Current service labor cost	$	28,414	7,534
Financial cost		4,226	3,790
	$	32,640	11,324

b) Actuarial losses recognized in the comprehensive income account-

		2019	2018
As of January 1	$	1,224	2,646
Recognized during the exercise		1,011	(5,490)
Deferred income tax		(303)	1,620
As of December 31	$	1,932	1,224

c) Actuarial assumptions-

The actuarial assumptions at the dates of the consolidated financial statements are shown below:

	2019	2018
Discount rate	7.20% a 7.39%	9.16% a 9.50%
Salary increase	4.0% al 6.50%	4.09% a 5.50%
Minimum salary increases	3.86% al 6.50%	4.00% a 4.50%
Inflation rate	2.83%	4.28%

Assumptions about future mortality are based on published statistics and mortality tables. At present, the retirement age in Mexico is 65 years.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions indicated above.

d) Sensitivity analysis-

The possible variations at the reporting date, in one of the most significant actuarial assumptions, and assuming that the rest of the variables remained constant, would have affected the defined benefit obligations as of December 31, 2019 and 2018, in the amounts shown below:

		Increase	Decrease
2019			
Discount rate (1% variation)	$	(3,654)	3,601
2018			
Discount rate (1% variation)	$	(2,264)	2,542

(18) PROVISIONS AND EMPLOYEE PARTICIPATION IN PROFIT-

		Wages and salaries	Cost of services	Other provisions	Contingent consideration	Total provisions	ESPS
Opening balances	$	71,969	149,556	24,654	180,000	426,179	46,491
Additions		1,183,880	321,169	41,193	-	1,546,242	72,508
Payments		1,136,959	198,808	37,262	159,807	1,532,836	52,301
Cancellations		-	-	12,000	20,193	32,193	-
Ending balances	$	118,890	271,917	16,585	-	407,392	66,698

The Group expects to settle these obligations in the coming year.

(19) LEASES-

The Group applied this standard with a retrospective modified approach beginning on January 1, 2019, and consequently, the comparative information has not been restated and continues to be reported in accordance with IAS 17 and IFRIC 4, recognizing new assets and liabilities mainly for its operating leases of warehouses, courtyards, and point of sales facilities (related to courier and parcel services) as well as other types of assets, and the effects of the amortization of the rights of use and the financial component in the results of the period are being recognized. To calculate the leases that were classified within this standard, the Group used a weighted average incremental rate of 10.78% per year. Leases are normally for a two-year period, with the option to renew the lease after that date.

Transition impacts -

In the transition to IFRS 16, the Group recognized the values of assets and liabilities, which they classified under this standard, as rights of use of leased assets at January 1,2019. The impact is presented in the next page.

Operating lease as of December 31, 2018	$	122,972
Leases classified IFRS 16 (1)		503,563
Total leases		626,535
Leases at present value		423,860
Plus: leases previously classified as financial leases applying the new definition.		708,484
Less: exclusion of variable income and low value		(5,153)
Leases at present value at 1st. January 2019		1,127,191

(1) Contracts identified and classified under IFRS 16 model for the calculation of the right of use asset at the time of transition.

The Group, as part of its operation, leases, real estate, tractor trucks, trucks, boxes and other assets, and the average term of the leases is 3 years, some of the contracts establish annual increases based on inflation rates and sometimes have restrictions for the cancellation of these.

The Group decided not to recognize the right-of-use asset and the corresponding lease liability for those leases of less than one year or of low value in accordance with the Group's policies.

The composition of the right-of-use asset and the lease liability are shown below:

i. Right of use assets.

2019		Real estate	Transportation equipment	Tractor trucks and boxes	Total
Balance as of January 1	$	414,787	192,525	519,879	1,127,191
Depreciation		230,784	11,167	54,324	296,275
Additions		249,770	4,080	345,003	598,853
Cancellations		73,043	26,298	-	99,341
Balance as of December 31	$	360,730	159,140	810,558	1,330,428

As of December 31, 2019, there are rights-of-use assets acquired through leases previously classified as financial leases for $962,179, net of accumulated depreciation, which are kept as guarantee of payment of such financing.

ii. Lease liability

2019		Real estate	Transportation equipment	Tractor trucks and boxes	Total
Short term lease liability	$	169,525	33,041	195,152	397,718
Long term lease liability		199,817	112,778	654,632	967,227
Total lease liability	$	369,342	145,819	849,784	1,364,945

In previous years, the group only recognized the lease assets and liabilities related to those previously classified as finance leases under IAS 17. The assets were presented under the heading of transportation equipment and machinery, net and the liability, as part of financing in the caption of capitalizable lease obligations. The amount of the lease liability for 2019 and 2018 under the previous classification was $983,193 and $642,899 respectively.

iii. Amounts recognized in the income statement

2019	
Interest on lease liabilities	$ 40,663
Lease expense related to less than one-year leases	$ 3,714
Lease expense related to low value leases	$ 1,439
Profit on "sale & leaseback" transaction	$ 6,278

2017	
Lease expense	$ 352,838

iv. Amounts recognized in the statement of cash flows

2019	
Cash outflows for leasing (1)	$608,210

(1) Includes payments for financial leasing contracts, presented as capitalizable leases until December 31, 2018 for $ 338,193.

v. Expansion options

Some property leases contain extension options that can be exercised by the Group up to one year before the end of the non-cancellable period of the contract. When practicable, the Group seeks to include expansion options in new leases in order to provide operational flexibility.

The expansion options maintained are exercisable only by the Group and not by the lessors. The Group evaluates on the lease start date whether there is reasonable certainty of exercising the extension options. The Group revalues if it has reasonable certainty to exercise an extension option if there is a significant event or change in circumstances within its environment

The initial measurement of the right-of-use asset is determined by the initial measurement of the lease liability.

In the transition to the new standard, the Group chose to apply the new definition of leases to all its contracts.

The right-of-use asset depreciates considering the lease term.

The lease liability corresponds to the present value of the lease payments that have not been paid on that date and is discounted using an interest rate implicit in the lease, if the entity cannot be easily determined using the incremental interest rate.

Among the payments for leases that the entity considers are fixed payments less any incentive, as well as the amounts expected to be paid as guarantee of the residual value.

During 2019, the (subsidiary Transportadora Egoba, S. A. de C. V.) carried out a "sale & leaseback" transaction that consisted of the sale of 104 tractor tucks and 170 boxes for their subsequent lease with an average term of 5 years, the amount of the asset for right of use and liability for initial lease recognized for this transaction was $ 301,139.

(20) DEFERRED TAX ASSETS AND LIABILITIES-

The consolidated financial position (asset or liability) is based on the sum of each legal entity included in the consolidation, due to the tax effects, they cannot be netted or compensated between the different entities, since there is no legal mechanism that allows such compensation.

a) Deferred tax assets (and liabilities)-

		2019	2018
Transportation equipment and machinery	$	(649,292)	(401,962)
Intangible assets		(469,645)	(532,139)
Right-of-use assets		(399,128)	-
Accounts receivable and allowance for doubtful receivables		(135,284)	(301,364)
Other receivables		(39,650)	(36,433)
Inventories		452	480
Prepayments		7,076	3,288
Benefit obligations		12,905	5,715
Advances from customers		18,266	2,571
Employee statutory profit sharing		19,905	8,598
Other assets		29,851	18,649
Other liabilities		50,275	8,445
Accruals		109,620	73,348
Suppliers		233,562	192,295
Lease obligations		409,484	-
Net operating loss carryforwards		459,470	353,353
	$	(342,133)	(605,156)

As of December 31, 2019, a deferred tax liability may arise for temporary differences related to investments in subsidiaries. However, this liability was not recognized because the Group controls the dividend policy of its subsidiaries, in other words, the Group controls the timing of the reversal of the corresponding temporary differences and Management is satisfied that they will not be reversed in the foreseeable future.

b) Movements in temporary differences during exercises-

		2018	Reconocido en resultados	Desincorporación Negocios	Otro de resultado integral	2019
Accounts receivable and allowance for doubtful rec.	$	(301,364)	166,080	-	-	(135,284)
Other receivables		(36,433)	(9,266)	6,647	-	(39,052)
Inventories		480	(28)	-	-	452
Advance payments		3,288	3,788	-	-	7,076
Property and equipment		(401,962)	(247,330)		-	(649,292)
Net operating losses		353,353	106,117	-	-	459,470
Intangible assets		(532,139)	62,494	-	-	(469,645)
Other		18649	11,203	-	-	29,852
Advance customers		2,571	15,695	-	-	18,266
Suppliers		192,295	41,267	-	-	233,562
ESPS		8,598	10,884	-	-	19,482
Provisions		73,348	36,272	-	-	109,620
Benefit obligations		5,715	7,493	-	(303)	12,905
Other liabilities		8,446	2,133	21,853	28,024	60,455
	$	(605,156)	206,802	28,500	27,721	(342,133)

		2018	Reconocido en resultados	Desincorporación Negocios	Otro de resultado integral	2019
Accounts receivable and allowance for doubtful accounts rec.	$	(159,465)	(141,899)	-	-	(301,364)
Other receivables		(3,147)	(33,286)	-	-	(36,433)
Inventories		(2,041)	2,521	-	-	480
Commissions to amortize		21,302	4,111	-	-	25,413
Prepayments		(36,825)	40,113	-	-	3,288
Transportation equipment and machinery		(315,296)	46,907	(133,573)	-	(401,962)
Net operating losses		325,737	27,616	-	-	353,353
Intangible assets		(462,707)	(69,432)	-	-	(532,139)
Other		601	26,926	-	(12,360)	15,167
Anticipo de clientes		1	2,570	-	-	2,571
Commissions paid in advance		(16,177)	(5,754)	-	-	(21,931)
Suppliers		106,067	86,228	-	-	192,295
ESPS		9,190	(592)	-	-	8,598
Trade accounts payable		14,406	(14,406)	-	-	-
Provisions		34,888	38,460	-	-	73,348
Employee benefits		6,767	(1,052)	-	-	5,715
Other liabilities		-	8,445	-	-	8,445
	$	(476,699)	17,476	(133,573)	(12,360)	(605,156)

In assessing the recoverability of the deferred tax assets, Management considers the probability that some or all of them may not realize.

The final realization of the deferred income tax assets depends on the generation of taxable income in the periods in which temporary differences will be deductible.

In conducting this assessment, Management considers the expected reversal of deferred tax liabilities, projected taxable earnings, and planning strategies. Certain deferred tax assets have not been recognized with respect to tax losses, as it is probable that sufficient tax profits will not be available to apply such losses.

As of December 31, 2019, and 2018, the amount of tax losses is $1,788,975 and $1,896,724, respectively, with a potential impact on taxes of $536,692 and $569,017, and their expiration date ranges from 2019 to 2029.

21) TAX ON EARNINGS (INCOME TAX (IT))-

As of December 31, 2019, and 2018, some subsidiaries are subject to income tax under the conditions set forth it the "current coordinated tax regime", which, like the "simplified tax regime" in force at December 31, 2013, is applicable to companies engaged on freight transportation services. Tax law establishes that an entity is engaged on freight transportation services, when no more than 10% of its total revenue comes from different sources than freight transportation services. The coordinated tax regime establishes that the tax basis for income tax is determined on revenue collected less deductions paid as well as the simplified tax regime.

According to the current IT Law, it establishes a rate of 30% for 2014 and thereafter.

a) Tax on earnings

		December 31	
		2019	2018
Current IT	$	284,844	183,373
Deferred IT		(206,802)	(73,102)
	$	78,042	110,271

Tax on OCI-

		2019		
		Gross	Tax	Net of tax
Actuarial losses	$	1,011	(303)	708
Derivative financial instruments		93,414	(28,024)	65,390

		2018		
		Gross	Tax	Net of tax
Actuarial losses	$	5,399	(1,620)	3,779
Derivative financial instruments		41,201	(12,360)	28,841

b) Reconciliation of the effective tax rate-

The effective rate in relation to the fiscal year of 2018 decreased from 19.96% to 14.8% according to the following effects in 2019:

1. Unrecognized tax losses were recognized, based on new tax projections.
2. Tax losses were amortized in some subsidiaries of the Group.

		2019	2018
Profit before income taxes	$	526,869	552,532
Computed "expected" tax expense	$	158,061	165,760
Effects of inflation, net		18,694	35,701
Non-deductible expenses		67,725	69,913
Recognition of deferred assets		(138,442)	(131,351)
Other, net		(27,996)	(29,752)
IT expense	$	78,042	110,271

(22) STOCKHOLDERS' EQUITY-

The principal characteristics and structure of Stockholders' equity are described below:

a) Structure of capital stock-

At December 31, 2019, the capital stock subscribed and paid is $8,930,167.19 represented by 543,478,261 shares of Series "A", class "I", which are ordinary shares without par value, fully subscribed and paid. In addition, there are 36,730,910 treasury shares, which might represent up to 6.8% of the capital stock once they are subscribed and paid.

The Company´s shares began trading on the Mexican Stock Exchange ("BMV") by September 29, 2017 and may be subscribed for or acquired by investors of Mexico or Mexican companies in whose bylaws contain the foreigners´ exclusion clause.

b) Movements of capital stock–

In accordance with the General Corporations Law, the net profit for the year is subject to a separation of 5%, to constitute the legal reserve, until it reaches one fifth of the share capital. As of December 31, 2019, the legal reserve amounts to $ 39,200, which has not reached the amount required by the General Corporations Law.

c) Repurchase of shares-

At the shareholders' meeting held on April 27, 2018, the maximum amount that Grupo Traxion could allocate for the repurchase of shares was authorized. For the period from January 1, to December 31, 2019, the amount traded for the repurchase of shares was $255,955 corresponding to 18,550,740 shares and since the repurchase authorization and until the closing of December 31, 2018, the amount that was operated for the repurchase of shares was $ 74,943 corresponding to 5,304,889 titles.

d) Other capital accounts-

(i) Share based payments-
During 2019, the Group offered some of its key executive members compensation based on the company's shares, the amount of which is subject to the share price and subject that the members remain with of the company for at least 3 consecutive years, beginning when the date the initial public offering was carried out.

The same plan contemplates the possibility for group executives to participate in the company's stock compensation program in which a portion of the variable compensation may be settled in shares.

On September 4, 2017, at an ordinary general shareholders' meeting, an increase in the variable part of the share capital was approved, among other issues, through the issuance of shares, which were considered for the share-based payment plans of its capital, granted to certain Group executives. These plans are subject to an award period of 36 (thirty-six) months from the date the shares were assigned.

As of December 31, 2019, and 2018, a total of $ 72,410 was recognized in profit or loss for each period.

e) Pérdidas y ganancias actuariales-

This account represents the accumulated amount, net of deferred income taxes, from changes in actuarial assumptions used in the calculation of labor obligations (note 18).

f) Efecto de valuación de instrumentos financieros derivados-

Derived from the valuation of the period of the derivative financial instruments designated as accounting hedge (note 26).

(23) COSTS-

		2019	2018
Diesel and gasoline (1)	$	2,288,377	1,732,721
Labor obligation cost		1,928,381	1,432,831
Depreciation and amortization		1,025,211	565,001
Maintenance of trucks		684,463	574,033
Logistics		563,137	493,625
Tolls (2)		554,178	432,198
Fixed costs		505,690	326,391
Transportation and freight		386,393	255,317
Insurance		197,533	117,741
GPS		46,700	23,509
Leasing		16,506	261,243
Other (3)		465,292	372,231
Total costos	$	8,661,861	6,586,841

(1) Include an income of $637,305 and $483,093 of tax subsidy for IEPS tax as at December 31, 2019 and 2018.

(2) Include $114,536 and $42,111 of tax subsidy for tolls as at December 31, 2019 and 2018. From the 1st. January 2020, this tax stimulus will only be applicable to companies whose income is less than 300 million pesos.

(3) It mainly includes holding and verification costs, facilities maintenance and services, protection and security, etc.

(24) GENERAL EXPENSES-

		2019	2018
Labor cost	$	1,297,182	1,078,869
Depreciation and amortization		271,277	65,082
Administrative fees		177,690	160,778
Travel expenses		57,427	68,615
Non-deductible		54,860	48,149
Maintenance		30,970	27,807
Fees and subscriptions		23,287	6,094
Software cost		21,689	21,392
Advertising		21,336	13,752
Bank commissions		14,274	9,599
Office supplies		12,228	19,510
Security		12,190	15,498
Taxes		11,308	25,874
Leasing		8,756	91,595
Insurance		5,215	12,807
Other (1)		288,336	185,934
Total expenses	$	2,308,025	1,851,355

(1) It includes expenses such as office maintenance and supply, IT expenses, insurance and claims, among others.

(25) OTHER INCOME, NET-

Los otros ingresos y otros gastos por los años terminados el 31 de diciembre de 2019 y 2018 se integran como se muestra en la siguiente tabla.

		2019	2018
Gain on sale of machinery and equipment	$	36,391	32,447
Other miscellaneous income (1)		102,645	41,684
Total other income, net	$	139,036	74,131

(1) Mainly includes recovery of insurance expense, dining room recovery and damage recovery income.

(26) FINANCIAL INSTRUMENTS AND HEDGING OPERATIONS-

Derivatives for hedging purposes.

The Group has implemented a policy of using derivative financial instruments, which establishes that the objective of the strategy for contracting such instruments is to minimize the exposure to financial risks of assets and liabilities, attributable to the movements of various variables macroeconomic. And it is done exclusively for risk coverage purposes and not for speculative purposes.

With the adoption of IFRS 9, the Group evaluates hedging relationships applying the concept of critical terms (IFRS 9 paragraph B.6.4.14), due to the characteristics of the primary position (Loan, (initial provision) and a subsequent provision) and the derivative financial instruments (swaps) have been contracted with the same counterparty with which the credit is held, therefore they are aligned in terms of amount, reference rate, periodicity and payment schedule.

As of December 31, 2019, the derivative financial instruments held by the Group are shown in the table on the following sheet.

Tipo de derivado o valor de contrato	Monto nocional (en miles de ps)	Valor del activo subyacente/activo de referencia		Valor razonable * (en miles de ps)		Colateral, líneas de crédito/valores en garantía
		Por el periodo terminado al 31 de diciembre de 2019	Por el periodo terminado al 31 de diciembre de 2018	Por el periodo terminado al 31 de diciembre de 2019	Por el periodo terminado al 31 de diciembre de 2018	
Interest rate swap with Santander at 7.95% fixed rate	412,500	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(8,494)	7,695	Obligados solidarios
Interest rate swap with Banorte at 7.95% fixed rate	412,500	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(8,437)	7,750	Obligados solidarios
Interest rate swap with (HSBC at 7.95% fixed rate	412,500	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(8,537)	7,794	Obligados solidarios -
Interest rate swap with Santander at 8.035% fixed rate	365,625	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(8,913)	5,935	Obligados solidarios
Interest rate swap with Banorte at 8.035% fixed rate	365,625	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(8,871)	5,992	Obligados solidarios
Interest rate swap with HSBC at 8.035000% fixed rate	365,625	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(8,961)	6,035	Obligados solidarios -
Interest rate swap with HSBC at 7.82% fixed rate	21,562	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(242)	17,401	NA
Interest rate swap with HSBC at 7.82% fixed rate	22,326	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(252)	18,018	NA
Interest rate swap with HSBC at 7.65% fixed rate	22,000	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(215)	24,398	NA
Interest rate swap with HSBC at 8.37% fixed rate	34,111	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(656)	(19,532)	NA
Interest rate swap with (HSBC at 7.61% fixed rate	14,000	7.56/ TIIE 28 días	8.60/ TIIE 28 días	(234)	18,590	NA
Total	2,448,374		(53,812)	(53,812)	100,076	

(27) CONTINGENT LIABILITIES-

a) Insurance-

The Group has contracted insurance coverage for damages to third parties for its tractor-trucks, as well as different risks coverage such as civil liability, insurance of major medical expenses and life insurance, mainly. The Group's risk management considers performing periodic risk assessments against hedges in order to maintain an acceptable level of risk exposure whose impact does not have an adverse effect on the Group's operations..

b) Litigios-

The Group is involved in various suits and claims arising from the normal course of its operations, which are expected to have no material adverse effect on its financial position and future results of operations.

c) Employee benefits--

There is a contingent liability arising from the labor obligations mentioned in note 4(i).

d) Tax contingencies-

In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the IT Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

The Group considers that its pricing policy for operations with related parties is correct and therefore its determination of income taxes and ESPS are adequate in accordance with the tax legislation in force in the applicable years.

(28) EARNING PER SHARE-

Basic earnings per share for the 12-month periods ended December 31, 2019 and December 31, 2018, were $0.835 pesos and $0.815 pesos, respectively.

The calculation as of December 31, 2019 was based on the profit attributable to the ordinary shareholders in the amount of $448,827 pesos and the weighted average number of ordinary shares in circulation of 537,431,806 shares. The weighted average of ordinary shares was determined considering the repurchases of shares of the period on a daily basis.

The calculation as of December 31, 2018 was based on the profit attributable to the ordinary shareholders in the amount of $442,261 pesos and the weighted average number of ordinary shares in circulation of 542,523,447 shares. The weighted average of ordinary shares was determined considering the repurchases of shares of the period on a daily basis.

The Group does not have ordinary shares with potential dilutive effects.

(29) BUSINESS ACQUISITIONS-

a) RedPack acquisition-

On May 17, 2018, Grupo Traxión carried out the acquisition of 100% of the capital of Redpack. With the acquisition of Redpack, the Group entered the market of shipping services.

For the seven months ended of December 31, 2018, Redpack contributed to the Group's results with a total of $532,559 of income and contributed a net loss of $(36,133).

Should the acquisition had taken place on January 1, 2018, the Administration estimates that the income would have been $761,192 while the loss for the year would have amounted to ($94,642). To determine these amounts, management assumed that the adjustments to fair value that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018

Consideration-

The consideration paid is integrated as follows:

Payment in cash and debt	$	451,556

Cost related to the acquisition-

As at December 31, 2018, Grupo Traxión incurred $1,978 in cost related to the acquisition of Redpack. These costs are mainly related to due diligence and legal fees. These costs are recognized directly in the results of the year.

Assets acquired and liabilities assumed are as follow:

La asignación del costo de adquisición de Redpack a los activos adquiridos y pasivos asumidos a esa fecha, con base en su valor razonable, se presenta en la hoja siguiente.

		Fair value
Cash and cash equivalents	$	6,214
Accounts receivable		157,607
Other accounts receivable		93,392
Inventories		17,403
Advance payments		10,912
Property and equipment		67,043
Intangibles and other assets		16,883
Intangibles identified in the acquisition:		
Brand		78,053
Software		23,893
Deferred income taxes		13,936
		485,336
Less:		
Suppliers		125,151
Creditors		94,300
Other taxes		23,876
Provisions		58,107
Earnings statutory profit sharing		3,377
Employee benefits		9,749
		314,560
Net assets acquired		170,776
Consideration		451,556
Goodwill	$	280,780

b) Bisonte acquisition-

Grupo Traxión obtained all the necessary regulatory approvals for the acquisition of Potencia Logística Potosina, S. A. P. I. de C. V. and its subsidiary Autotransportes el Bisonte, S. A. of C. V. (hereinafter collectively referred as "Bisonte"), refrigerated cargo service companies, specialized, transport of materials, as well as integral logistic services, dedicated and intermodal cargo. This strategic acquisition was carried out on October 2, 2018, with which the Group expands its offer to the refrigerated cargo and raw material transportation segments, complementing its service portfolio, and consolidating other dedicated, intermodal cargo operations and specialized.

Contingent consideration.

It is recognized as a liability for the additional price that Grupo Traxión agreed to pay to the former shareholders for the acquisition of "Bisonte" derived from its acquisition in accordance with the provisions of the purchase agreement dated August 24, 2018. This contingent consideration is determined based on compliance with the conditions set forth in the purchase agreement; based on the profit before taxes, depreciation, amortization and interest generated during 2018 by the acquired company and is limited up to an amount of $180,000, in case of If the contingent consideration is exercised, it will be settled according to what was established in the contract. The purchase agreement was pay on the third semester of 2019.

For the three months ended from the date of acquisition as of December 31, 2018, Bisonte contributed to the Group's results with a total of $306,905 of income and contributed a net profit of $22,740. Should the acquisition had taken place as of January 1, 2018, the administration estimates that the consolidated revenues would have been $1,109,674, while the consolidated loss for the year would have amounted to ($22,815). To determine these amounts, management assumed that the adjustments to fair value that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018.

Consideration-

The consideration paid is integrated as follows:

Payment in cash and debt	$	978,900

Costs related to the acquisition

In the year ended December 31, 2018, Grupo Traxión incurred costs related to the acquisition of Bisonte for $11,400, mainly related to purchase audits, legal and notarial fees, which were recognized in results.

Identifiable assets and liabilities acquired

The allocation of the acquisition cost of Bisonte to the assets acquired and liabilities assumed at that date, based on their fair value, is presented in the next page.

		Fair value
Cash and cash equivalents	$	37,636
Accounts receivable		152,666
Other accounts receivable		46,969
Inventories		6,276
Advance payments		9,074
Property and equipment		875,616
Intangibles and other assets		18,123
Intangibles identified in the acquisition:		
Brand		111,715
		1,258,075
Less:		
Suppliers	$	84,681
Creditors		13,400
Current maturities of long-term debt		5,358
Current maturities of capitalizable leases		14,525
Other taxes payable		40,464
Provisions		55,351
Advance payment from customers		55
Long-term debt		100,714
Long-term capitalizable lease		176,665
Employee benefits		13,269
Deferred taxes		233,749
		738,231
Net assets acquired		519,844
Contingent consideration		180,000
Consideration		978,900
Goodwill	$	639,056

c) Roncalli acquisition-

On October 24, 2018, the Group purchased assets from Transportes Roncalli Lolek, S.A. de C. V. a regional refrigerated transport company based in Bajío. These assets include tangible and intangible assets that constitute an acquisition of a Business. The tangible assets acquired correspond to a fleet of 76 tractors and 108 refrigerated boxes. Intangible assets recognize the relationship with customers.

With this acquisition, Grupo Traxión entered into the specialized-refrigerated cargo market.

For the two months ended December 31, 2018, Roncalli assets acquired contributed to the Group's results with a total of $17,503 of income and contributed a net profit of $146. If the acquisition had taken place at January 1, 2018, the administration estimates that revenues from this business would have increased the Group's income by $169,627 while the income would be $ 17,080. To determine these amounts, management assumed that the adjustments to fair value that arose on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018.

Consideration-

The consideration paid is integrated as follows:

Payment in cash and debt	$	295,000

Costs related to the acquisition

As of December 31, 2018, EGOBA incurred costs related to the acquisition of this business for $ 150, mainly related to purchase audits, legal and notarial fees, which were recognized in results.

Identifiable assets and liabilities acquired

The allocation of the acquisition cost to the assets acquired and liabilities assumed at that date, based on their fair value, is presented in the next page.

		Valor razonable
Property and equipment	$	220,500
Relationship with clients		41,900
Total assets before goodwill (1)	$	262,400
Total liabilities (1)	$	-
Net assets acquired (1)		262,400
Consideration paid and payable (2)		295,000
Goodwill		32,600

(1) During 2019, the company's management determined the final figures corresponding to the fair values of identifiable Assets and liabilities acquired, remaining as shown

(2) As of December 31, 2018, the consideration paid was $ 227,500 and $ 67,500 pending payment, which were paid during 2019

30) SEGMENT INFORMATION-

a) Segmentation basis-

The Group has two operating segments, which are classified by type of service and due to the similarity of its economic characteristics:

- Freight transportation
- Personnel transportation

The freight transportation segment integrates dedicated freight, consolidated, parcel and specialized cargo transportation services; while the personnel transportation segment integrates the shuttle services for business, educational and tourist personnel.

The prices established between inter-segment operations are determined on the basis of prices comparable to those which would be used with or between independent parties in comparable operations. The accounting policies of the operating segments are the same as those described in the similar note.

b) Financial information of the operating segments-

The performance of the operating segments is measured based on the operating profit and net income of each operating segment, since the management considers that said information is the most appropriate for the evaluation of the results.

The financial information for each of the operating segments is detailed following:

2019		Freight transportation	Personnel transportation	Reportable segments total
Service revenues:				
External clients	$	7,137,360	4,991,051	12,128,411
Inter-segment		-	25,849	25,849
		7,137,360	5,016,900	12,154,260
Depreciation and amortization	$	685,801	558,596	1,244,397
Operating income		621,811	650,563	1,272,374
Net income		231,440	190,911	422,351
Total assets	$	6,293,585	6,882,225	13,175,810
Total liabilities	$	3,794,208	4,294,902	8,089,110

2018		Transporte De carga	Transporte de personas	Segmentos reportables total
Service revenues:				
External clients	$	5,490,057	3,905,247	9,395,304
Inter-segment		142	7,654	7,796
	$	5,490,199	3,912,901	9,403,100
Depreciation and amortization	$	376,070	285,473	661,543
Operating income		499,538	568,403	1,067,942
Net income		287,033	239,383	526,416
Total assets	$	5,938,127	5,852,962	11,791,089
Total liabilities	$	2,036,886	1,080,243	3,117,129

c) Conciliation of revenues by operating segment-

Consolidated net income		2018	2019
Net profit by reportable segments	$	422,351	526,416
Corporate expenditures, net		26,476	(84,155)
Consolidated net income	$	448,827	442,261
Activo			
Total assets by operating segments	$	13,175,810	11,791,089
Corporate assets (mainly goodwill and brands)		5,928,529	5,879,144
Consolidated assets	$	19,104,339	17,670,233
Liabilities			
Total liabilities by operating segments	$	8,089,110	3,117,129
Corporate liabilities		711,504	4,503,877
Consolidated liabilities	$	8,800,614	7,621,006

d) Information by geographic area

The following information analyzes revenue by geographic area with respect to the location of the customers who request the services.

2019		México	USA	Total
Freight transportation revenue	$	6,955,205	182,155	7,137,360
Personnel transportation revenue		5,016,900	-	5,016,900
	$	11,972,105	182,155	12,154,260

2018		México	Estados Unidos de América	Total
Freight transportation revenue	$	5,393,344	96,856	5,490,200
Personnel transportation revenue		3,912,900	-	3,912,900
	$	9,306,244	96,856	9,403,100

Because most of the Group's operations are carried out in Mexico, non-current assets located outside Mexico are not significant.

e) Main clients-

Because the Group provides services to a diverse number of customers, there is no significant dependence on any major customer.

(31) SUBSEQUENT EVENTS-

As of the date of issuance of the consolidated financial statements as of December 31, 2019.

a) Health contingency alert of COVID-19.

The appearance and spread of the coronavirus (COVID-19) in early 2020 has affected commercial and economic activity in China as well as internationally. Although the scope and final impact of said virus is still unknown, the financial condition and results of the Group's operations could be affected by the contraction of the automotive industry, services that operate on demand, the decrease in customers of non-essential activities or in the case of our operations in the north of the country due to a border closure as a result of worsening conditions; however, these impacts could be partially compensated, with greater movement of our motor vehicles in the cargo segment in the interior of the country to guarantee supply demand, the increase in customer demand for logistics of essential items, as well as the greater use of courier services derived from the increase in online purchases.

b) Effects on financial indicators.

As economic consequences of the health contingency alert due to COVID-19, different financial indicators have presented atypical and unexpected movements, such as the exchange rate of the peso against the dollar, which has represented a depreciation for the peso of approximately 30% to date of issuance of financial statements.

Likewise, the interest rates of the central banks worldwide have been reduced in order to facilitate credit and boost the economy. In Mexico, Banco de México decreased from 7.0% to 6.5% of the overnight Interbank Interest Rate.

In addition to the previous points, the price of fuels has also been affected by the events of the COVID-19 health contingency, with a downward price effect, being the most representative in gasoline with 20%, while diesel has shown an average price decrease of 9%.

c) Other events

In March 2020, the third long-term credit provision corresponding to the available credit line was executed for an amount of $1,000,000 with a 28-day TIIE rate, plus a margin that will range between 200 and 315 basis points with maturity in 2023.

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GRI CONTENT INDEX

(GRI-102-55)

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-102-1	Name of the organization	Grupo Traxión S.A.B. de C. V.	4
GRI-102-2	Activities, brands, products, and services	We are a company that operates in two business segments: cargo and logistics services and personnel and student transportation, with the following brands: ■ Transportadora Egoba ■ Grupo MyM ■ Grupo SID ■ Auto Express Frontera Norte (AFN) ■ Autotransportes El Bisonte ■ REDPACK ■ LIPU Transporte seguro	11, 12
GRI-102-3	Location of headquarters	Paseo de la Reforma No. 115, pisos 17 y 18, Colonia Lomas de Chapultepec, C.P. 11000, Ciudad de México, México.	TBD
GRI-102-4	Location of operations	Nationwide footprint and coverage, with regional offices and terminals in major cities and industrial hubs.	13.14
GRI-102-5	Ownership and legal form	Sociedad Anónima Bursátil de Capital Variable (publicly traded variable stock corporation)	4
GRI-102-6	Markets served	Passenger transportation: students, corporate staff, industrial and services personnel. Cargo: spot and dedicated services of regular truckload, refrigerated, intermodal, specialized (petrochemicals and other materials), less-than-truckload (LTL), platforms, moving, relocation, and hard-ticket. Logistics: 3PL warehousing, forwarding, last-mile, distribution, courier and parcel services.	13, 14, 63
GRI-102-7	Scale of the organization	Number of employees 15,392 at year-end 2019.	2, 3, 39, 68, 86
		In 2019, our annual revenue came to 12,157 million pesos, our net debt was 5,194 million, our net income was 451 million, and our Capex was 1,738 million pesos.	
GRI-102-8	Information on employees and other workers	15,392 employees, of whom 85% are men and 15% are women. 98% of our personnel has a permanent contract and 2% a part-time contract. 63% of our employees are unionized, of whom 100% are covered by collective bargaining agreements signed with each of the unions with whom we have a relationship.	39
GRI-102-9	Supply Chain	**In the cargo and logistics segment** we provide comprehensive solutions across the supply chain. The following are our main services in this segment on both dedicated and spot basis: truckload, less-than-truckload (LTL), intermodal cargo, refrigerated cargo, international and cross-border cargo, warehouse management, last mile logistics solutions, transportation of petrochemical products, moving services, specialized transportation, and courier and parcel services. **In the personnel and student transportation segment** we provide transportation services to personnel at corporate offices, industrial parks, and hotels; to school and university students; as well as to tourist groups. **Our main capital inputs** are our power units and our main consumable inputs are fuel, tires, spare parts, oil and other engine fluids.	11, 12, 61

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-102-10	Significant changes to the organization and its supply chain	Since 2011, we have acquired several transportation and logistics companies. We have gone from 300 units to more than 8,000, including units belonging to the companies we have acquired, and units purchased to expand our capacity.	8
GRI-102-11	Precautionary principle or approach	Global Compact, 2030 Agenda, and external certifications (ISO39001:2012; ISO9001:2015; C-TPAT, OEA).	43, 64
GRI-102-12	External initiatives	Global Compact, 2030 Agenda	16, 43
GRI-102-13	Membership of associations	CANACINTRA, CANACAR, and institutional partnerships	54
GRI-102-14	Statement from senior decision maker	Letter from our executive president to our stakeholders.	5, 6, 7
GRI-102-15	Key impacts, risks, and opportunities	Description: Risk management	29, 30, 31
GRI-102-16	Values, principles, standards, and norms of behavior	Mission, vision, values, and code of ethics	10
GRI-102-17	Mechanisms for advice and concerns about ethics	We provide a reporting line called Contacto Traxión, which is managed independently of all operational, administrative, and executive departments by the Corporate Internal Audit department, which in turn reports directly to the Audit Committee. The Committee handles 100% of complaints submitted through the reporting line and deals with them in a timely manner and in accordance to our reporting system and the process developed specifically for this purpose. In 2019, we began a process to obtain certifications in anti-corruption and anti-bribery, and for our compliance in these issues.	32, 33
GRI-102-18	Governance structure	The Board of Directors is our highest governing body and it includes 15 members, 10 of whom are independent (66%).	25, 26, 27, 28

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
		We have four main committees that support the activities of the Board: Executive Committee, Corporate Practices Committee, Audit Committee, and Nominations and Compensation Committee.	
GRI-102-19	Governance structure	The Board of Directors is our highest governing body and it includes 15 members, 10 of whom are independent (66%). We have four main committees that support the activities of the Board: Executive Committee, Corporate Practices Committee, Audit Committee, and Nominations and Compensation Committee.	25, 26, 27, 29
GRI-102-20	Executive-level responsibility for economic, environmental, and social topics	In 2020, the Sustainability Department will incorporate the Sustainability Committee to collaboratively implement the sustainability strategy.	27
GRI-102-21	Survey with stakeholders on economic, environmental, and social issues.	Through our study to identify and gauge the influence of our stakeholders, we identified the most relevant players related to the attainment of our goals and, accordingly, consult with them before carrying out our materiality assessment. This study resulted in a list of 20 material issues that were assessed by representatives of the main previously identified stakeholders.	18, 19
GRI-102-22	Composition of the highest governance body and its committees	Corporate governance structure	27, 28
GRI-102-23	Chair of the highest governance body	Chairman of the Board of Directors: Bernardo Lijtszain Bimstein.	25
GRI-102-24	Nominating and selecting the highest governance body	The responsibilities of the Nominations and Compensation Committee include suggesting members for the Board of Directors.	28

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-102-25	Conflict of Interest	Conflicts of interest are regulated in our Code of Ethics and our Related-Parties Policy. All our employees starting at the manager level, answer a related-parties questionnaire every quarter. Potential conflicts of interest are monitored and addressed by the Corporate Practices Committee, representing the Board of Directors, based on the Committee's bylaws, the Traxión statutes, applicable law, and best international practices, this in order to protect the interests of the company and its shareholders.	28
GRI-102-26	Role of the highest governance body in setting purpose, values, and strategy	Our Board of Directors is composed of experts with ample experience and a keen understanding of the sector, which differentiates us and gives us a competitive advantage over the competition. The Board contributes to defining the strategy and validates the objectives that emerge in the corresponding forums, particularly within the Executive Committee. The Executive Committee is responsible, among other obligations, for reviewing operational results, analyzing new business lines and investments, and discussing the strategy, business plan, annual budget, and relevant issues for each of the entities that make up Traxión.	25, 28
GRI-102-27	Collective ESG knowledge of the highest governance body	The Sustainability division reports directly to our Executive President and, starting in 2020, will periodically brief the Corporate Practices Committee and other governing bodies about its activities, as required.	27

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
		Specific training courses on ESG issues will be offered to these governing bodies, depending on what is established in the strategy.	
GRI-102-28	Evaluating the highest governance body's performance	The Board of Directors presents the company's performance to the Shareholders Meeting on an annual basis.	-
GRI-102-29	Identifying and managing economic, environmental, and social impacts	As part of our materiality assessment, we analyzed trends and risks in the personnel and student transportation sectors, as well as cargo and logistics services.	20, 21
GRI-102-30	Effectiveness of risk management processes	In 2019, we strengthened our risk management by creating a corporate Risks department, as part of the Corporate Comptroller and Tax department, that reports to the Audit Committee. Its purpose is to promote and support risk management in every department, based on the ISO 31000 risk management standard.	30
GRI-102-31	Revision of economic, environmental, and social topics	The revision of economic, environmental, and social issues is carried out by means of a stakeholder and materiality assessment, which we aim to carry out periodically and in greater depth every 3 years.	18, 19, 20, 21
GRI-102-32	Highest governance body's role in sustainability reporting	The Sustainability division reports directly to our Executive President and, starting in 2020, periodically informs the Corporate Practices Committee, representing the Board of Directors, of its activities, including those related to the preparation of this report.	
GRI-102-33	Communicating critical concerns	In 2019 we started addressing issues identified by the materiality assessment, which were approved by our Executive President and	21

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
		presented to the Board of Directors as part of Traxión's sustainability strategy. In addition, starting in 2020 we will periodically present our progress in terms of sustainability to our different governing bodies.	
GRI-102-34	Nature and total number of critical concerns	The nature of our concerns spans economic, social, and environmental issues. These are described in: Stakeholders and materiality.	20, 21
GRI-102-35	Remuneration policies		ND
GRI-102-36	Process for determining remuneration	The responsibilities of the Corporate Practices Committee include evaluating the performance of our relevant executives and reviewing their compensation.	28
GRI-102-37	Stakeholders' involvement in remuneration		ND
GRI-102-38	Annual total compensation ratio		ND
GRI-102-39	Percentage increase in annual total compensation ratio		ND
GRI-102-40	List of stakeholder groups	Most relevant stakeholders: ■ Employees (including unionized workers) ■ Customers ■ Authorities and regulators ■ Commercial partners ■ Suppliers ■ Partners, shareholders, investors ■ Debt providers (banks)	18
GRI-102-41	Collective bargaining agreements	At Traxión, 63% of employees are unionized. 100% of the unionized workers are covered by the collective bargaining agreements signed with the respective unions.	39

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-102-42	Identifying and selecting stakeholders	As part of our stakeholder assessment, we analyzed a sample of more than 100 players, including customers and suppliers, who were selected based on the Pareto principle—or the 80-20 rule—in order to identify those actors who contribute the most to our revenue (customers) and are most relevant in terms of our expenses (suppliers).	18, 19
GRI-102-43	Approach to stakeholder engagement	For Traxión's first materiality assessment, we focused the scope on the operational level of the organization. Our goal was to understand the expectations of stakeholders whose interactions have an impact on or are impacted by our daily operations (in the mid- and long-term), and left the consultation with our strategic stakeholders—shareholders, investors, and debt suppliers (banks)—for the strategy-development phase. This enabled us to approach our consultations from a more informed perspective, which made for a more efficient communication on our path to the construction of our strategy. Throughout the development and early implementation of our sustainability strategy, we have been in constant communication with our stakeholders, and especially our shareholders.	19
GRI-102-44	Key topics and concerns raised	Our materiality assessment enabled us to identify key issues and concerns, which we consulted with and where assessed by our main stakeholders.	20, 21

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
		These include: innovation and technology, work processes, training and development, labor conditions, ethics and transparency, government relations, the company's legal and regulatory compliance, risk management, emissions reductions, waste management, investments in assets with environmentally sustainable attributes, the constant search for patents and/or certifications, and road safety.	
GRI-102-45	Entities included in the consolidated financial statements	Financial results describe revenue, costs, and operational results for the 7 companies that serve the cargo and logistics services sector (Egoba, El Bisonte, Grupo SID, AFN, MyM, Redpack) and the personnel and student transportation sector (LIPU).	86, 87, 88, 89
GRI-102-46	Defining report content and topic Boundaries	Our report was prepared following the GRI standards under the CORE option, and the methodologies for Integrated Reporting, with data resulting from the materiality assessment and the stakeholder analysis we carried out in 2019. In addition, we included information on our compliance with the ten principles of the United Nations Global Compact and our contribution to the pursuit of the 2030 Agenda of the Sustainable Development Goals (SDGs).	4
GRI-102-47	List of material topics	See GRI-102-44 indicator	20, 21
GRI-102-48	Restatements of information	As the Independent Auditor Report states, the company applied the IFRS 16 standard starting in January 2019, using a modified retrospective focus. Under this focus, comparative information is not restated.	95

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-102-49	Changes in reporting	Starting in 2019 our reports will be integrated. This means we will report financial and non-financial information.	-
GRI-102-50	Reporting period	January 1st to December 31st, 2019	4
GRI-102-51	Date of most recent report	January 1st to December 31st, 2018	4
GRI-102-52	Reporting cycle	Annual	4
GRI-102-53	Contact point for questions regarding the report	Questions and comments about this report and its content: ■ Antonio Tejedo Obregón Vice-President for Investor Relations a.tejedo@traxion.global ■ Elba Araceli Salcedo Sánchez Investor Relations e.salcedo@traxion.global ■ Daniel Wasserteil Fridman Sustainability Director d.wasserteil@traxion.global	TBD
GRI-102-54	Claims of reporting in accordance with the GRI Standards	This report was drafted in accordance with the GRI Standards: CORE option.	4
GRI-102-55	GRI content index	Table enclosed.	136
GRI-102-56	External verification	In 2020 we will assess the possibility of auditing certain sections or issues of our non-financial information.	-
GRI-103-1	Explanation of the material topic and its boundary	Please view the section entitled Stakeholders and Materiality.	20, 21
GRI-103-2	The management approach and its components	Our disclosures on management approach on sustainability and non-financial information are aligned with our operational management systems, which means that a risk detected in the operation could be relevant in terms of sustainability; and environmental and social risks can be relevant for the operation. This is why we strive to have our systems aligned.	-

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-103-3	Evaluation of the management approach	The results of the system are assessed in periodic meetings held between our operational and governing bodies; decisions are based on the results of these meetings. Starting in 2020, we will include sustainability indicators in our results boards, and they will be reviewed monthly.	-
GRI-201-1	Direct economic value generated and distributed	All amounts in thousands of pesos: **Direct economic value generated (revenue): 12,320,216** **Economic value distributed --composed of: 10,990,663** Costs, operating expenses, other expenses (excl. depreciation and amortization) 6,790,811 Labor costs (salaries and benefits) 3,225,563 Payments to suppliers of capital 689,445 Payments to the government (taxes) 284,844 **Economic value retained (generated value minus distributed value): 1,329,553** Definitions and notes: Revenue: Net sales + revenue from financial investments (interests) + other revenue Payments to suppliers of capital: Interests on debt + costs from delays in dividend payments. Payments to the government: The sum of all taxes paid by the company (excluding differed taxes).	

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
		The breakdown of total costs and general expenses is included in notes 23 and 24 of Traxion's 2019 consolidated financial statements. Depreciation and amortization: 1,061,612 (not considering depreciation according to IFRS 16 "Leasing").	
GRI-201-2	Financial implications and other risks and opportunities due to climate change	In 2020, we will continue to work on the identification and prioritization of key risks in all our business segments, with special attention to the assessment of our environmental and climate change risks.	31
GRI-201-3	Defined benefit plan obligations and other retirement plans		ND
GRI-201-4	Financial assistance received from government		ND
GRI-202-1	Ratios of standard entry level wage by gender compared to local minimum wage	As of today, our employee management information systems do not allow us to obtain such data segmented by gender. This is why we are working on improving our systems in order to be able to generate more detailed labor statistics.	-
GRI-202-2	Proportion of senior management hired from the local community	98% of our senior management are Mexican.	39
GRI-203-1	Infrastructure investments and services supported	In 2019 we acquired 100 buses powered by natural gas and contaminate roughly 70% less than their diesel-powered equivalents, for a total cost of approximately 350 million Mexican pesos. In operative terms, we closed the year with an average 19.3% growth in our fleet, or 8,176 units.	70, 80, 87

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
		The expansion was organic in the personnel and student transportation segment, whose fleet grew 15.6%; in the cargo and logistics services segment, the increase was due to the consolidation of El Bisonte's fleet and operations. Additionally, we also expanded our warehousing space by 51,545 sqm, closing 2019 with 430,225 sqm.	
GRI-203-2	Significant indirect economic impacts		ND
GRI-204-1	Proportion of spending on local suppliers.	All of Traxión's supplier base is in Mexico.	-
GRI-205-1	Operations assessed for risks related to corruption	In order to mitigate risks related to corruption, we issued a Code of Ethics and an Anti-corruption Corporate Policy. These documents establish the responsibilities, oversight bodies, and actions employees are not allowed to carry out. They also include reporting mechanisms. Likewise, as part of the management process, employees are obliged to confirm their understanding of the code and policy. In addition, in 2019 we began a process to obtain certifications in anti-corruption and anti-bribery, and for our compliance in these issues.	34
GRI-205-2	Communication and training about anti-corruption policies and procedures	In order to raise awareness among our employees regarding corruption topics, we shared our Anti-Corruption and Anti-Bribery Policy with them and asked them to sign it in agreement with its terms once they have read and understood it.	32
GRI-205-3	Confirmed incidents of corruption and actions taken	No corruption issues were registered in 2019.	-

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	There have been no cases initiated against the company for anti-trust or anti-competitive behaviors.	-
GRI-301-1	Weight or volume of materials used	In 2019, we consumed and average of 26,000 tires. Additionally, our units used 161,663,265 liters of diesel; 3,661,563 liters of gasoline, and 1,743,786 liters of natural gas.	78, 83
GRI-301-2	Recycled input materials used	In 2019, we were able to renew more than 9,500 tires, after having submitted them to a rigorous maintenance process.	78
GRI-301-3	Reclaimed products and their packaging materials	Not applicable. We do not manufacture or market any consumer products.	-
GRI-302-1	Energy consumption within the organization	167,068,614 liters of fuel and 5,152,544 kwh in energy consumption	83
GRI-302-2	Energy consumption outside the organization		ND
GRI-302-3	Energy intensity	As part of the process to incorporate sustainability indicators in our results boards, we are in the process of evaluating the adequate metric to reflect our energy intensity.	-
GRI-302-4	Reductions in energy consumption.	Thanks to our "zero kilometers of empty backhaul" policy, El Bisonte was able to reduce its diesel consumption by 900,000 liters, and MyM and AFN avoided consumption of 15,000 liters of diesel. Likewise, through our "Resting better, reducing environmental impact" program we have avoided consumption of more than one million liters of fuel, reducing emissions for an equivalent of 3,700 tons of CO2 equivalent.	79, 80

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-302-5	Reductions in energy requirements of products and services	We are constantly searching for ways in which to make our operations more efficient and minimize our impact on the environment by implementing a variety of strategies, mainly the renewal of our buses and trucks before they reach one million kilometers driven (approximately each 3-5 years). In 2019, we acquired 100 buses that run on natural gas and contaminate roughly 70% less than their diesel-powered equivalents, for our operation in Tijuana. Additionally, we are constantly performing efficiency tests with state-of-the-art engines, hydrogen cells, additives, and other technologies in collaboration with our suppliers.	77, 80
GRI-303-1	Water withdrawal by source	All the water we use in our processes comes from municipal networks and water tanks purchased from authorized suppliers.	-
GRI-303-2	Water sources significantly affected by withdrawal of water	We do not extract water from wells or federal, state, or municipal reserves. All the water we use in our processes comes from municipal networks and water tanks purchased from authorized suppliers.	-
GRI-303-3	Water recycled and reused	The facilities of our Egoba business unit include water treatment plants that are used to make water use more efficient. Treated water is used for irrigation of green areas. In 2020 we will be evaluating the possibility of expanding the use of water treatment plants to other business units.	-

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Our facilities are not located in protected natural areas nor ecological reserves.	-
GRI-304-2	Significant impacts of activities, products, and services on biodiversity	Given the nature of our services, we do not have a direct impact on biodiversity. Likewise, we perform several measures to reduce our contaminant gas emissions, including the constant renewal of our fleet and the optimization of our fuel consumption through several strategies, including: improvements in the aerodynamic structure of our power units and training courses on eco-efficient driving.	77 - 83
GRI-304-3	Habitats protected or restored	El Bisonte, Redpack, and LIPU, for example, have planted more than one thousand trees in various parts of the country, in addition to setting up a tree nursery.	82
GRI-304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	To date we have not detected any flora or fauna species included in the IUCN Red List or in the national list. However, if we were to detect any such cases, we would inform the corresponding environmental authority.	-
GRI-305-1	Direct (Scope 1) GHG emissions.	Our total emissions from the consumption of diesel, gasoline, and natural gas came to 474,765 tons of CO2 equivalent.	83
GRI-305-2	Energy indirect (Scope 2) GHG emissions.	Our emissions from electricity consumption were: 2,715 tCO2eq.	83
GRI-305-3	Other indirect (Scope 3) GHG emissions.		ND
GRI-305-4	GHG emissions intensity ratio	As part of the process to incorporate sustainability indicators in our results boards, we are in the process of evaluating the adequate metric to reflect our GHG emissions.	-

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-305-5	Reduction of GHG emissions.	El Bisonte: 2,571.38 tons of CO2 equivalent, not emitted. MyM and AFN: 42.86 tons of CO2 equivalent, not emitted Egoba: 3,700 tCO2eq	79, 80
GRI-305-6	Emissions of ozone depleting substances (ODS)	We do not produce, import, or export ODS.	-
GRI-305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	We are in the process of determining which method to employ to measure these emissions, in particular SOx, since very detailed information about the features and age of the power units is required in order to measure them accurately.	-
GRI-306-1	Water discharge by quality and destination	The water we use in our operation is discharged into the municipal sewage system.	-
GRI-306-2	Waste by type and disposal method	All our business units classify and dispose of hazardous waste in accordance to all applicable environmental legislation and regulation and through authorized companies that produce and deliver the relevant treatment manifests.	-
GRI-306-3	Significant spills	In 2019, there were no significant spills incidents.	-
GRI-306-4	Transport of hazardous waste	In 2019 we didn´t transport hazardous waste.	-
GRI-306-5	Water bodies affected by water discharges and/or runoff	The water we use in our operations is discharged in the municipal sewage system, so we do not affect any bodies of water.	-
GRI-307-1	Non-compliance with environmental laws and regulations	In 2019 we did not get any significant fines or sanctions por non-compliance with environmental regulations.	-

GRI INDEX	DESCRIPTION OF THE GRI INDICATOR	INFORMATION SUMMARY	PAGE
GRI-308-1	New suppliers who have passed certain assessment and selection filters based on environmental engagement criteria.	In 2020 we will include environmental criteria in our supplier selection and evaluation processes.	-
GRI-308-2	Negative environmental impacts in the supply chain and actions taken	In 2019 there were no cases registered of negative environmental impacts in the supply chain.	-
GRI-401-1	New employee hires and employee turnover	■ 81% new hires rate ■ 68% turnover rate in 2019	39
GRI-401-2	Benefits provided for full-time employees that are not provided to temporary or part-time employees		ND
GRI-401-3	Parental leave	■ 87% return and stay at work after parental leave.	39
GRI-402-1	Minimum notice periods regarding operational changes	As much as possible, and depending on the specific circumstances of each case, we strive to inform our employees about operational changes in a timely manner and within a reasonable timeline.	-
GRI-403-1	Workers representation in formal joint management-worker health and safety committees	The Mixed Safety and Hygiene Commissions which are established by Law and implemented in our companies, include worker representation.	-
GRI-403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	"Accidents and Robberies by Business Segment" Table	44
GRI-403-3	Workers with high incidence or high risk of diseases related to their occupation	Taking care of our workers' well-being and raising their satisfaction levels has helped us reduce our turnover rate by 37% in just one year, from 105% in 2018 to 68% in 2019.	48

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		This is a great achievement in an industry in which turnover rates tend to exceed 89%. High turnover rates can be attributed to different factors, including road safety issues, work-related illnesses, and long working hours, all of which produce fatigue in drivers and discontent in their homes, as they are often required to be away for long periods of time.	
GRI-403-4	Health and safety topics covered in formal agreements with trade unions	We offer training to our employees on health and safety issues when they start working for us, and continuously after that.	-
GRI-404-1	Average hours of training per year per employee	We offered an average of 17 hours of training to employees on organizational policies, ethics, and regulatory compliance.	42
GRI-404-2	Programs for upgrading employee skills and transition assistance programs	In 2019, we implemented administrative and training efforts to motivate and strengthen competencies in our employees, which included reinforcing our operator training centers, where we offer training on accident-prevention techniques and safe driving. This year, we boosted our talent by offering training in safe, preventive, and efficient driving to more than 10 thousand operators.	42
GRI-404-3	Percentage of employees receiving regular performance and career development reviews	In the personnel and student transportation segment, we perform 360 evaluations of the management team, and anyone eligible to receive an annual performance bonus is evaluated directly by their immediate superior. In the rest of the group we are extending direct evaluations for employees who are eligible to receive an annual performance bonus.	-
GRI-405-1	Diversity of governance bodies and employees	15% of our employees are women and 85% are men.	39
GRI-405-2	Ratio of basic salary and remuneration of women to men	As of today, our employee management information systems do not allow us to view such segmentation. This is why we are working on improving our systems in order to be able to generate more detailed labor statistics.	-
GRI-406-1	Incidents of discrimination and corrective actions taken	In 2019 there were no discrimination cases reported in our reporting line.	-
GRI-407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In 2019 we received no complaints from third parties related to unacceptable practices in our suppliers (threats to the freedom of association, child labor, or compulsory labor). We have a Code of Ethics for Suppliers, Partners, and Contractors which stipulates compliance with best practices in human rights and describes how to act in these circumstances. Violations can be reported by employing our reporting line or any other available channel (Traxión e-mail contact or website).	-
GRI-408-1	Operations and suppliers at significant risk for incidents of child labor	In 2019 we received no complaints from third parties related to unacceptable practices in our suppliers (threats to the freedom of association, child labor, or compulsory labor). We have a Code of Ethics for Suppliers, Partners, and Contractors which stipulates compliance with best practices in human rights and describes how	-

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		to act in these circumstances. Violations can be reported by employing our reporting line or any other available channel (Traxión e-mail contact or website).	
GRI-409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	In 2019 we received no complaints from third parties related to unacceptable practices in our suppliers (threats to the freedom of association, child labor, or compulsory labor). We have a Code of Ethics for Suppliers, Partners, and Contractors which stipulates compliance with best practices in human rights and describes how to act in these circumstances. Violations can be reported by employing our reporting line or any other available channel (Traxión e-mail contact or website).	-
GRI-410-1	Security personnel trained in human rights policies or procedures		ND
GRI-411-1	Incidents of violations involving rights of indigenous peoples	Our operations are not located in areas inhabited predominantly by indigenous peoples. Consequently, our activities do not affect their traditions and customs.	-
GRI-412-1	Operations that have been subject to human rights reviews	Given the nature of our business, the main human rights that could be violated are the freedom of association (working with unions), the right to health, and the right to decent work. In every case we comply with all applicable law and regulations, we have preventive legal counsel to avoid any violations to these rights, we pay competitive salaries, and we carry out health programs and campaigns to serve our operators.	-

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GRI-412-2	Employee training on human rights policies and procedures	In 2020 we will continue offering courses on our Code of Ethics which, among other topics, includes issues related to the respect for human rights. In addition, we share and explain our Human Rights Protocol with all our employees in order to create awareness on these matters.	-
GRI-412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		ND
GRI-413-1	Operations with local community engagement, impact assessments, and development programs	We support our communities by offering scholarships; we promote education with programs such as DH Bus, and we continue to carry out social efforts for which our business units LIPU and MyM were granted the Socially Responsible Company recognition.	51, 52, 53
GRI-413-2	Operations with significant actual or potential negative impacts on local communities	We generate no significant negative impacts on the locations where we operate. On the contrary, we support local communities with direct and indirect jobs.	-
GRI-414-1	New suppliers who have passed certain selection filters based on social engagement criteria.	In 2020 we will include social criteria in our supplier selection and evaluation processes.	-
GRI-414-2	Negative environmental impacts in the supply chain and actions taken	In 2019 there were no reported cases of human rights violations, nor any other social issues, in the supply chain.	-
GRI-415-1	Political contributions	Mexican law prohibits making economic contributions to political parties, and we fully comply.	-
GRI-416-1	Assessment of the health and safety impacts of product and service categories	We monitor our operators' driving behaviors constantly, and we develop and implement road safety and safe driving.	41, 42, 44, 45

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		campaigns and training courses, both in the personnel and student transportation as in the cargo and logistics services segments.	
GRI-416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Our operations adhere to the traffic and road safety regulations established by Mexican authorities.	-
GRI-417-1	Requirements for product and service information and labeling	Not applicable. We do not manufacture or market any consumer products.	-
GRI-417-2	Incidents of noncompliance related product and service information and labeling	Not applicable. We do not manufacture or market any consumer products.	-
GRI-417-3	Incidents of non-compliance concerning marketing communications	In 2019 there were no cases of non-compliance for bad practices in marketing and advertising.	-
GRI-418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2019 there were no complaints related with data losses nor violations to the privacy of our customers and users.	-
GRI-419-1	Non-compliance with laws and regulations in the social and economic arena	In 2020, we will continue to strengthen the corresponding mechanisms to ensure that operations in all our business units continue to comply with applicable legislation. We will also strengthen the process to update, monitor, and adhere to our internal policies and codes. As part of the strengthening plan, we will support our legal and comptroller departments, formalizing the activities of our Compliance Officer who, among other responsibilities, will implement and be responsible for the Traxión Ethics, Integrity, and Compliance Program, which will be aligned to the applicable anti-corruption law, as well as	36

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		national and international standards and best practices. He will also be responsible for overseeing compliance with our Code of Ethics and the applicable law. Furthermore, we will work on obtaining ISO certifications in anti-corruption and anti-bribery.	

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