

SOUTHEAST AIRPORT GROUP

Form 20-F

April 25, 2019

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

**for the fiscal year ended December 31, 2018**

Commission File Number 1-15132

**Grupo Aeroportuario del Sureste, S.A.B. de C.V.**

(Exact name of registrant as specified in its charter)

**Southeast Airport Group**

(Translation of registrant's name into English)

**United Mexican States**

(Jurisdiction of incorporation or organization)

**Bosque de Alisos No. 47A 4th Floor**

**Bosques de las Lomas**

**05120 Ciudad de México**

**Mexico**

(Address of principal executive offices)

**Adolfo Castro Rivas**

**CEO**

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**Grupo Aeroportuario del Sureste, S.A.B. de C.V.**

**Bosque de Alisos No. 47A 4th Floor**

**Bosques de las Lomas**

**05120 Ciudad de México**

**México**

**Telephone: + 52 55 5284 0408**

**acaastro@asur.com.mx**

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered
Series B Shares, without par value, or shares	New York Stock Exchange, Inc.*
American Depositary Shares, as evidenced by American Depositary Receipts, or ADSs, each representing ten shares	New York Stock Exchange, Inc.

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\*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**Series B Shares, without par value: 277,050,000**  
**Series BB Shares, without par value: 22,950,000**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

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If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

IFRS

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**SELECTED FINANCIAL DATA**

We publish our financial statements in Mexican pesos. The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Pursuant to IFRS, financial data in the financial statements included in Items 3, 5 and 8 and, unless otherwise indicated, throughout this Form 20-F are stated in Mexican pesos. Our financial statements for the year ended December 31, 2018 were approved by our Board of Directors by recommendation of the Audit Committee and are subject to approval by our shareholders at the next annual stockholders meeting.

This Form 20-F contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps.19.635 to U.S.\$1.00, the exchange rate for pesos on December 31, 2018 as published by the U.S. Federal Reserve Board. On April 12, 2019, the noon buying rate for Mexican pesos, as published by the U.S. Federal Reserve Board was Ps.18.756 per U.S.\$1.00.

The following tables present a summary of our consolidated financial information and that of our subsidiaries for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements, including the notes thereto.



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References in this annual report on Form 20-F to dollars, U.S. dollars or U.S.\$ are to the lawful currency of the United States of America. References in this annual report on Form 20-F to pesos, Mexican pesos or Ps. are to the lawful currency of the United Mexican States. References to Colombian pesos or COP\$ are to the lawful currency of the Republic of Colombia. We publish our financial statements in Mexican pesos.

This annual report on Form 20-F contains references to workload units, which are units measuring an airport's passenger traffic volume and cargo volume. A workload unit currently is equivalent to one terminal passenger or 100 kilograms (220 pounds) of cargo.

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The summary financial and other information set forth below reflects our financial condition, results of operations and certain operating data since the year ended December 31, 2014. On May 26, 2017, we acquired an additional 10.0% interest in our former joint venture, Aerostar Airport Holdings, LLC ( Aerostar ), the operator of Luis Muñoz Marín International Airport ( LMM Airport ), increasing our participation to 60.0%. The acquisition is considered a business combination as of May 31, 2017, and as of June 1, 2017, we began to consolidate the results of Aerostar into our financial statements. On October 19, 2017, we acquired 92.42% of the capital stock of Sociedad Operadora de Aeropuertos Centro Norte, S.A. ( Airplan ). As of October 19, 2017, we began to consolidate the results of Airplan into our financial statements. The financial information included in the table below is derived from our audited consolidated financial statements, with the exception of information regarding ADSs and other operating data.

	2014		2015		As of and for the year ended December 31, 2016		2017		2018 (thousands of dollars)(2)			
					(thousands of Mexican pesos)(1)							
<b>Consolidated Income Statement Data:</b>												
Revenues:												
Aeronautical services(3)	Ps.	3,319,672	Ps.	3,921,949	Ps.	4,532,194	Ps.	6,484,219	Ps.	8,942,910	U.S.\$	455,458
Non-aeronautical services(4)		1,979,717		2,491,941		3,104,343		4,261,383		5,531,557		281,719
Construction services(5)		579,774		2,580,707		2,116,954		1,844,216		935,774		47,658
Total revenues		5,879,163		8,994,597		9,753,491		12,589,818		15,410,241		784,835
Operating expenses:												
Cost of services		(1,081,376)		(1,144,327)		(1,336,385)		(2,309,625)		(3,542,792)		(180,432)
Construction expenses		(579,774)		(2,580,707)		(2,116,954)		(1,898,550)		(935,774)		(47,658)
Administrative expenses		(170,231)		(196,990)		(204,843)		(204,418)		(235,264)		(11,982)
Technical assistance fee(6)		(190,419)		(239,175)		(288,111)		(346,487)		(386,249)		(20,020)
Government concession fee(7)		(242,165)		(291,505)		(344,939)		(468,695)		(898,253)		(45,748)
Depreciation and amortization		(454,265)		(468,996)		(529,660)		(1,166,114)		(1,760,741)		(89,674)
Goodwill impairment(8)								(4,719,096)				
Total operating costs and expenses		(2,718,230)		(4,921,700)		(4,820,892)		(11,112,985)		(7,765,909)		(395,514)
Other income(9)										134,637		6,856
Operating Profit		3,160,933		4,072,897		4,932,599		1,476,833		7,778,969		396,179
Interest income		121,369		155,718		184,569		245,787		280,623		14,292
Interest expense		(81,814)		(97,017)		(126,186)		(618,831)		(1,230,651)		(62,676)
Exchange gain		205,798		379,741		738,648		761,782		462,218		23,541
Exchange loss		(360,330)		(548,405)		(842,500)		(620,572)		(374,460)		(19,071)
Comprehensive financing result		(114,977)		(109,963)		(45,469)		(231,834)		(862,270)		(43,914)
Participation in the results of joint ventures(10)		36,448		50,923		144,248		112,345				
Gain from business combination								7,029,200				
Income before taxes		3,082,404		4,013,857		5,031,378		8,386,544		6,916,699		352,264
Provision for taxes		(798,681)		(1,100,122)		(1,402,116)		(1,636,379)		(1,796,893)		(91,515)
Net income		2,283,723		2,913,735		3,629,262		6,750,165		5,119,806		260,749
Net income for the year attributable to controlling interest								5,834,484		4,987,601		254,016
Non-controlling interest								915,681		132,205		6,733
Basic and diluted earnings per share(11)		7.61		9.71		12.10		19.45		16.63		0.85
Basic and diluted earnings per ADS(12)		76.12		97.13		120.98		194.50		166.25		8.5
Dividends per share(13)	Ps.		Ps.	5.10		5.60		6.16		6.78		0.35
<b>Other Operating Data:</b>												
Total passengers (thousands of passengers)		23,157.56		26,140.99		28,407.05		37,534		52,269		52,269
Colombia(14)								1,906		10,648		10,648
Mexico		23,157.56		26,140.99		28,407.05		31,053		33,247		33,247
Puerto Rico(15)								4,575		8,374		8,374
Total air traffic movements (thousands of movements)		290.3		302.90		316.24		328.8		342.1		342.1
Colombia												
Mexico		290.3		302.9		316.24		328.8		342.1		342.1

Puerto Rico

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	As of and for the year ended December 31,					
	2014	2015	2016	2017	2018	
Total revenues per passenger	253.9	344.10	343.30	335.4	294.8	15.0
Colombia				252.9	186.5	9.5
Mexico	253.9	344.1	343.3	341.7	312.8	16.0
Puerto Rico				327.3	261.3	18.0
<b>Consolidated Balance Sheet Data:</b>						
Cash and cash equivalents	Ps. 2,855,362	Ps. 2,084,160	Ps. 3,497,635	Ps. 4,677,454	Ps. 4,584,507	US \$ 233,486
Total current assets	3,903,916	2,985,529	4,233,018	5,787,862	6,000,912	305,623
Account receivable from joint venture	1,567,608	1,851,423	1,886,546			
Investments in joint venture accounted for by the equity method	1,621,028	1,944,708	2,489,302			
Intangible assets, airport concessions and goodwill - Net	16,509,356	19,022,311	20,284,126	50,353,003	49,586,322	2,525,405
Total assets	23,924,521	26,125,884	29,216,091	56,614,103	56,181,821	2,861,310
Current liabilities	401,643	506,695	593,183	2,408,649	2,408,222	122,649
Total liabilities	5,173,425	5,717,833	6,462,137	22,925,802	19,500,432	993,147
Capital stock	7,767,276	7,767,276	7,767,276	7,767,276	7,767,276	395,583
Net equity/stockholders equity	18,751,096	20,408,051	22,753,954	33,688,301	36,681,389	1,868,163
<b>Consolidated Cash Flow Data:</b>						
Cash flow provided by operating activities	2,709,001	3,653,577	4,509,387	6,031,135	7,696,320	391,969
Cash flow generated (used) in financing activities	(98,482)	(1,627,017)	(1,789,873)	81,533	(6,476,664)	(329,853)
Cash flows used in investing activities	(1,034,945)	(2,816,554)	(1,366,696)	(4,961,153)	(1,311,957)	(66,817)
(Decrease) Increase in cash and cash equivalents	1,575,574	(789,994)	1,352,818	1,151,515	(92,301)	(4,701)

(1) Except for operating data. Per share and per passenger Mexican peso amounts are expressed in pesos (not thousands of pesos).

(2) Except for operating data. Translated into dollars at the rate of 19.635 per U.S. dollar, the Federal Reserve Board exchange rate for Mexican pesos at December 31, 2018. Per share and per passenger dollar amounts are expressed in dollars (not thousands of dollars).

(3) Revenues from aeronautical services include those earned from passenger charges, landing charges, aircraft parking charges, charges for airport security services and charges for use of passenger walkways.

(4) Revenues from non-aeronautical services are earned from the leasing of space in our airports, access fees collected from third parties providing services at our airports and miscellaneous other sources.

(5) Revenues from construction services includes construction services and expenses related to the improvements of assets under concession, are recognized in accordance with the methods (input method) prescribed for measuring progress towards completion of each project, as approved by the grantor. Since the Company hires third-party vendors to provide construction services, the revenue related to those services is equal to the fair value of the services received.

(6) Since April 19, 1999, we have paid Inversiones y Técnicas Aeroportuarias, S.A.P.I. de C.V. ( ITA ) a technical assistance fee under the technical assistance agreement entered into in connection with the purchase by ITA of its Series BB shares. This fee is described in Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Arrangements with ITA.

(7) Each of our Mexican subsidiary concession holders is required to pay a concession fee to the Mexican government under the Mexican Federal Duties Law. The concession fee is currently 5.0% of each Mexican concession holder's gross annual regulated revenues from the use of public domain assets pursuant to the terms of its concession.

(8) Reflects a Ps.4,719.1 million impairment that was determined while carrying out a deterioration test of long-term assets as a result of the effects of Hurricane Maria in Puerto Rico in September 2017.

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- (9) Reflects insurance recovery during 2018 in connection with damage to airport infrastructure caused by Hurricane Maria.
- (10) Reflects our equity participation in the net income (loss) of Aerostar Airport Holdings, LLC, the operator of LMM Airport. We increased our participation in Aerostar to 60% as of May 26, 2017 and starting June 1, 2017, began to consolidate Aerostar's results into our financial statements.
- (11) Shares outstanding for all periods presented were 300,000,000.
- (12) Based on the ratio of 10 Series B shares per ADS.
- (13) Dollar amounts per share were U.S.\$0.297 in 2015, U.S.\$0.2716 in 2016, U.S.\$0.3136 in 2017 and U.S.\$0.3453 in 2018 and per ADS were U.S.\$2.965 in 2015, U.S.\$2.716 in 2016, U.S.\$3.136 in 2017 and U.S.\$3.453 in 2018. No dividends were distributed in 2014. Per share dollar amounts are expressed in dollars (not thousands of dollars).
- (14) We began to consolidate the results of our Colombian airports as of October 19, 2017.
- (15) We began to consolidate the results of Aerostar as of June 1, 2017.

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**RISK FACTORS**

**Risks Related to Our Operations**

*Hurricanes and other natural disasters have adversely affected our business in the past and could do so again in the future.*

The southeast region of Mexico and Puerto Rico, like other Caribbean destinations, experiences hurricanes, particularly during the third quarter of each year. Portions of the southeast region of Mexico and the Caribbean region of Colombia also experience earthquakes from time to time. Natural disasters may impede operations, damage infrastructure necessary to our operations and/or adversely affect the destinations served by our airports. Any of these events could reduce our passenger traffic volume. The occurrence of natural disasters in the destinations we serve has adversely affected, and could in the future adversely affect, our business, results of operations, prospects and financial condition. Some experts believe that climate change due to global warming could increase the frequency and severity of hurricanes in the future. We have insured the physical facilities at our airports against damage caused by natural disasters, accidents or other similar events, but do not have insurance covering losses due to resulting business interruption. Moreover, should losses occur, there can be no assurance that losses caused by damages to the physical facilities will not exceed the pre-established limits on the policies.

On October 21, 2005, Hurricane Wilma struck the Yucatán Peninsula, causing severe damage to the infrastructure of the Cancún and Cozumel airports and to our administrative office building in Cancún. The hurricane also inflicted extensive damage on the hotel and tourist infrastructure in Cancún, the Mayan Riviera region and Cozumel, which led to sharply reduced air passenger traffic at our Mexican airports, especially in the fourth quarter of 2005 and during the first half of 2006. Tourism in Cancún and the Mayan Riviera has by now largely recovered from Hurricane Wilma and the numbers of tourists and cruise passengers visiting Cozumel have increased since initially declining in 2005 as a result of the storm.

On September 20, 2017, Hurricane Maria struck Puerto Rico, damaging LMM Airport in San Juan, Puerto Rico and causing significant damage to the entire island. Operations at LMM Airport were suspended at 7:30 pm on September 19, 2017 and resumed on a limited basis on September 21, 2017 with 10 flights, increasing progressively to 41 daily flights by the end of September 2017. Operations at LMM Airport returned to a regular schedule during the fourth quarter of 2017. Terminal buildings of LMM Airport suffered minor damage in sections that were out of operation before the airport was closed. Airport infrastructure was insured against these events. The hurricane inflicted extensive damage on the hotel and tourist infrastructure in Puerto Rico, which led to sharply reduced air passenger traffic at LMM Airport, especially during the third and fourth quarters of 2017. During the third and fourth quarters of 2017, our passenger traffic in Puerto Rico decreased 15.8% relative to the same period in 2016. Our passenger traffic in Puerto Rico also decreased 0.4% in 2018 relative to 2017.

In September 2017, a series of earthquakes shook central and southern Mexico. On September 7, 2017, an 8.1 magnitude earthquake struck Chiapas, Oaxaca, killing at least 98 people, injuring over 300 persons, causing the issuance of a tsunami warning for the entire



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Pacific coast of Central America by the Pacific Tsunami Warning Center, and damaging buildings and roads in Mexico City. On September 19, 2017, a 7.1 magnitude earthquake affected the states of Puebla and Morelos as well as the Greater Mexico City area, killing 370 people and injuring over 6,000 people. The earthquake caused at least 44 buildings in Mexico City to collapse and temporarily shut down Mexico City International Airport. Finally, on September 23, 2017, a 6.1 magnitude earthquake hit Oaxaca, causing six deaths and injuring seven others, resulting in total damage of Ps.9.4 billion. Neither the Mexico City earthquake nor the earthquake in Oaxaca caused substantial damage to our facilities or resulted in material interruptions to our operations.

*The effects of oil spills could adversely affect our business.*

The Gulf of Mexico is the site of widespread deep-water oil drilling and extraction. Deep-water oil drilling inherently carries a number of significant risks. On April 21, 2010, there was an explosion on the Deepwater Horizon drilling platform operated by BP in the Gulf of Mexico. The oil-drilling platform was located 41 miles from the coast of Louisiana. The explosion and sinking of the platform caused a huge oil spill that spread along the U.S. coast in the Gulf of Mexico, and reached parts of Florida, Louisiana, Mississippi, Alabama and Texas. BP made several attempts to try to contain the spill and capture the oil. On September 19, 2010, the well was successfully plugged and declared effectively dead.

The oil spill did not affect the destinations served by our Mexican airports. However, if oil spills or similar disasters occur in the future, these destinations could be adversely affected, thereby reducing our volume of passenger traffic. Oil spills or other similar disasters in or around the destinations served by our airports could adversely affect our business, operating results, prospects and financial condition.

*Our business could be adversely affected by a downturn in the economies of the United States, Mexico or Colombia.*

The air travel industry, and consequently, our results of operations, are substantially influenced by economic conditions in Mexico, Colombia and the United States. In 2016, 2017 and 2018, 61.1%, 60.2% and 58.4%, respectively, of the international passengers in our Mexican airports arrived or departed on flights originating in or departing to the United States. 55.9%, 55.6% and 53.8% of our revenues from Mexican passenger charges in 2016, 2017 and 2018, respectively, were derived from charges imposed on international passengers. Similarly, in 2016, 2017 and 2018, 45.6%, 46.1% and 47.7%, respectively, of passengers in our Mexican airports traveled on Mexican domestic flights. 44.1%, 44.4% and 46.2% of our revenues from Mexican passenger charges in 2016, 2017 and 2018, respectively, were derived from Mexican domestic passenger charges. When the economies of either the United States or Mexico are in recession, as they were when the gross domestic products of both countries declined in the fourth quarter of 2008 and again in 2009, the number of international passengers in our Mexican airports that arrive or depart on flights originating in or departing to the United States have been adversely affected. Similarly, a recession of the Colombian economy could cause the number of Colombian domestic passengers in our Colombian airports to decline. In 2018, 43.9% of our revenues from Colombian passenger charges were derived from Colombian domestic passenger charges.



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We believe that the results of operations for our Mexican airports were affected differently by the U.S. and Mexican recessions of 2008 and 2009. Because of the perception of Cancún, Cozumel and the Mayan Riviera as more economical vacation destinations, we believe that our Mexican airports were well-placed to take advantage of the economic recovery in the United States following the 2008-2009 recession. We cannot predict how economic conditions in the United States may develop in the future or how these conditions will affect tourism and travel decisions. In addition, whether destinations served by our airports will be viewed as adequate substitutes for other tourist destinations depends on a number of factors, including the perceived attractiveness, affordability and accessibility of Cancún, Cozumel and the Mayan Riviera as desirable vacation destinations. We are unable to control many of these factors and, therefore, we cannot assure you that this substitution effect would occur again if the United States were to experience another recession.

In Mexico, the 2008-2009 recession resulted in an overall decrease in levels of Mexican domestic passenger traffic as compared to historical passenger traffic levels, although Mexican domestic passenger levels have increased in recent years as the economy has continued to recover. In 2017, Mexican domestic passenger traffic increased 10.4% from 2016. In 2018, Mexican domestic passenger traffic increased 10.7% from 2017. Among Mexican leisure travelers, destinations served by our airports are generally not perceived as economical vacation destinations, and as a result, they did not benefit, and are unlikely to benefit in the future, from the substitution effect that we believe occurred with respect to passengers traveling to and from the United States. In addition, a portion of our Mexican domestic passengers are business travelers, whose demand for travel was adversely affected by the 2008-2009 recession. In recent years, there has been an uptick in Mexican domestic travel to certain destinations, such as Cozumel, Huatulco, Mérida, Oaxaca and Cancún (Cancún in particular experienced 13.6%, 14.1% and 12.4% increases in Mexican domestic passenger traffic in 2016, 2017 and 2018, respectively.). So far, our other Mexican airports have continued to experience fluctuations in their passenger traffic, but nearly all of them have returned to traffic levels at or above those prior to the 2008-2009 recession.

Further, Mexican, Colombian and U.S. political and social developments, over which we have no control, may affect the economic environment in Mexico and Colombia, and consequently, may contribute to economic uncertainty. Such conditions may adversely affect our business and results of operations.

With over U.S.\$70.0 billion in outstanding debt and a debt-to-GDP ratio of approximately 68.0%, the economy of the Commonwealth of Puerto Rico ( Puerto Rico ) has worsened in recent years. In February 2014, Puerto Rico 's government debt was downgraded to non-investment grade by various credit rating agencies and certain government entities in Puerto Rico have failed to make certain debt payments, highlighting the fragility of its economy. On June 30, 2016, United States President Barack Obama signed the Puerto Rico Oversight, Management and Economic Stability Act, or PROMESA, into law. PROMESA aims to restructure Puerto Rico 's debt through certain measures, including the establishment of a seven-member Oversight Board to oversee the development of budgets and fiscal plans for Puerto Rico 's government and instrumentalities. While Puerto Rico is otherwise barred from seeking federal bankruptcy protection, PROMESA allowed the Oversight Board to petition U.S. courts to restructure debt on behalf of Puerto Rico 's Highways and Transportation Authority and

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Government Retirement System on May 21, 2017 and on behalf of the Puerto Rico Electric Power Authority ( PREPA ) on July 2, 2017. In February of 2019, the Oversight Board announced that it will appeal a ruling by the United States Court of Appeals for the First Circuit that the members of the board were unconstitutionally appointed. It is uncertain what impact such developments under PROMESA will have on the future business and economic conditions of Puerto Rico. Further, a prolongation of Puerto Rico's fiscal crisis, or a worsening of the crisis, could slow the Puerto Rico economy. Aerostar Airport Holdings, LLC, our joint venture with the Public Sector Pension Investment Board ( PSP Investments ), in which we possess a 60% ownership interest and whose results we have consolidated into our financial statements, has operated the LMM Airport in Puerto Rico since February 27, 2013. We do not believe that the economic state of Puerto Rico has had a material impact on the results of the LMM Airport joint venture, but if the economy there continues to worsen, it could adversely affect the business and operations of our Puerto Rican subsidiary.

*Changes in U.S. immigration and border policy could adversely affect passenger traffic to and from Mexico and Colombia.*

The results of presidential and congressional action in the United States could result in significant changes in, and uncertainty with respect to, immigration and border policy. Immigration reform, especially with respect to Mexico, continues to attract significant attention in the public arena and U.S. Congress. If new federal immigration legislation is enacted, such laws may contain provisions that could make it more difficult for Mexican and Colombian citizens to travel between Mexico and Colombia, respectively, and the United States. In addition, new immigration, border and trade legislation could lead to uncertain economic conditions in Mexico that may affect leisure or business travel, including travel to and from Mexico. Such restrictions could have a material adverse effect on our passenger traffic results.

*Fluctuations in international petroleum prices could reduce demand for air travel.*

Fuel represents a significant cost for airlines. International prices of fuel have experienced significant volatility in recent years. Most of our airline customers use kerosene-based jet fuel, the price of which is based upon the U.S. spot prices for that fuel plus the cost of transportation to each airport. Although the U.S. Gulf Coast spot price for jet fuel has decreased from its high of U.S.\$4.81 per gallon on September 12, 2008, it has continued to fluctuate in 2018, with a high of U.S.\$2.34 per gallon on October 3, 2018 and a low of U.S.\$1.56 per gallon on December 28, 2018, according to the Energy Information Administration of the U.S. Department of Energy. As of April 15, 2019, the U.S. Gulf Coast spot price for jet fuel was U.S.\$1.969 per gallon. The price of fuel may be subject to further fluctuations resulting from a reduction or increase in output of petroleum, voluntary or otherwise, by oil-producing countries, other market forces, a general increase in international hostilities or any future terrorist attacks. In addition, a number of airlines have engaged in hedging strategies with respect to fuel prices. Because of the decline in fuel prices, there have been reports suggesting that these hedging strategies have resulted in those airlines incurring derivative-related liabilities. Increases in airlines' costs may result in higher airline ticket prices and may decrease demand for air travel generally, thereby having an adverse effect on our revenues and results of operations.

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*The loss or suspension of operations by one or more of our key customers could result in a loss of a significant amount of our revenues.*

The global airline industry has recently experienced and continues to experience significant financial difficulties, marked by the filing for bankruptcy protection of several carriers and recent warnings regarding industry profitability. In December 2018, the International Air Transport Association, or IATA, issued its 2019 financial forecast for the global commercial airline industry, estimating net post-tax profits of about U.S.\$35.5 billion, due to lower oil prices and solid economic growth. The forecast also indicated that net profit margins were expected to increase to 4.0% in 2019.

Our business and results of operations could be adversely affected if we do not continue to generate comparable portions of our Mexican regulated revenue from our key customers, including American Airlines (which accounted for 10.4% of our revenues in 2016, 10.9% in 2017 and 9.9% in 2018), United Airlines (which accounted for 10.1% of our revenues in 2016, 10.5% in 2017 and 9.3% in 2018) and ABC Aerolíneas, S.A. de C.V. ( Interjet ) (which accounted for 8.9% of our revenues in 2016, 8.7% of our revenues in 2017 and 10.4% of our revenues in 2018).

On August 2, 2010, Mexicana, then one of Mexico's two largest carriers and previously the airline which accounted for the largest share of our Mexican passenger traffic, filed for bankruptcy protection in Mexico and in the United States. On August 28, 2010, Mexicana, Mexicana Click, formerly known as Aerovías Caribe, and Mexicana Link (which we refer to collectively as Grupo Mexicana) ceased operations. On April 4, 2014, a Mexican court declared Grupo Mexicana to be officially bankrupt and ordered the sale of its assets to repay its creditors. Other airlines that serve our Mexican, Colombian and Puerto Rican airports, including American Airlines, United Airlines, Delta Air Lines and Avianca have also undergone bankruptcies over the past 5 years.

During late March 2019, Interjet experienced a series of flight delays and cancellations resulting in part from a shortage of employees to serve all of Interjet's scheduled flights for the period. Interjet's management later announced that it had found a solution to prevent further service disruptions.

None of our contracts with our principal airline customers obligate them to continue providing service to our airports and we can offer no assurance that competing airlines would seek to increase their flight schedules if any of our key customers reduced their use of our airports. Our current agreements with our principal airline customers at our Mexican airports have been renewed. We do not have any contracts that will expire before April 30, 2019. With respect to our Colombian airports, our subsidiary Airplan, charges tariffs to airlines (relating to domestic routes, international routes and development). The tariffs are established by the Special Administrative Unit of Civil Aeronautics (*Unidad Administrativa Especial de Aeronáutica Civil*), or Aerocivil, through Resolution 04530 of 2007. As of December 31, 2018, all airlines at our Colombian airports were subject to such tariffs: Avianca, Aerorepública (COPA), Viva Colombia, LATAM, American Airlines, EasyFly, Trans, Spirit, Aeroméxico, Jet Blue, Satena, Iberia, Air Panama, Avior, Tampa Cargo, Aerolíneas de Antioquia, LAN Perú, among others.

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We expect that we will continue to generate a significant portion of our revenues from a relatively small number of airlines in the foreseeable future. Our business and results of operations could be adversely affected if we do not continue to generate comparable portions of our revenue from our key customers.

In addition, Mexican law prohibits an international airline from transporting passengers from one Mexican location to another (unless the flight originated outside Mexico), which limits the number of airlines providing domestic service in Mexico. Accordingly, we expect to continue to generate a significant portion of our revenues from Mexican domestic travel from a limited number of airlines.

*We could be subject to fines, penalties and other adverse consequences pending the outcome of our appeal against the Mexican government's tax treatment of airport concessions at Cancún Airport.*

When bidding was concluded for the shares of the Mexican airport group that became ASUR, the Ministry of Communications and Transportation agreed that the concessionaire could amortize the value of the concession at an annual rate of 15.0% for tax purposes. Contrary to this decision, in February 2012, the Ministry of Finance and Public Credit determined that this agreement was invalid and that the rate should instead be 2.0%. We filed an appeal in April 2012 to overturn this determination. In May 2013, while our appeal was pending, the Mexican federal government implemented a tax amnesty program for federal taxes, which we participated in by paying Ps.128.3 million to settle the claim with the Ministry of Finance and Public Credit solely with respect to income taxes. Our participation in the tax amnesty program, however, had no impact on our separate appeal of the amount of distributions owed by the Company under the mandatory employee statutory profit sharing regime established by Mexican federal labor laws. As of April 15, 2019, our appeal is still pending resolution with respect to such distributions. If we were to lose the appeal, we estimate that we would be required to pay an additional Ps.116.0 million.

*The FAA could downgrade Mexico's air safety rating again, which could result in a decrease in air traffic between the United States and our airports.*

On July 30, 2010, the United States Federal Aviation Administration ( FAA ) announced that, following an assessment of Mexico's civil aviation authority, it had determined that Mexico was not in compliance with international safety standards set by the International Civil Aviation Organization ( ICAO ), and, as a result, downgraded Mexico's aviation safety rating from Category 1 to Category 2. Under FAA regulations, because of this downgrade, Mexican airlines were not permitted to expand or change their current operations between the United States and Mexico except under certain limited circumstances, code-sharing arrangements between Mexican and United States airlines were suspended and operations by Mexican airlines flying to the United States were subject to greater FAA oversight. These additional regulatory requirements resulted in reduced service between our airports and the United States by Mexican airlines or, in some cases, an increase in that cost of service, which resulted in a decrease in demand for travel between our airports and the United States. 4.6%, 2.9% and 3.2% of the passengers that traveled through our airports traveled on flights to or from the United States operated by Mexican airlines in 2016, 2017 and 2018, respectively.

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The FAA restored Mexico's Category 1 rating on December 2, 2010. The FAA may downgrade Mexico's air safety rating in the future, although we are unaware of any current plans to do so. We cannot predict what impact the downgrade of the Mexican aviation safety rating would have on our Mexican passenger traffic or results of operations, or on the public perception of the safety of Mexican airports.

*Our business is highly dependent upon revenues from Cancún International Airport.*

In 2018, Ps.8,465.6 million (including construction services) or 54.9% of our revenues were derived from operations at Cancún International Airport. During 2016, 2017 and 2018, Cancún International Airport represented 75.4%, 76.0% and 75.8%, respectively, of our passenger traffic in Mexico and 54.4%, 55.1% and 55.6%, respectively, of our air traffic movements in Mexico. The desirability of Cancún as a tourist destination and the level of tourism to the area are dependent on a number of factors, many of which are beyond our control. For example, some media outlets continue to report an increase in the level of drug-related violence in Mexico. Although these reports generally indicate that this increase in violence affects mostly cities in northern Mexico and the west coast of Mexico and is generally not directed at tourists, the reports may have created a perception that Mexico has become a less safe and secure place to visit. In turn, we believe that it is possible that this perception has adversely affected the desirability of Cancún as a tourist destination. This perception may have been fueled further by travel advisories issued by the U.S. State Department on August 22, 2017 and January 10, 2018 that listed Cancún as a place in Mexico where visiting tourists must be cautious. In addition, in March 2018, the U.S. State Department issued a security alert for Playa del Carmen, a popular destination that attracts U.S. citizens and is served by Cancún International Airport. We cannot assure you that tourism in Cancún will not decline in the future. Any event or condition affecting Cancún International Airport or the areas that it serves could have a material adverse effect on our business, results of operations, prospects and financial condition.

*Increases in prevailing interest rates could adversely affect our financial condition.*

An increase in prevailing interest rates could adversely affect our financial condition. As of December 31, 2018, we had U.S.\$738.5 million in outstanding indebtedness. Any increased interest expense associated with increases in interest rates affects our ability to service our debt absent the benefit from any hedging arrangements. Accordingly, an increase in the prevailing interest rates applicable to our loans would increase our debt service costs, which in turn would negatively affect our results of operations. For further details regarding our indebtedness, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness.

*International events, including acts of terrorism, wars and global epidemics, could have a negative impact on international air travel.*

International events such as the terrorist attacks on the United States on September 11, 2001, wars and public health crises such as the Influenza A/H1N1 pandemic of 2009-2010 have disrupted the frequency and pattern of air travel worldwide in recent years.



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The terrorist attacks on the United States on September 11, 2001 had a severe adverse impact on the air travel industry, particularly on United States carriers and carriers operating international service to and from the United States. Airline traffic in the United States fell precipitously after the attacks. In Mexico, airline and passenger traffic decreased substantially, although the decrease was less severe than in the United States. Our airports experienced a significant decline in passenger traffic following September 11, 2001. Any future terrorist attacks, whether or not involving aircraft, will likely adversely affect our business, results of operations, prospects and financial condition.

Historically, a majority of our revenues have been from aeronautical services, and our principal source of aeronautical revenues is passenger charges. Passenger charges are payable for each passenger (other than diplomats, infants, transfer and transit passengers) departing from the airport terminals we operate, collected by the airlines and paid to us. In 2018, passenger charges represented 42.5% of our consolidated revenues.

On February 1, 2016, the World Health Organization designated the Zika virus and its suspected complications in newborns an international public health emergency. The U.S. Department of Health and Human Services Center for Disease Control and Prevention has issued a travel advisory for people traveling to regions within the Zika virus outbreak, which include popular destinations in Mexico, Colombia and Puerto Rico. While we do not believe these travel advisories to Mexico, Colombia and Puerto Rico have negatively affected the frequency and pattern of travel to our airports, any future public health crises and related travel advisories could disrupt our operations or significantly affect passenger and cargo traffic levels.

Because our revenues are largely dependent on the level of passenger traffic in our airports, any general increase of hostilities relating to reprisals against terrorist organizations, further conflict in the Middle East, outbreaks of health epidemics such as Influenza A/H1N1, SARS, avian influenza or other events of general international concern (and any related economic impact of such events) could result in decreased passenger traffic and increased costs to the air travel industry and, as a result, could cause a material adverse effect on our business, results of operations, prospects and financial condition.

*Security enhancements have resulted in increased costs and may expose us to greater liability.*

The air travel business is susceptible to increased costs resulting from enhanced security and higher insurance and fuel costs. Following the events of September 11, 2001, we reinforced security at our airports. For a description of the security measures that we adopted, see Item 4. Information on the Company Business Overview Non-Aeronautical Services Airport Security. While enhanced security at our airports has not resulted in a significant increase in our operating costs to date, we may be required to adopt additional security measures in the future. In addition, our general liability insurance premiums for 2002 increased substantially relative to our 2001 premiums and may rise again in the future. Since October 2001, we carry a U.S.\$150.0 million insurance policy covering liabilities resulting from terrorist acts at our Mexican airports. Since 2018, we also carry a U.S.\$250.0 million insurance policy for our Puerto Rico airport. Because our insurance policies do not cover losses resulting from war in any amount or from terrorism for amounts greater than U.S.\$150.0 million, we could incur significant costs if we were to be directly affected by events of this nature. While governments

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in other countries have agreed to indemnify airlines for liabilities they might incur resulting from terrorist attacks, the Mexican government has not done so and has given no indication of any intention to do the same. In addition, fuel prices and supplies, which constitute a significant cost for airlines using our airports, may be subject to increases resulting from any future terrorist attacks, a general increase in international hostilities or a reduction in output of fuel, voluntary or otherwise, by oil producing countries. Such increases in airlines' costs have resulted in higher airline ticket prices and decreased demand for air travel generally, thereby having an adverse effect on our revenues and results of operations. In addition, because a substantial majority of our international flights involve travel to the United States, we may be required to comply with security directives of the FAA, in addition to the directives of Mexican and Colombian aviation authorities.

On May 1, 2014, the Mexican Bureau of Civil Aviation published mandatory circular CO SA-17.2/10 R3, which requires that all airlines screen checked baggage and that all airports have screening equipment that complies with specified guidelines. Each of our airports is outfitted with appropriate screening equipment, but compliance with CO SA-17.2/10 R3 could require us to purchase, install and operate additional equipment, if, among other possibilities, the specified guidelines are modified or if the new screening procedures were to fail to detect or intercept any attempted terrorist act occurring or originating at our airports. We cannot estimate the cost to us of any such liability, if any were to arise. In addition, because a substantial percentage of our international flights involve travel to and from the United States, we may be required to comply with security directives of the FAA in addition to the directives of Mexican aviation authorities. Security measures taken to comply with future security directives of the FAA or the Mexican Bureau of Civil Aviation or in response to a terrorist attack or threat could reduce passenger capacity at our airports due to increased passenger screening and slower security checkpoints and increase our operating costs, which would have an adverse effect on our business, results of operations, prospects and financial condition.

Furthermore, under the Mexican Airport Law, we are currently responsible for inspecting passengers and their carry-on luggage before they board any aircraft. Under Mexican law, we may be liable to third parties for personal injury or property damage resulting from the performance of such inspection. In addition, we may be required to adopt additional security measures in the future or undertake capital expenditures if security measures for carry-on luggage are required to be enhanced, which could increase our liability or adversely affect our operating results.

*Interruptions in the proper functioning of information systems or other technologies could disrupt operations and cause unanticipated increases in costs and/or decreases in revenues.*

The proper functioning of our information systems is important to the successful operation of our business. If critical information systems fail or are otherwise unavailable, our ability to provide airport services at our airports, collect accounts receivable, pay expenses and maintain our security and customer data, could be adversely affected. In addition, incidents such as cyber-attacks, viruses, other destructive or disruptive software or activities, process breakdowns, outages or accidental release of information could adversely affect our technological systems and result in a disruption to our operations, the improper disclosure of personal, privileged or confidential information, or unauthorized access to our digital content or



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any other type of intellectual property. Currently, our information systems are protected with backup systems, including physical and software safeguards and a cold site to recover information technology operations. These safety components reduce the risk of disruptions, failures or security breaches of our information technology infrastructure and are reviewed periodically by external advisors. Nonetheless, any such disruption, failure or security breach of our information technology infrastructure, including our back-up systems, could have a negative impact on our operations.

Any such incident could cause damage to our reputation and may require us to expend substantial resources to remedy the situation, and could therefore have a material adverse effect on our business and results of operations. In addition, there can be no assurance that any efforts we make to prevent these incidents will be successful in avoiding harm to our business.

*Our revenues are highly dependent upon levels of passenger and cargo traffic volumes and air traffic, which depend in part on factors beyond our control.*

Our revenues are closely linked to passenger and cargo traffic volumes and the number of air traffic movements at our airports. These factors directly determine our revenues from aeronautical services and indirectly determine our revenues from non-aeronautical services. Passenger and cargo traffic volumes and air traffic movements depend in part on many factors beyond our control, including economic conditions in Mexico, Colombia and the United States, the political situation in Mexico, Colombia and elsewhere in the world, the attractiveness of our airports relative to that of other competing airports, fluctuations in petroleum prices (which can have a negative impact on traffic as a result of fuel surcharges or other measures adopted by airlines in response to increased fuel costs) and changes in regulatory policies applicable to the aviation industry. Reports suggesting an increase in the level of violent crime in Mexico may have had an adverse impact on passenger traffic to our Mexican airports, even though such airports serve areas of Mexico that have been less affected by violent crime. Similarly, reports suggesting an increase in the level of violence or political instability in Colombia may have an adverse impact on passenger traffic to our Colombian airports. Any decreases in air traffic to or from our airports as a result of factors such as these could adversely affect our business, results of operations, prospects and financial condition.

*Our business is highly dependent upon the operations of certain airports, including Mexico City and Bogotá Area airports.*

In 2016, 2017 and 2018, 65.0%, 62.4% and 59.9%, respectively, of our Mexican domestic passengers flew to or from our airports via Mexico City International Airport. As a result, our Mexican domestic traffic is highly dependent upon the operations of Mexico City International Airport. We cannot assure you that the operations of the Mexico City International Airport will not decrease or be adversely affected by construction of additional airports in the future. In 2018, overall Mexican domestic passenger traffic to and from Mexico City decreased 2.5%.

Additionally, Toluca International Airport, which is located 64 km from Mexico City, at some point emerged as a complementary airport to Mexico City International Airport, but has recently reduced air traffic operations due to the transfer of low-cost airline operations to the

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Mexico City International Airport. Toluca International Airport is largely served by low-cost airlines that cater to Mexican domestic passengers. Traffic to and from Toluca represented 1.2% of Mexican domestic passengers traveling through our airports in 2016, 0.9% in 2017 and 0.6% of Mexican domestic passengers in 2018.

In 2018, 46.4 % of our Colombian domestic passengers flew to or from our airports via El Dorado International Airport in Bogotá, Colombia. As a result, our Colombian domestic traffic is highly dependent upon the operations of El Dorado International Airport. Any event or condition that adversely affects Mexico City and Bogotá area airports could adversely affect our business, results of operations, prospects and financial condition.

*Competition from other tourist destinations could adversely affect our business.*

One of the principal factors affecting our results of operations and business is the number of passengers using our airports. The number of passengers using our airports may vary as a result of factors beyond our control, including the level of tourism in Mexico, Colombia and Puerto Rico. In addition, the passenger traffic volume at our Mexican airports and LMM Airport may be adversely affected by the attractiveness, affordability and accessibility of competing tourist destinations in Mexico, such as Acapulco, Puerto Vallarta and Los Cabos, or elsewhere, such as Florida, Cuba, Jamaica, the Dominican Republic and other Caribbean islands and Central American destinations. The attractiveness of the destinations we serve is also likely to be affected by perceptions of travelers as to the safety and political and social stability of Mexico, Colombia and Puerto Rico. There can be no assurance that tourism levels in the future will match or exceed current levels.

*Revenues from Mexican passenger charges are not secured, and we may not be able to collect amounts invoiced in the event of the insolvency of one of our principal airline customers.*

In recent years, many airlines have reported substantial losses. Our revenues from passenger charges from our principal airline customers are not secured by a bond or any other collateral. Furthermore, Mexican passenger charges, which accounted for 15.9% of our revenues in 2018, are collected by airlines from passengers on our behalf and are later paid to us 30 to 115 days following the date of each flight. If any of our key customers were to become insolvent or seek bankruptcy protection, we would be an unsecured creditor with respect to any unpaid passenger charges, and we might not be able to recover the full amount of such charges. For example, as a result of the Grupo Mexicana bankruptcy, we estimate that Ps.128.0 million in accounts receivable could be at risk of not being recovered, which represented 13.4% of our total accounts receivable as of December 31, 2018. We are an unsecured creditor with respect to these amounts, and we cannot assure you how much, if any, of these amounts we will be able to recover.

*If a change in relations with our labor force should occur, such a change could have an adverse impact on our results of operations.*

Although we currently believe we maintain good relations with our labor force, if any conflicts with our employees were to arise in the future, including with our unionized employees (which accounted for 24.1% of our total employees as of December 31, 2018), resulting events



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such as strikes or other disruptions that could arise with respect to our workforce could have a negative impact on our business or results of operations.

*The operations of our airports may be disrupted due to the actions of third parties beyond our control.*

As is the case with most airports, the operation of our airports is largely dependent on the services of third parties, such as air traffic control authorities, airlines, energy suppliers and suppliers of fuel to aircraft at our airports.

On September 20, 2017, 730 of Colombian flagship airline carrier Avianca's 1,300 pilots walked off the job, demanding higher wages and benefits. The strike lasted 51 days and caused Avianca to ground hundreds of flights and contract foreign-based crews to serve its important long-haul routes to the United States and Europe. As a result, our passenger traffic in our Colombian airports decreased 13.0% in October 2017, 13.7% in November 2017, and 12.3% in December relative to the same monthly periods in 2016.

We are also dependent upon the Mexican government or entities of the government for provision of services such as immigration services for our international passengers. We are not responsible for and cannot control the services provided by these parties. Additionally, under the Mexican Airport Law, we are required to provide complementary services at each of our airports if there is no third party providing such services. As a result, any disruption in or adverse consequence resulting from the services of third parties, including a work stoppage or other similar event, may require us to provide these services personally or find a third party to provide them, and either event may have a material adverse effect on the operation of our airports and on our results of operations.

*Fernando Chico Pardo and Grupo ADO, S.A. de C.V., through their own investment vehicles and their interests in Inversiones y Técnicas Aeroportuarias, S.A.P.I. de C.V., ( ITA ), have a significant influence as stockholders and over our management, and their interests may differ from those of other stockholders.*

Agrupación Aeroportuaria Internacional III, S.A. de C.V. and Servicios Estrategia Patrimonial, S.A. de C.V., entities directly or indirectly owned and controlled by Fernando Chico Pardo, who is also the chairman of our Board of Directors, own 12.6% of our total capital stock. In addition, Inversiones Productivas Kierke, S.A. de C.V. ( Inversiones Kierke ), an entity owned and controlled by Grupo ADO, S.A. de C.V. ( Grupo ADO ), owns 12.3% of our total capital stock. Further, ITA, an entity which is owned 50.0% by entities directly owned and controlled by Mr. Chico Pardo and 50.0% by Inversiones Kierke, holds Series BB shares representing 7.65% of our capital stock. These Series BB shares provide it with special management rights. For example, pursuant to our bylaws, ITA is entitled to present to the Board of Directors the name or names of the candidates for appointment as chief executive officer, to remove our chief executive officer and to appoint and remove one half of the executive officers, and to elect two members of our Board of Directors. Our bylaws also provide ITA veto rights with respect to certain corporate actions (including some requiring approval of our shareholders) so long as its Series BB shares represent at least 7.65% of our capital stock. Mr. Chico Pardo and Grupo ADO have entered into a shareholders' agreement that requires their unanimous

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consent to cause ITA to exercise certain of these rights. Special rights granted to ITA are more fully discussed in Item 10. Additional Information and Item 7. Major Shareholders and Related Party Transactions.

Therefore, Mr. Chico Pardo and Grupo ADO are each able to exert a significant influence over our management and matters requiring the approval of our stockholders. The interests of Mr. Chico Pardo, Grupo ADO and ITA may differ from those of our other stockholders, and there can be no assurance that any of Mr. Chico Pardo, Grupo ADO or ITA will exercise its rights in ways that favor the interests of our other stockholders. In particular, Grupo ADO is a Mexican bus company that may directly or indirectly compete with our key airline customers in the Mexican transportation market. Furthermore, the concentration of ownership by Mr. Chico Pardo, Grupo ADO and the special rights granted to ITA may have the effect of impeding a merger, consolidation, takeover or other business combination involving ASUR.

*Some of our board members and stockholders may have business relationships that may generate conflicts of interest.*

Some of our board members or stockholders may have outside business relationships that generate conflicts of interest. For example, Fernando Chico Pardo, the chairman of our Board of Directors and one of our principal stockholders, is a member of a number of other boards of directors that from time to time may have interests that diverge from our own. In addition, Grupo ADO, whose executives sit on our Board of Directors and which is one of our principal stockholders, operates a bus transportation business and has other interests that may be different than ours. Conflicts may arise between the interests of these or other individuals in their capacities as our shareholders and/or directors, on the one hand, and their outside business interests on the other. There can be no assurance that any conflicts of interest will not have an adverse effect on our shareholders.

*Our operations are at greater risk of disruption due to the dependence of most of our airports on a single commercial runway.*

As is the case with many other domestic and international airports around the world, all of our airports (except for our Cancún Airport) have only one commercial aviation runway. While we seek to keep our runways in good working order and to conduct scheduled maintenance during off-peak hours, we cannot assure you that the operation of our runways will not be disrupted due to required maintenance or repairs. In addition, our runways may require unscheduled repair or maintenance due to natural disasters, aircraft accidents and other factors that are beyond our control. The closure of any runway for a significant period of time could have a material adverse effect on our business, results of operations, prospects and financial condition.

*We are exposed to risks related to construction projects.*

The building requirements under our master development programs in Mexico could encounter delays or cause us to exceed our budgeted costs for such projects, which could limit our ability to expand capacity at our Mexican airports, increase our operating or capital expenses and adversely affect our business, results of operations, prospects and financial condition. Such



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delays or budgetary overruns also could limit our ability to comply with our Mexican master development programs. If we do not comply with our Mexican master development programs, we may be subject to fines or the loss of our Mexican concessions. Our current master development programs in Mexico are in effect until December 31, 2023. Renegotiation of our Mexican master development programs could lead to uncertainty regarding construction projects at our Mexican airports.

In addition, in November 2008, as part of our purchase of 130 hectares of land in the bay of Huatulco for Ps.286.3 million from the National Tourism Fund, or FONATUR, we agreed to construct at least 450 and up to 1,300 hotel rooms. In connection with the construction of these hotel rooms, we had agreed to meet a series of construction milestones, including presentation of a master development plan, submission of architectural plans, application for environmental permits, commencement of construction and substantial completion of construction. We had completed and presented a master development plan and FONATUR had granted us an extension of time to submit architectural plans, which were due on May 15, 2013. However, on March 26, 2013, FONATUR relieved us of the obligation to submit the architectural plans and complete the construction projects within a specific timeframe. Therefore, we no longer need to request an extension from FONATUR and we are no longer subject to penalties by FONATUR if we do not submit the plans or complete the construction project within the allotted time. However, we are still required to meet all other obligations, including presentation of a master development plan, submission of architectural plans, application for environmental permits, commencement of construction and substantial completion of construction. As of March 26, 2013, FONATUR no longer imposes a mandatory deadline for investments. For more information on the development in the bay of Huatulco, please see Item 4. Information on the Company Business Overview Other Properties.

*We are exposed to risks related to other business opportunities.*

In the spring of 2017, we, through our Cancún airport subsidiary, entered into agreements to acquire a controlling interest in Airplan and Aeropuertos de Oriente S.A.S. ( Oriente ). In October 2017, we received the necessary approvals from the Colombian regulatory authorities to conclude the acquisition of a 92.42% stake in Airplan. Airplan has concessions to operate the following airports in Colombia: the Enrique Olaya Herrera Airport in Medellín and José María Córdova International Airport in Rionegro, the Los Garzones Airport in Montería, the Antonio Roldán Betancourt Airport in Carepa, the El Caraño Airport in Quibdó and the Las Brujas Airport in Corozal. On May 25, 2018, we increased our ownership stake in Airplan to 100% by acquiring an additional 7.58% of Airplan's capital stock. We terminated our agreement to purchase Oriente in 2018.

We purchased the initial 92.42% interest in Airplan for an aggregate price of approximately U.S.\$201.6 million, subject to pricing adjustments and pursuant to a series of agreements with the respective shareholders of Airplan. We paid U.S.\$69.6 million of the purchase price with cash on hand, and obtained an unsecured loan of Ps.4,000.0 million from BBVA Bancomer in April 2017 to pay the balance of the purchase price. The loan had a term of one year and an interest rate calculated on the basis of the 28-day *Tasa de Interés Intercambiaría de Equilibrio*, or Interbank Equilibrium Interest Rate ( TIIE ) plus 0.60% from July 31 to October 31, 2017; TIIE plus 0.85% from October 31, 2017 to January 31, 2018; TIIE plus 1.10%

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from January 31 to April 30, 2018 and TIIE plus 1.60% from April 30 to July 31, 2018. This loan was paid on October 2017, and we, through our Cancún airport subsidiary, concurrently incurred two loans of Ps.2,000.0 million each, one with BBVA Bancomer and the other with Banco Santander.

Risks and uncertainties related to our interest in our Colombian airports include the diversion of attention of our senior management from the operation of our daily business, entering a new market in which we have limited experience and the possibility that revenues from the concessions may not offset increases in operating expenses associated with the concessions. We may also explore other business opportunities from time to time, which may result in risks and uncertainties similar to those described above. Our inability to successfully manage the risks and uncertainties related to such business opportunities could have a material adverse effect on our revenues, expenses and net income.

In July 2012, the Puerto Rico Ports Authority granted Aerostar, our Puerto Rican subsidiary, a concession to operate the Luis Muñoz Marín International Airport under the United States FAA's Airport Privatization Pilot Program. On February 27, 2013, the transaction was finalized and Aerostar began operating the LMM Airport. In relation to Aerostar's lease of the LMM Airport (the Lease), our Cancún airport subsidiary entered into a U.S.\$215.0 million credit facility with Bank of America Merrill Lynch and BBVA Bancomer to make capital contributions to Aerostar required by Aerostar's Operating Agreement. The credit facility was amended on November 16, 2017 to reduce the unsecured term loan commitments to U.S.\$145.0 million (which reduction was made concurrently with a repayment of U.S.\$70.0 million of the term loans) and to extend the facility's final maturity to 2022. Certain covenants in this credit facility restricted our ability to incur debt in the future, which could in turn limit our ability to pursue other business opportunities. On May 16, 2018, U.S.\$72.5 million of this credit facility was paid and on November 16, 2018, the remaining U.S.\$72.5 million of this credit facility was paid. For a more detailed description of the terms of this credit facility, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness. Additionally, our Cancún airport subsidiary pledged its membership interests in, and subordinated loan to, Aerostar, as collateral for debt incurred by Aerostar to fund a portion of the concession fee and contingent liabilities related to the concession. Our Cancún airport subsidiary's incurrence of debt and pledge of assets may limit our ability to obtain financing for future acquisitions or transactions. Other risks and uncertainties relate to our 2017 acquisition of a majority interest in Aerostar. We may be unable to fully implement our business plans and strategies for the integration of Aerostar's business into ours. The business growth opportunities, revenue benefits and other benefits expected to result from this acquisition may be delayed or not achieved as expected. To the extent that we incur higher integration costs or achieve lower revenue benefits or fewer cost savings than expected, our results of operations and financial condition may be adversely affected.

We may also explore other business opportunities from time to time, which may result in risks and uncertainties similar to those described above. Our inability to successfully manage the risks and uncertainties related to such business opportunities could have a material adverse effect on our revenues, expenses and net income.



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*Our LMM Airport business is conducted through Aerostar, which has a minority shareholder.*

On May 26, 2017 we acquired an additional 10% interest in Aerostar from our former joint venture partner, Oaktree Capital Management, L.P. ( Oaktree Capital ), increasing our total interest to 60.0%. The minority shareholder in Aerostar is PSP Investments, which acquired a 40.0% ownership interest in Aerostar from Oaktree Capital. We received all regulatory approvals for this transaction and, starting June 1, 2017, began to consolidate Aerostar's results into our financial statements. All operating and management decisions relating to Aerostar, except for major decisions, require the approval of the majority of the votes of the managers. However, major decisions, including requiring the members to make additional capital contributions, setting Aerostar's annual budget and approving distributions to Aerostar's members, require a supermajority vote of Aerostar's managers (a supermajority defined as a majority consisting of at least one manager designated by each member). Due to our 60% interest in Aerostar, we are entitled to designate a majority of members to the board of managers.

Our interest and strategies in Aerostar's operation of the LMM Airport may differ from those of PSP Investments given that our Cancún airport subsidiary made a subordinated shareholder loan to Aerostar in addition to its equity investment, because of the different nature of our respective businesses and for other reasons. These diverging interests may impair our ability to reach agreement with PSP Investments on certain major decisions. In the event that the managers appointed by each of our Cancún airport subsidiary and PSP Investments cannot reach an agreement on certain major decisions and there is a deadlock, any manager may refer the deadlock to the Chief Executive Officers of ASUR or AviAlliance Canada Inc., a wholly-owned subsidiary of PSP Investments ( AviAlliance ). If the Chief Executive Officers are unable to resolve the deadlock, then the matter will be referred to a non-binding mediation process. Finally, if the matter is not resolved through mediation, then either member can submit the dispute to final and binding arbitration. In the event that we do not reach an agreement with PSP Investments on an issue that requires the supermajority approval of the managers, the delay and cost resulting from a deadlock could adversely affect the operations of the LMM Airport and in turn could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market prices of our membership interests in Aerostar.

For a discussion of Aerostar's operating agreement and how it governs our involvement in Aerostar, see Item 4. Information on the Company Business Overview Aerostar's Operating Agreement.

*We are exposed to risks inherent to the operation of airports.*

We are obligated to protect the public at our airports and to reduce the risk of accidents. As with any company dealing with members of the public, we must implement certain measures for the protection of the public, such as fire safety in public spaces, design and maintenance of car parking facilities and access routes to meet road safety rules. We are also obligated to take certain measures related to aviation activities, such as maintenance, management and supervision of aviation facilities, rescue and fire-fighting services for aircraft, measurement of runway friction coefficients and measures to control the threat from birds and other wildlife on airport

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sites. These obligations could increase our exposure to liability to third parties for personal injury or property damage resulting from our operations.

*Our insurance policies may not provide sufficient coverage against all liabilities.*

While we seek to insure all reasonable risks, we can offer no assurance that our insurance policies would cover all of our liabilities in the event of an accident, terrorist attack or other incident. The markets for airport insurance and construction insurance are limited, and a change in coverage policy by the insurance companies involved could reduce our ability to obtain and maintain adequate or cost-effective coverage. A certain number of our assets cannot, by their nature, be covered by property insurance (notably aircraft movement areas, and certain civil engineering works and infrastructure). In addition, we do not currently carry business interruption insurance.

**Risks Related to the Regulation of Our Business**

*The price regulatory system applicable to our Mexican airports imposes maximum rates for each airport.*

*The price regulatory system does not guarantee that our consolidated results of operations, or that the results of operations of any Mexican airport, will be profitable.*

The system of price regulation applicable to our Mexican airports establishes an annual maximum rate for each airport, which is the maximum annual amount of revenues per workload unit (which is equal to one passenger or 100 kilograms (220 pounds) of cargo) that we may earn at that airport from services subject to price regulation. The maximum rates for our Mexican airports have been determined for each year through December 31, 2023. For a discussion of the framework for establishing our maximum rates and the application of these rates, see Item 4. Information on the Company Mexican Regulatory Framework Price Regulation and Item 4. Information on the Company Puerto Rican Regulatory Framework Price Regulation. Under the terms of our Mexican concessions, there is no guarantee that the results of operations of any airport will be profitable.

Our Mexican concessions provide that an airport's maximum rates will be adjusted periodically for inflation. Although we are entitled to request additional adjustments to an airport's maximum rates under certain circumstances, including the amendment of certain provisions of the Mexican Airport Law, our concessions provide that such a request will be approved only if the Ministry of Communications and Transportation determines that certain events specified in our Mexican concessions have occurred. The circumstances under which we are entitled to an adjustment are described under Item 4. Information on the Company Mexican Regulatory Framework Price Regulation Special Adjustments to Maximum Rates. There can be no assurance that any such request would be made or granted. If our request is not submitted in a timely manner, or if the adjustment is not approved by the Ministry of Communications and Transportation, our business, financial condition and results of operations may be adversely affected.

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*Our results of operations may be adversely affected by required efficiency adjustments to our Mexican maximum rates.*

In addition, our Mexican maximum rates are subject to annual efficiency adjustments, which have the effect of reducing the maximum rates for each year to reflect projected efficiency improvements. For the five-year term ending December 31, 2023, an annual efficiency adjustment factor of 0.70% was established by the Ministry of Communications and Transportation. Future annual efficiency adjustments will be determined by the Ministry of Communications and Transportation in connection with the setting of each airport's maximum rates every five years. For a description of these efficiency adjustments, see Item 4. Information on the Company Mexican Regulatory Framework Price Regulation Methodology for Determining Future Maximum Rates. We cannot assure you that we will achieve efficiency improvements sufficient to allow us to maintain or increase our operating income as a result of the progressive decrease in each airport's maximum rate.

*Changes to Mexican laws, regulations and decrees applicable to us could have a material adverse impact on our results of operations.*

The Mexican government has in the past implemented changes, and may in the future implement additional reforms, to the tax laws applicable to Mexican companies including ASUR. In addition, changes to the Mexican constitution or to any other Mexican laws could also have a material adverse impact on our results of operations and cash flows. For example, on May 23, 2014, a new Federal Economic Competition Law (*Ley Federal de Competencia Económica*) was enacted. The statute grants broad powers to the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) or COFECE, including the abilities to investigate and regulate essential facilities, investigate companies, eliminate barriers to competition in order to promote access to the market and order the divestment of assets. The statute also sets forth important changes in connection with mergers and anti-competitive behavior, increases liabilities that may be incurred for violations of the law, increases the amount of fines that may be imposed for violations of the law and limits the availability of legal defenses against the application of the law.

If the COFECE determines that a specific service or product is an essential facility, it has the ability to regulate access conditions, prices, tariffs or technical conditions for or in connection with the specific service or product. Some of the services we render are public services that are regulated by the Mexican government and we are unsure if the COFECE will apply the new competition law in the same manner and under the same considerations as it would apply to non-regulated service providers. The COFECE has previously determined that certain elements of the infrastructure at Mexico City International Airport may be considered essential facilities. Should the COFECE determine that all or part of the services we render in our Mexican airports are considered an essential facility, we may be required to implement significant changes to the way we currently do our business, which could have a material adverse impact on our results of operations.

In connection with tax matters, the terms of our concessions do not exempt us from any changes to the Mexican tax laws. Should the Mexican government implement changes to the tax laws that result in our having significantly higher income tax liability, we will be required to pay



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the higher amounts due pursuant to any such changes, which could have a material adverse impact on our results of operations.

In 2013, the Mexican government approved a comprehensive tax reform law. The tax reform law, which became effective January 1, 2014, contains numerous provisions which will have affected us, such as the repeal of the flat tax ( IETU ), the imposition of a 10.0% tax on dividends, a limitation on certain corporate deductions, changes in the tax consolidation rules and changes to indirect taxes such as VAT and changes in criteria for the deductibility of certain expenses and/or the accumulation of income. Moreover, dividends paid in excess of the net tax profit account ( CUFIN ) are subject to a tax of 42.86%. Tax due is payable by the company and may be credited against income tax for the year or the two immediately following fiscal years. Dividends paid from previously taxed earnings are not subject to withholding or additional taxes. Certain of these provisions may affect our cash flows and our results of operation. For more information on this and other changes to Mexican tax law, see Item 5. Operating and Financial Review and Prospects Taxation.

*Our Mexican concessions may be terminated under various circumstances, some of which are beyond our control.*

We operate each of our Mexican airports under 50-year concessions granted as of 1998 by the Mexican government. Any of the Mexican concessions may be terminated for a variety of reasons. For example, a concession may be terminated if we fail to make the committed investments required by the terms of that concession. In addition, in the event that we exceed the applicable maximum rate at an airport in any year, the Ministry of Communications and Transportation is entitled to reduce the applicable maximum rate at that airport for the subsequent year and assess a penalty. Violations of certain terms of a concession (including violations for exceeding the applicable maximum rate) can result in termination only if sanctions have been imposed for violation of the relevant term at least three times. Violations of other terms of a concession can result in the immediate termination of the concession. We would face similar sanctions for violations of the Mexican Airport Law or its regulations. Although we believe we are currently complying with the principal requirements of the Mexican Airport Law and its regulations, we may not be in compliance with certain requirements under the regulations. These violations could result in fines or other sanctions being assessed by the Ministry of Communications and Transportation, and are among the violations that could result in termination of a concession if they occur three or more times. For a description of the consequences that may result from the violation of various terms of our Mexican concessions, the Mexican Airport Law or its regulations, see Item 4. Information on the Company Mexican Regulatory Framework Penalties and Termination and Revocation of Concessions and Concession Assets. Under applicable Mexican law and the terms of our concessions, our concessions may also be subject to additional conditions, which we may be unable to meet. Failure to meet these conditions may also result in fines, other sanctions and the termination of the Mexican concessions.

In addition, the Mexican government may terminate one or more of our concessions at any time through reversion (*rescate*), if, in accordance with applicable Mexican law, it determines that it is required by national security or in the public interest to do so. In the event of a reversion (*rescate*) of the public domain assets that are the subject of our concessions, such assets would revert to the Mexican government and the Mexican government under Mexican law would be required to compensate us, taking into consideration investments made and depreciation of the relevant assets, but not the value of the assets subject to the concessions, based on the methodology set forth in a reversion (*rescate*) resolution issued by the Mexican

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Ministry of Communications and Transportation. There can be no assurance that we will receive compensation equivalent to the value of our investment in our concessions and related assets in the event of such a reversion (*rescate*).

In the event of war, natural disaster, grave disruption of the public order or an imminent threat to national security, internal peace or the economy, the Mexican government may carry out a requisition (*requisita* - step-in rights) with respect to our airports. The step-in rights may be exercised by the Mexican government as long as the circumstances warrant. In all cases, except international war, the Mexican government is required to indemnify us for damages and lost profits (*daños y perjuicios*) caused by such requisition, calculated at their real value (*valor real*); provided that if we were to contest the amount of such indemnification, the amount of the indemnity with respect to damages (*daños*) shall be fixed by expert appraisers appointed by us and the Mexican government, and the amount of the indemnity with respect to lost profits (*perjuicios*) shall be calculated taking into consideration the average net income during the year immediately prior to the requisition. In the event of requisition due to international war, the Mexican government would not be obligated to indemnify us.

In the event that any one of our Mexican concessions is terminated, whether through reversion (*rescate*), requisition (*requisita*) or otherwise, our other Mexican concessions may also be terminated. Thus, the loss of any of our concessions would have a material adverse effect on our business and results of operations. For a discussion of events which may lead to a termination of a Mexican concession, see Item 4. Information on the Company Mexican Regulatory Framework Penalties and Termination and Revocation of Concessions and Concession Assets. Moreover, we are required to continue operating each of our nine Mexican airports for the duration of our concessions, even if one or more of them are unprofitable.

*The Mexican government could grant new concessions that compete with our airports, including the Cancún International Airport.*

The Mexican government could grant additional concessions to operate existing government managed airports, or authorize the construction of new airports, that could compete directly with our airports. We may be denied the right to participate in the bidding processes to win these concessions.

Currently, the Mayan Riviera is served primarily by Cancún International Airport. We are unable to predict the effect that a new Mayan Riviera airport would have on our passenger traffic or operating results if the Mexican government decides to move forward with the project.

In February 2014, the Palenque International Airport opened in the city of Palenque, 46.9 miles from Villahermosa. We do not believe the Palenque International Airport has had any impact on passenger traffic at the Villahermosa International Airport and we estimate that any impact that may be experienced in the future will not be significant.

In addition, in certain circumstances, the Mexican government can grant concessions without conducting the public bidding process. Furthermore, the COFECE has the power, under certain circumstances, to reject awards of concessions granted by the government. Please see Item 4. Information on the Company Mexican Regulatory Framework Grants of New



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Concessions below. Grants of new concessions could adversely affect our business, results of operations, prospects and financial condition.

*We provide a public service regulated by the Mexican government and our flexibility in managing our aeronautical activities is limited by the regulatory environment in which we operate.*

Our aeronautical fees charged to airlines and passengers are, like most airports in other countries, regulated. In 2016, 2017 and 2018, 46.5%, 50.1% and 57.4%, respectively, of our total revenues were earned from aeronautical services at our Mexican airports, which were subject to price regulation under our maximum rates in Mexico. In 2018, 58.0% of our total revenues were earned from aeronautical services at all of our airports. These Mexican maximum rate regulations may limit our flexibility in operating our aeronautical activities, which could have a material adverse effect on our business, results of operations, prospects and financial condition. In addition, several of the regulations applicable to our operations that affect our profitability are authorized (as in the case of our master development programs in Mexico) or established (as in the case of our maximum rates in Mexico) by the Ministry of Communications and Transportation for five-year terms. Except under limited circumstances, we generally do not have the ability unilaterally to change our obligations (such as the investment obligations under our Mexican master development programs or the obligation under Mexican concessions to provide a public service) or increase our maximum rates applicable under those regulations should our passenger traffic or other assumptions on which the regulations were based change during the applicable term. In addition, there can be no assurance that this price regulation system will not be amended in a manner that would cause additional sources of our revenues to be regulated.

*We cannot predict how the Mexican regulations governing our business will be applied.*

Although Mexican law establishes ranges of sanctions that might be imposed should we fail to comply with the terms of one of our Mexican concessions, the Mexican Airport Law and its regulations or other applicable law, we cannot predict the sanctions that are likely to be assessed for a given violation within these ranges. We cannot assure you that we will not encounter difficulties in complying with these laws, regulations and instruments. Moreover, there can be no assurance that the laws and regulations governing our business will not change.

*If we exceed the maximum rate at any Mexican airport at the end of any year, we could be subject to sanctions.*

Historically, we have set the prices we charge for regulated services at each Mexican airport as close as possible to the prices we are allowed to charge under the maximum rate for that airport. We expect to continue to pursue this pricing strategy in the future. For example, in 2018, our revenues subject to maximum rate regulation represented 99.9% of the amount we were entitled to earn under the maximum rates for all of our Mexican airports. There can be no assurance that we will be able to establish prices in the future that allow us to collect virtually all of the revenue we are entitled to earn from services subject to price regulation.





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The specific prices we charge for regulated services are determined based on various factors, including projections of passenger traffic volumes, the Mexican producer price index (excluding petroleum) and the value of the peso relative to the U.S. dollar. These variables are outside of our control. Our projections could differ from the applicable actual data, and, if these differences occur at the end of any year, they could cause us to exceed the maximum rate at any one or more of our Mexican airports during that year.

If we exceed the maximum rate at any airport at the end of any year, the Ministry of Communications and Transportation may assess a fine and may reduce the maximum rate at that airport in the subsequent year. The imposition of sanctions for violations of certain terms of a concession, including for exceeding the airport's maximum rates, can result in termination of the concession if the relevant term has been violated and sanctions have been imposed at least three times. In the event that any one of our Mexican concessions is terminated, our other concessions may also be terminated.

*Depreciation of the Mexican peso may cause us to exceed our maximum rates.*

We aim to charge prices that are as close as possible to our maximum chargeable rates, and we are entitled to adjust our specific prices only once every six months (or earlier upon a cumulative increase of 5.0% in the Mexican producer price index (excluding petroleum)). However, we generally collect passenger charges from airlines 30 to 115 days following the date of each flight. Such tariffs for the services that we provide to international flights or international passengers in our Mexican airports are generally denominated in U.S. dollars but are paid in Mexican pesos based on the average exchange rate for the month prior to each flight. Accordingly, depreciation of the peso, particularly late in the year, could cause us to exceed the maximum rates at one or more of our airports, which could lead to the imposition of fines and the termination of one or more of our concessions. On December 31, 2017 and December 31, 2018, the peso/dollar exchange rate was nearly the same, Ps.19,640 per U.S.\$1.00 on December 29, 2017 and Ps. 19,635 per U.S.\$1.00 on December 31, 2018, but experienced intra-year volatility. In the event that any one of our Mexican concessions is terminated, our other concessions may also be terminated.

*The price regulatory system applicable to our Colombian airports does not guarantee that our consolidated results of operations, or that the results of operations of any Colombian airport, will be profitable.*

Our Colombian airports receive two kinds of remuneration for their operations, depending on the types of activities carried out in each airport. First, as a result of aeronautical operations at each airport (excluding fuel supply), Airplan charges airlines regulated tariffs for activities such as aircraft parking rights, subject to annual caps set by Aerocivil. These regulated tariffs are adjusted on an annual basis based on the Colombian consumer price index (*Índice de Precios al Consumidor*), or the IPC. Airplan also charges non-regulated tariffs for commercial activities, including leases and vehicle parking services, that may be set by the concession holder based upon supply and demand.

Although we are entitled to request additional adjustments to the regulated tariffs, any modification or amendment is subject to the approval of Aerocivil. If our request is not

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submitted in a timely manner, or if the adjustment is not approved by Aerocivil, our business, financial condition and results of operation may be adversely affected. For additional information, see Item 4 Business Overview Our Colombian Airports Aeronautical Revenues.

*Our Colombian concessions may be terminated under various circumstances, some of which are beyond our control, and such termination could have a material adverse effect on our business and results of operations.*

In the event of noncompliance with the terms of the Colombian concession agreement, the National Infrastructure Agency (*Agencia Nacional de Infraestructura*), or ANI may rescind the agreement and assess a penalty, the amount of which varies depending on the stage of the concession. Airplan is subject to a maximum penalty of U.S.\$20 million during the adaptation and modernization stage of the Colombian concession. During the maintenance stage of the concession, this maximum penalty may be reduced by 30.0%, 50.0% or 70.0%, depending on when the breach occurs.

Under applicable Colombian laws and the terms of the concession, a concession may be terminated upon certain events, including but not limited to: reaching the expected revenues set forth in the concession agreement; dissolution or bankruptcy of our subsidiary Airplan; and a failure to pay fines imposed due to noncompliance with the concession agreement. In addition, the Colombian government may terminate one or more of our concessions if it determines that it is required by national security or in the public interest to do so. The loss of our Colombian concessions could have a material adverse effect on our business and results of operations. For additional information, see **Item 4 Colombian Regulatory Framework Penalties and Termination of Colombian Concession.**

*Changes in existing or new laws and regulations in Mexico, Colombia, the United States and Puerto Rico, including tax laws, or regulatory enforcement priorities could adversely affect our businesses or investments.*

Laws and regulations at the local, regional and national levels, in Mexico, Colombia, the United States and Puerto Rico, change frequently, and the changes can impose significant costs and other burdens of compliance on our businesses or investments. Any changes in regulations, the interpretation of existing regulations, the imposition of additional regulations or the enactment of any new legislations that affect the airport sector, employment/labor, transportation/logistics, energy costs, tax or environmental issues, could have an adverse impact, directly or indirectly, on our financial condition and results of operations.

The level of environmental regulation in Mexico has significantly increased in recent years, and the enforcement of environmental laws is becoming substantially more stringent. We expect this trend to continue and to be stimulated by international agreements between Mexico and the United States. There can be no assurances that environmental regulations or their enforcement will not change in a manner that could have a material adverse effect on our business, results of operations, prospects or financial conditions.

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In addition, our subsidiary Aerostar, as operator of the LMM Airport, is subject to United States federal aviation laws and regulations issued by the FAA and the Transportation Security Administration, or TSA. However, because the LMM Airport is the first airport to be privatized under the Airport Privatization Pilot Program, it is unclear how the FAA will apply to Aerostar and the LMM Airport existing and future laws and regulations applicable to airport operators in the United States. If Aerostar fails to comply with existing or future laws and regulations, it could be subject to fines or be required to incur expenses in order to bring the LMM Airport into compliance. This and any other future changes in existing laws and changes in enforcement priorities by the governmental agencies charged with enforcing existing laws and regulations, as well as changes in the interpretation of these laws and regulations, can increase our businesses and investments compliance costs.

**Risks Related to Mexico**

*Appreciation, depreciation or fluctuation of the peso relative to the U.S. dollar could adversely affect our results of operations and financial condition.*

In 2018, the peso appreciated 0.03% against the U.S. dollar. From 2014 to 2017, the peso decreased substantially in value against the U.S. dollar, and if this depreciation were to resume, it could (notwithstanding other factors) lead to a decrease in Mexican domestic passenger traffic that may not be offset by any increase in international passenger traffic. Any future significant appreciation of the peso could impact our aggregate passenger volume by increasing the cost of travel for international passengers. Depreciation of the peso could impact our aggregate passenger traffic volume by increasing the cost of travel for Mexican domestic passengers, which may adversely affect our results of operations. In addition, there can be no assurance that any depreciation of the peso in the future will result in an increase to international passenger traffic.

In addition, depreciation of the peso against the U.S. dollar may adversely affect the dollar value of an investment in the ADSs and the Series B shares, as well as the dollar value of any dividend or other distributions that we may make.

Although we currently intend to fund the investments required by our business strategy through cash flow from operations and from peso-denominated borrowings and as of December 31, 2018, our Mexican airports did not have dollar-denominated liabilities, we may incur dollar-denominated debt to finance all or a portion of these investments. A devaluation of the peso would increase the debt service cost of any dollar-denominated indebtedness that we may incur and result in foreign exchange losses.

Severe devaluation or depreciation of the peso, or government imposition of exchange controls, may also result in the disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies.

*Economic developments in Mexico may adversely affect our business and results of operations.*

Although a substantial portion of our revenues is derived from foreign tourism, Mexican domestic passengers in recent years have represented approximately half of the passenger traffic volume in our Mexican airports. In addition, a significant amount of our assets are located, and a significant segment of our operations are conducted, in Mexico. As a result, our business,



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financial condition and results of operation could be adversely affected by the general condition of the Mexican economy, by a devaluation of the peso, by inflation and high interest rates in Mexico, or by political developments in Mexico.

*Mexico has experienced, and may in the future experience, adverse economic conditions.*

In the past, Mexico has experienced economic crises, caused by internal and external factors, characterized by exchange rate instability (including large devaluations), high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. We cannot assume that such conditions will not return or that such conditions will not have a material adverse effect on our business, financial condition or results of operations.

Mexico began to enter a recession in the fourth quarter of 2008, during which GDP fell by 1.6% and inflation increased by 2.5%. GDP fell by an additional 6.5% and inflation increased by an additional 3.6% in 2009. In 2010, the Mexican economy began to recover, with GDP increasing by 5.5% and inflation at 4.4%. In 2011, Mexican GDP increased 3.7% with inflation decreasing to 3.8%. In 2012, GDP increased 3.9% with inflation decreasing to 3.6%. In 2013, Mexican GDP increased 1.1% and inflation increased to 3.9%. In 2014, Mexican GDP increased 2.6% and inflation increased to 4.1%. In 2015, Mexican GDP increased 2.5% and inflation decreased to 2.1%. In 2016, Mexican GDP increased 2.8% and inflation increased to 3.4%. In 2017, Mexican GDP increased 2.3% and inflation increased to 6.8%, its highest level in 16 years. In 2018, Mexican GDP increased 2.0% and inflation increased to 4.8%.

If the Mexican economy does not continue to recover, if inflation or interest rates increase significantly or if the Mexican economy is otherwise adversely impacted, our business, financial condition or results of operations could be materially and adversely affected.

*Political developments in Mexico could adversely affect our operations.*

Our financial condition and results of operation may be adversely affected by changes in Mexico's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned enterprises could have a significant effect on Mexican private-sector entities in general, and us in particular, as well as on market conditions, prices and returns on securities, including our ADSs.

The most recent presidential and congressional elections took place in July 2018. Andrés Manuel López Obrador, presidential candidate for the National Regeneration Movement Party (*Movimiento de Regeneración Nacional*) ( *Morena* ), was elected President and took office on December 1, 2018, ending the Institutional Revolutionary Party's (Partido Revolucionario Institucional) ( *PRI* ) hold on the presidency. During the presidential campaign, Andrés Manuel López Obrador expressed, among other things, his intentions to modify and/or terminate certain structural reforms.



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Indeed, before taking office, López Obrador submitted to a national referendum the question of whether to continue construction of a new international airport in Mexico City, one of Mexico's most important infrastructure projects. Construction of the new international airport to replace Mexico City International Airport began in 2015 and was projected to be completed in 2020. The referendum was carried out by a private company contracted by Morena and through mechanisms not necessarily envisioned in the Constitution. The result of the referendum, announced on October 28, 2018, was to discontinue construction on the new international airport and, in its stead, build a new airport network consisting of three airports near the Mexico City metropolitan area. On December 27, 2018, the López Obrador administration formally terminated work at the new international airport in Mexico City. The López Obrador administration instead plans to continue to use Mexico City International Airport, to add additional runways to the military air base at Santa Lucia and to upgrade Toluca International Airport to handle Mexico City air traffic. Our Mexican domestic passenger traffic is highly dependent upon the operations of the Mexico City International Airport. We cannot assure you that any future uncertainty surrounding construction of a new Mexico City airport will not adversely affect the operations of the Mexico City International Airport.

Then on November 24 and 25, 2018, López Obrador and Morena held another such referendum. During this second referendum, voters approved the construction of a railway, labeled the Mayan Train, that would link Mayan archaeological and tourist sites in five southeastern states: Campeche, Chiapas, Quintana Roo, Tabasco and Yucatan. The Mayan Train is envisaged to be a four-year project costing U.S.\$7.4 billion which will connect Palenque with Cancún. We cannot assure you that the construction of the Mayan Train or any uncertainty around its construction will not impact the passenger traffic at our Mexican airports.

In his statements after the announcement of the referendum results, López Obrador expressed his intention to, during his term as president, to carry out more such referendums on matters, that in his judgment and that of his administration, are of national interest, and that the results of such referendums will be adopted without taking into account the economic impact they could have on financial markets. We cannot predict if and to what degree such a policy could generate economic instability in Mexico, nor if our operations or the legal framework under which we operate could be affected.

The Mexican government could implement significant changes in laws, policies and regulations, which could affect the economic and political situation in Mexico. We cannot predict how the new government will be managed, and the current or new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our ADSs. There is no guarantee that the relatively stable political environment in Mexico will continue in the future.

Mexican congressional elections also took place in July 2018, and Morena obtained an absolute majority as a result of its strategic coalition with the Labor Party (Partido del Trabajo) and the Social Encounter Party (Partido Encuentro Social). The coalition was known as "Together we will make history" (Juntos Haremos Historia). Mexico's next federal legislative election will be in July 2021. Morena may gain an absolute majority of the legislature, which



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could result in further reforms and secondary legislation of key sectors of the Mexican economy, such as the energy sector.

*Developments in other countries may affect the prices of securities issued by Mexican companies.*

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In October 1997, prices of both Mexican debt and equity securities decreased substantially as a result of the sharp drop in Asian securities markets. Similarly, in the second half of 1998 and in early 1999, prices of Mexican securities were adversely affected by the economic crises in Russia and Brazil. The Mexican debt and equities markets also have been adversely affected by ongoing developments in the global credit markets.

In addition, in recent years, economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. Therefore, adverse economic conditions in the United States, the termination of NAFTA or other related events could have a material adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not materially and adversely affect our business, financial condition or results of operations.

*The election of Mr. Donald J. Trump as President of the United States may create uncertainty for relations between Mexico and the United States, and could have a material adverse effect on our business, financial condition and results of operations.*

On January 20, 2017, Donald J. Trump was sworn into office as the President of the United States. As a presidential candidate, Mr. Trump expressed his intention to make changes related to immigration and trade, including the renegotiation of the North American Free Trade Agreement, or NAFTA, and raised the possibility of imposing increases on tariffs on goods imported into the United States, particularly from Mexico. The United States is Mexico's primary trading partner, and receives over 80 percent of Mexico's total exports. Weakened trading ties between Mexico and the U.S. could hurt industrial growth in the Mexican economy.

Negotiators for Mexico, the United States and Canada announced an agreement in September 2018, whereby certain aspects of NAFTA would be modified. The modifications include, among others, minimum wages rules for the automotive sector, greater access to Canadian dairy markets, and extension of copyright protections to 70 years beyond the life of the author. In addition, the revised NAFTA updates (for US and Mexico only) NAFTA's Chapter 11 investor-State dispute settlement procedures. The revised NAFTA (also called the United States - Mexico - Canada Agreement, or USMCA) modifications are still subject to confirmation by each nation's legislature. These are expected to include a 16-year sunset clause, meaning the terms of the agreement expire after a set period of time, as well as being subject to a review every six years, at which point the US, Mexico, and Canada can decide to extend the revised NAFTA or not. If the revised NAFTA or USMCA is terminated or otherwise modified, such termination or

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modification could materially impact Mexico's aviation sector. While it is difficult to predict their scope and effect, such changes could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and/or the market price of our ADSs.

Further, President Trump has expressed intentions to increase enforcement efforts in connection with immigration policy. If new federal immigration legislation is enacted, such laws may contain provisions that could make it more difficult for Mexican citizens to travel between Mexico and the United States. In addition, new immigration legislation could lead to uncertain economic conditions in Mexico that may affect leisure travel, including travel to and from Mexico. Such restrictions could have a material adverse effect on passenger traffic results at our Mexican airports. Following the election of President Trump, the Mexican peso experienced volatility in its depreciation against the U.S. dollar, though the peso appreciated against the U.S. dollar in 2017. If the peso were to experience depreciation volatility again, it could lead to a decrease in Mexican domestic passenger traffic that may not be offset by any increase in international passenger traffic.

Any attempt by President Trump to implement changes to United States-Mexico policy, including actions to withdraw from or materially modify NAFTA or USMCA, and to implement immigration reform, could have a material adverse effect on our business, financial condition or results of operations.

*Differences between the corporate disclosure requirements of Mexico and the United States may not adequately reflect our business and results of operations.*

A principal objective of the securities laws of the United States, Mexico, and other countries is to promote full and fair disclosure of all material corporate information, including accounting information. However, there may be different or less publicly available information about issuers of securities in Mexico than is regularly made available by public companies in countries with highly developed capital markets, including the United States.

In addition, accounting standards and disclosure requirements in Mexico differ from those of the United States. In particular, our financial statements are prepared in accordance with IFRS which differs from United States GAAP in a number of respects. Items on the financial statements of a company prepared in accordance with IFRS may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with United States GAAP.

*Mexican law and our bylaws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders.*

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexicans in respect of their ownership interests in ASUR and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed



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to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in ASUR. If you invoke such governmental protection in violation of this agreement, your shares could be forfeited to the Mexican government.

*It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons.*

ASUR is organized under the laws of Mexico, with its principal place of business (*domicilio social*) in Mexico City, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the United States federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of United States courts, of liabilities based solely on the United States federal securities laws.

*The protections afforded to minority shareholders in Mexico are different from those in the United States.*

Under Mexican law, the protections afforded to minority shareholders are different from those in the United States. In particular, the law concerning fiduciary duties of directors is not as fully developed as in other jurisdictions and there are different procedural requirements for bringing shareholder lawsuits. As a result, in practice it may be more difficult for minority shareholders of ASUR to enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a company incorporated in another jurisdiction, such as the United States.

**Risks Related to Colombia**

*Colombian government policies may significantly affect the economy, and, as a result, our business and operations in Colombia.*

Our business and results of operations at our Colombian airports are dependent on the economic conditions prevailing in Colombia. The Colombian government has historically exercised substantial influence on its economy, and is likely to continue to implement policies that will have an impact on the business and results of operations of entities in the country. Potential changes in laws, public policies and regulations may cause instability and volatility in Colombia, which could have a material adverse impact on our business and results of operations.

Although Colombia has maintained stable economic growth since 2003 and an inflation rate below 8.0% during the decade, in the past, economic growth has been negatively affected by lower foreign direct investment and high inflation rates and the perception of political instability. We cannot assure you that growth achieved in recent years by the Colombian economy will continue in future periods. If the perception of improved overall stability in Colombia deteriorates or if foreign direct investment declines, the Colombian economy may face a



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downturn, which could impact international and domestic traffic at our Colombian airports, and negatively affect our results of operations.

*Colombia has experienced several periods of violence and political instability, which could affect the economy and our operations.*

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla, paramilitary groups and drug cartels. In remote regions of the country, where governmental presence is minimal, these groups have exerted influence over the local population and funded their activities by protecting and rendering services to drug traffickers. In response, the Colombian government has implemented security measures and has strengthened its military and police forces, including the creation of specialized units. Despite these efforts, drug-related crime and guerrilla and paramilitary activity continue to exist in Colombia. Any possible escalation in the violence associated with these activities may have a negative impact on the Colombian economy in the future.

In the context of any political instability, allegations have been made against members of the Colombian government concerning possible ties with paramilitary groups. These allegations may have a negative impact on the Colombian government's credibility, which could in turn have a negative impact on the Colombian economy and tourism, and our operations there in the future. In October 2016, the Colombian Government signed a peace agreement with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia* or FARC) guerilla to seek their demobilization and end of the armed conflict. In November 2016, the Colombian government entered into a peace agreement with FARC without submitting the agreement to voter approval. On January 18, 2019 President Ivan Duque announced the termination of the negotiations for a peace agreement with the National Liberation Army, the second-largest guerilla group in the country. This decision was the result of a terrorist attack on a police station based in Bogotá, perpetrated by the ELN. In addition, some ex-guerrilla members continue to carry out illegal activities, including micro-drug trafficking and robbery, leading to the establishment of criminal bands in the Antioquia, Cauca and Valle del Cauca regions. As a result, local and national authorities have increased the presence of military and police forces, particularly in border zones and major cities such as Medellín.

In addition, Colombia has recently experienced substantial migration from Venezuela, leading to strained relations between the nations, including with respect to commercial relations. Air transport between Colombia and Venezuela has slowed in part due to political and economic instability in Venezuela.

In June 2018, Ivan Duque, a center-right politician, was elected president of Colombia, and took office in August 2018. It is uncertain whether the new government will impact certain policies, particularly with respect to guerrilla and paramilitary groups. As such, our Colombian operations could be adversely impacted by rapidly changing economic, political and social conditions in Colombia and by the Colombian government's response to such conditions. Additionally, any changes in the ruling government, regulations or policies relating to aeronautical services or investment, or shifts in political attitudes in Colombia are beyond our control.

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**Risks Related to Our ADSs**

*You may not be entitled to participate in future preemptive rights offerings.*

Under Mexican law, if we issue new shares for cash as part of a capital increase, we generally must grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage in ASUR. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally be permitted to allow holders of ADSs in the United States to exercise any preemptive rights in any future capital increase unless we file a registration statement with the U.S. Securities and Exchange Commission, or SEC, with respect to that future issuance of shares, or the offering qualifies for an exemption from the registration requirements of the Securities Act of 1933, as amended.

At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC and any other factors that we consider important to determine whether we will file such a registration statement.

We cannot assure you that we will file a registration statement with the SEC to allow holders of ADSs or shares in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the depository of preemptive rights and distribution of the proceeds from such sales to you, the ADS holders, is not possible. As a result, your equity interest in ASUR may be diluted proportionately.

*Holders of ADSs are not entitled to attend shareholders' meetings, and they may only vote through the depository.*

Under Mexican law, a shareholder is required to deposit its shares with the Secretary of the Company, the *S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.*, a Mexican or foreign credit institution or a brokerage house in order to attend a shareholders' meeting. A holder of ADSs will not be able to meet this requirement, and accordingly is not entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depository as to how to vote the shares represented by ADSs, in accordance with the procedures provided for in the deposit agreement and in accordance with Mexican law, but a holder of ADSs will not be able to vote its shares directly at a shareholders' meeting or to appoint a proxy to do so.

*Future sales of shares by us and our stockholders may depress the price of our Series B shares and ADSs.*

On August 17, 2010, JMEX B.V., which held 16.1% of our capital stock, disposed of 100.0% of its holdings or 47,974,228 Series B shares, in an underwritten public offering at a price of U.S.\$4.48 per Series B share. On January 4, 2012, Fernando Chico Pardo consummated the sale of 49.0% of ITA and 37,746,290 of his Series B shares to Grupo ADO for an aggregate purchase price of U.S.\$196.6 million.

Future sales of substantial amounts of our common stock or the perception that such future sales may occur, may depress the price of our ADSs and Series B shares. Although we and JMEX B.V. were subject to a lock-up in connection with the August 2010 sale, our other stockholders,

directors and officers were not subject to any lock-up agreements, and as a result,



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they were able to freely transfer their Series B shares immediately following the offering. We, our stockholders, directors and officers may not be subject to lock-up agreements in future offerings of our common stock. Any such sale may lead to a decline in the price of our ADSs and Series B shares. We cannot assure you that the price of our ADSs and Series B shares would recover from any such decline in value.

*We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could subject U.S. investors in shares of our common stock or ADSs to adverse tax consequences, which may be significant.*

We will be classified as a passive foreign investment company (a PFIC) in any taxable year in which, after taking into account our income and gross assets (and the income and assets of our subsidiaries pursuant to applicable look-through rules) either (i) 75% or more of our gross income for the taxable year consists of certain types of passive income or (ii) 50% or more of the average quarterly value of our assets is attributable to passive assets (assets that produce or are held for the production of passive income). We believe that we were not a PFIC for U.S. federal income tax purposes in 2018 and do not expect to be a PFIC in subsequent taxable years. PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets. Because our belief is based in part on the expected market value of our equity, a decrease in the trading price of our common stock and ADSs may result in our becoming a PFIC.

If we were to be or become classified as a PFIC, a U.S. Holder, as defined in Item 10.E. Taxation United States Federal Income Tax Considerations, that does not make a mark-to-market election may incur significantly increased U.S. income tax on gain at ordinary income tax rates recognized on the sale or other disposition of shares of our common stock or ADSs and on the receipt of distributions on the shares of our common stock or ADSs to the extent such distribution is treated as an excess distribution under the U.S. federal income tax rules. We do not intend to provide holders with the information necessary to make a QEF election (as described in Item 10.E. Taxation United States Federal Income Taxation Passive Foreign Investment Company). Thus, a U.S. Holder seeking to mitigate the potential adverse effects of the PFIC rules should consider making a mark-to-market election. Additionally, if we were to be or become classified as a PFIC, a U.S. Holder of shares of our common stock or ADSs will be subject to additional U.S. tax form filing requirements, and the statute of limitations for collections may be suspended if the U.S. Holder does not file the appropriate form. See Item 10.E. Taxation United States Federal Income Taxation Passive Foreign Investment Company.

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**FORWARD LOOKING STATEMENTS**

This Form 20-F contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports to the SEC on Forms 20-F and 6-K, in our annual report to shareholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

- projections of operating revenues, operating income, net income (loss), net income (loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios,
- statements of our plans, objectives or goals,
- statements about our future economic performance or that of Mexico or other countries in which we operate, and
- statements of assumptions underlying such statements.

Words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, should and intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed above under Risk Factors, include material changes in the performance or terms of our Mexican, Colombian and Puerto Rican concessions, developments in legal proceedings, economic and political conditions and government policies in Mexico, Colombia, Puerto Rico or elsewhere, inflation rates, exchange rates, regulatory developments, customer demand and competition. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments.

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**Item 4. Information on the Company**

**HISTORY AND DEVELOPMENT OF THE COMPANY**

Grupo Aeroportuario del Sureste, S.A.B. de C.V., or ASUR, is a corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. We were incorporated in 1998 as part of the Mexican government's program for the opening of Mexico's airports to private-sector investment. The duration of our corporate existence is indefinite. We are a holding company and conduct all of our operations through our subsidiaries. The terms ASUR, we and our in this annual report refer both to Grupo Aeroportuario del Sureste, S.A.B. de C.V. as well as Grupo Aeroportuario del Sureste, S.A.B. de C.V. together with its subsidiaries. Our registered office is located at Bosque de Alisos No. 47<sup>a</sup>-4th Floor, Bosques de las Lomas, 05120 México, D.F., México, telephone (5255) 5284 0408.

**Investment by ITA**

As part of the opening of Mexico's airports to investment, in 1998, the Mexican government sold a 15.0% equity interest in us in the form of 45,000,000 Series BB shares to ITA pursuant to a public bidding process.

ITA paid the Mexican government a total of Ps.1,165.1 million (nominal pesos, excluding interest) (U.S.\$120.0 million based on the exchange rates in effect on the dates of payment) in exchange for:

- 45,000,000 Series BB shares representing 15.0% of our outstanding capital stock (as of the date hereof, Series BB shares represent 7.65% of our outstanding capital stock following the conversion described below),
- three options to subscribe for newly issued Series B shares, all of which have expired unexercised, and
- the right and obligation to enter into various agreements with us and the Mexican government, including a participation agreement, a technical assistance agreement and a shareholders' agreement under terms established during the public bidding process. These agreements are described in greater detail under Item 7. Major Shareholders and Related Party Transactions Related Party Transactions.

Under the technical assistance agreement, ITA provides management and consulting services and transfers industry know-how and technology to ASUR in exchange for a technical assistance fee. This agreement is more fully described in Item 7. Major Shareholders and Related Party Transactions Related Party Transactions. The agreement provides us a perpetual and exclusive license in Mexico to use all technical assistance and know-how transferred to us by ITA or its stockholders during the term of the agreement. The agreement had an initial 15-year term which expired in 2013, and is automatically renewed for successive five-year terms, unless one party provides the other a notice of termination within a

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specified period prior to a scheduled expiration date. The agreement was renewed on June 29, 2018. Although Copenhagen Airports A/S ( Copenhagen Airports ) sold its stake in ITA to Mr. Chico

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Pardo in October 2010, this technical assistance agreement continues in force. ITA provides us assistance in various areas, including strategic planning, financial analysis and control, development of our commercial activities, preparation of marketing studies focusing on increasing passenger traffic volume at our airports, political and regulatory issues, assistance with the preparation of the master development plans that we are required to submit to the Ministry of Communications and Transportation with respect to each of our airports, construction programming, exploring and analyzing new business opportunities, and the improvement of our airport operations.

The technical assistance fee is equal to the greater of U.S.\$2.0 million, adjusted for United States inflation, or 5.0% of our annual consolidated earnings before comprehensive financing cost, income taxes and depreciation and amortization (determined in accordance with financial reporting standards applicable in Mexico and calculated prior to deducting the technical assistance fee under this agreement). The agreement was amended in 2012 to provide for quarterly payments of the fee. The fixed dollar amount decreased during the agreement's initial five years. The fixed dollar amount was U.S.\$5.0 million in 1999 and 2000, and U.S.\$3.0 million in 2001 and 2002. Since 2003, the fixed dollar amount is U.S.\$2.0 million before the annual adjustment for inflation (measured by the United States consumer price index) as from the first anniversary of the technical assistance agreement. In 2018, the fixed amount was U.S.\$3.0 million. We believe that this structure creates an incentive for ITA to increase our annual consolidated earnings before net comprehensive financing cost, income and asset taxes and depreciation and amortization. ITA is also entitled to reimbursement for the out-of-pocket expenses it incurs in its provision of services under the agreement. In 2016, 2017 and 2018, the technical assistance costs were Ps.288.1 million, Ps.346.5 million and Ps.386.2 million, respectively, greater than the fixed costs of Ps.60.0 million, Ps.58.3 million and Ps.59.4 million, respectively, for the same periods.

The technical assistance agreement allows ITA, its stockholders and their affiliates to render additional services to ASUR only if the Acquisitions and Contracts Committee of our Board of Directors determines that these related persons have submitted the most favorable bid in a public bidding process involving at least three unrelated parties. For a description of this committee, see Item 6. Directors, Senior Management and Employees Committees.

Under our bylaws and the technical assistance agreement, ITA has the right to elect two members of our Board of Directors (which currently consists of nine members) and their alternates, and to present the Board of Directors the name or names of the candidates for appointment as our chief executive officer, to remove our chief executive officer and to appoint and remove half of our executive officers. As the holder of the Series BB shares, ITA's consent is also required to approve certain corporate matters so long as ITA's Series BB shares represent at least 7.65% of our capital stock. In addition, our bylaws and the technical assistance agreement contain certain provisions designed to avoid conflicts of interest between ASUR and ITA. The rights of ITA in our management are explained in Item 6. Directors, Senior Management and Employees Committees.

The remaining 85.0% of our outstanding capital stock, which at that time (prior to the conversion in June 2007 by ITA of 22,050,000 Series BB shares into 22,050,000 Series B shares) consisted of 255,000,000 Series B shares, was sold by the Mexican government to a

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Mexican trust established by NAFIN. This trust subsequently sold the shares it held in us to the public. To our knowledge, the Mexican government no longer holds any of our shares.

ITA was restricted from transferring any of its remaining Series BB shares until December 18, 2008. From December 18, 2008 until December 17, 2013, ITA could sell in any year up to 20.0% of its remaining ownership interest in us represented by Series BB shares. These selling restrictions ended when the participation agreement expired on December 17, 2013. Our bylaws provide that Series BB shares must be converted into Series B shares prior to transfer. For a more detailed discussion of ITA's rights to transfer its stock, see Item 10. Additional Information Registration and Transfer.

As required under the participation agreement entered into in connection with the Mexican government's sale of the Series BB shares to ITA, ITA transferred its Series BB shares to a trust, the trustee of which is Banco Nacional de Comercio Exterior, S.N.C ( Bancomext ). Under the terms of the participation agreement and the trust agreement, ITA's majority shareholder, currently Fernando Chico Pardo, was required to, directly or indirectly, maintain an ownership interest in ITA of a minimum of 51.0% unless otherwise approved by the Ministry of Communications and Transportation. To the extent that Mr. Chico Pardo acquired shares of ITA in excess of a 51.0% interest, this additional interest could be sold without restriction. This ownership requirement expired on December 18, 2013. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders ITA Trust for a further description of these provisions. If ITA or its stockholders default on any obligation contained in the trust agreement, or if ITA defaults on any obligation contained in the technical assistance agreement, after specified notice and cure provisions, the trust agreement provides that the trustee may sell 5.0% of the shares held in the trust and pay the proceeds of such sale to ASUR as liquidated damages.

Pursuant to the terms of the trust, ITA may direct the trustee to vote the Series BB shares, currently representing 7.65% of our capital stock, regarding all matters other than capital reductions, payment of dividends, amortization of shares and similar distributions to our shareholders, which are voted by the trustee in accordance with the vote of the majority of Series B shares. The trust does not affect the veto and other special rights granted to the holders of Series BB shares described in Item 10. Additional Information.

Currently, Fernando Chico Pardo, our Chairman, directly holds 50.0% of ITA's shares. The other 50.0% is held by Inversiones Kierke, an entity owned and controlled by Grupo ADO. Mr. Chico Pardo became a stockholder in ITA in April 2004 when he acquired the 24.5% ownership stake of the French group Vinci, S.A. in ITA and a 13.5% ownership stake of the Spanish group Ferrovial Aeropuertos, S.A. in ITA. At the same time, Copenhagen Airports acquired Ferrovial Aeropuertos, S.A.'s 11.0% ownership interest in ITA, thereby increasing its participation in ITA from 25.5% to 36.5%. Mr. Chico Pardo acquired an additional 25.5% ownership stake in ITA through the exercise of his right of first refusal following the auction of such shares by NAFIN, a Mexican national credit institution and development bank controlled by the Mexican government. On April 29, 2005, Copenhagen Airports increased its participation in ITA from 36.5% to 49.0% through the purchase of shares from Mr. Chico Pardo.

In connection with the tender offers and other transactions undertaken by Mr. Chico Pardo in June 2007, ITA converted 22,050,000 Series BB shares representing 7.35% of our total

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outstanding capital stock into Series B shares and transferred such shares to Agrupación Aeroportuaria Internacional, S.A. de C.V. by means of a spin-off. As a result of this transaction, ITA currently holds 22,950,000 Series BB shares representing 7.65% of our total outstanding capital stock. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders Capital Stock Structure.

On October 13, 2010, Copenhagen Airports consummated the sale of its 49.0% stake in ITA to Mr. Chico Pardo. As a result of this transaction, Mr. Chico Pardo became the direct or indirect owner of 100% of the shares of ITA. On January 4, 2012, Fernando Chico Pardo consummated the sale of an entity that owns and controls 49.0% of the shares of ITA, Corporativo Galajafe, S.A. de C.V. ( Corporativo Galajafe ) (formerly Remer Soluciones), to Grupo ADO. On November 11, 2013, Corporativo Galajafe merged into Remer Soluciones, the total capital stock of which is 99% owned by Grupo ADO. On April 27, 2015, Remer Soluciones exercised its option to acquire an additional 1.0% interest in the outstanding shares of ITA for a purchase price of U.S.\$4.6 million. On June 4, 2018, Remer Soluciones merged into Consorcio SAFIJ, S.A. de C.V. ( Consorcio SAFIJ ) the total capital stock of which was 99% owned by Grupo ADO. Then, on August 7, 2018, Consorcio SAFIJ merged into Compañía Inmobiliaria y de Inversiones del Noroeste, S.A. de C.V. ( Noroeste ) the total capital stock of which was 99% owned by Grupo ADO. Finally, on October 15, 2018, Noroeste merged into Inversiones Kierke the total capital stock of which is 99% owned by Grupo ADO. In light of the foregoing, Inversiones Kierke and Fernando Chico Pardo each own 50.0% of ITA. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders ITA Trust.

Mr. Chico Pardo is the founder and President of Promecap, S.C. since 1997. He was appointed by ITA as a member of our Board of Directors and has been Chairman of the Board since April 28, 2005. He has also served as a board member of, among others, Grupo Financiero Inbursa, Conдумex, Grupo Carso, Sanborns Hermanos, Sears Roebuck de México, Grupo Posadas de México and Grupo Saltillo.

**Investment in Luis Muñoz Marín International Airport**

On July 11, 2012, Aerostar, a joint venture between our Cancún airport subsidiary and Oaktree Capital, submitted a successful bid for a concession to operate the LMM Airport. On February 27, 2013, the transaction was completed and Aerostar began operating the LMM Airport. On May 26, 2017, we acquired an additional 10% membership interest in Aerostar, pursuant to a Membership Interest Purchase Agreement, giving us a majority stake in the joint venture. In addition, Oaktree Capital sold its remaining 40.0% interest in Aerostar to PSP Investments, through its wholly-owned subsidiary AviAlliance, pursuant to a separate Membership Interest Purchase Agreement. Our Cancún airport subsidiary owns 60.0% of Aerostar's outstanding membership interests, which it has pledged on a non-recourse basis to secure up to U.S.\$410.0 million of indebtedness incurred by Aerostar to pay the upfront leasehold fee, fund capital expenditures and for working capital purposes. As member of Aerostar, our Cancún airport subsidiary is entitled to distributions. However, pursuant to the terms of Aerostar's debt, distributions are permitted only when Aerostar is in compliance with certain conditions. Additionally, our Cancún airport subsidiary made a U.S.\$100.0 million subordinated shareholder loan to Aerostar on February 22, 2013 to partially fund the cost of acquiring the concession to operate the LMM Airport and it is entitled to cash interest payments

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on this loan whenever certain conditions are met, including that dividends are permitted to be paid. Cash interest on the shareholder loan is paid in preference to any dividends that may be payable. When cash interest payments are not permitted, interest on this loan is capitalized.

**Acquisition of Colombian Airports**

In the spring of 2017, we, through our Cancún Airport subsidiary, entered into agreements to acquire a controlling interest in Airplan and Oriente. In October 2017, we received the necessary approvals from the Colombian regulatory authorities to conclude the acquisition of a 92.42% stake in Airplan. Airplan has concessions to operate the following airports in Colombia: the Enrique Olaya Herrera Airport in Medellín and José María Córdova International Airport in Rionegro, the Los Garzones Airport in Montería, the Antonio Roldán Betancourt Airport in Carepa, the El Caraño Airport in Quibdó and the Las Brujas Airport in Corozal. On May 25, 2018, we increased our ownership stake in Airplan to 100% by acquiring an additional 7.58% of Airplan's capital stock. We terminated our agreement to purchase Oriente in 2018.

We purchased the initial 92.42% interest in Airplan for an aggregate price of approximately U.S.\$201.6 million, subject to pricing adjustments and pursuant to a series of agreements with the respective shareholders of Airplan. We paid U.S.\$69.6 million of the purchase price with cash on hand, and obtained an unsecured loan from BBVA Bancomer in April 2017 to pay the balance of the purchase price. The loan had a term of one year and an interest rate calculated on the basis of the 28-day THIE plus 0.60% from July 31 to October 31, 2017; THIE plus 0.85% from October 31, 2017 to January 31, 2018; THIE plus 1.10% from January 31 to April 30, 2018 and THIE plus 1.60% from April 30 to July 31, 2018. This loan was paid on October 2017, and we, through our Cancún airport subsidiary, concurrently incurred two loans of Ps.2,000.0 million each, one with BBVA Bancomer and the other with Banco Santander.

**Master Development Programs in Mexico**

Under the terms of our Mexican concessions, each of our subsidiary concession holders is required to submit an updated master development plan for approval by the Ministry of Communications and Transportation every five years. Each master development plan covers a 15-year period and includes investment commitments for the regulated part of our business (including certain capital expenditures and improvements) for the succeeding five-year period and investment projections for the regulated part of our business (including certain capital expenditures and improvements) for the remaining 10 years (indicative investments). Once approved by the Ministry of Communications and Transportation, these commitments become binding obligations under the terms of our Mexican concessions. Committed investments are minimum requirements, and our capital expenditures may exceed our investment commitments in any period. In June 2018, the Ministry of Communications and Transportation approved each of our current updated master development plans. These plans are in effect from January 1, 2019 to December 31, 2023.

The following table sets forth our committed investments for the regulated part of our business for each Mexican airport pursuant to the terms of our current master development plans



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for the periods presented. Even though we have committed to invest the amounts in the table, those amounts could be lower or higher depending on the cost of each project.

**Committed Investments**

Airport	Committed Investments Year ended December 31,					Totals
	2019	2020	2021	2022	2023	
	(millions of constant Mexican pesos as of December 31, 2018)(1)					
Cancún	1,184.1(2)	2,679.3(2)	1,522.1(2)	1,155.6(2)	465.8(2)	7,007.0(2)
Cozumel	35.1	167.0	77.0	27.0	22.2	328.4
Huatulco	200.2	186.1	116.3	73.4	83.4	659.4
Mérida	406.5	892.8	648.4	316.8	100.1	2,364.5
Minatitlán	35.6	59.4	49.1	17.2	8.0	169.4
Oaxaca	85.6	490.5	240.6	70.9	25.8	913.4
Tapachula	13.2	51.8	34.8	45.5	32.6	177.8
Veracruz	99.9	260.7	109.7	69.7	50.7	590.6
Villahermosa	113.6	321.2	219.1	40.8	61.3	755.9
<b>Total</b>	<b>2,173.8</b>	<b>5,108.8</b>	<b>3,017.1</b>	<b>1,816.9</b>	<b>849.8</b>	<b>12,966.4</b>

(1) Based on the Mexican construction price index in accordance with the terms of our master development plan.

(2) As of December 31, 2018, we have invested Ps.367.8 million (which is included in the investment commitments for this period shown above).

The following table sets forth our committed and indicative investments for the regulated part of our business for each Mexican airport pursuant to the terms of our current master development plans for the periods presented.

Airport	Committed Investments	Indicative Investments	
	January 1, 2019 December 31, 2023	January 1, 2024 December 31, 2028	January 1, 2029 December 31, 2033
	(millions of constant Mexican pesos as of December 31, 2018)(1)		
Cancún	7,007.0(2)	6,322.9	4,826.2
Cozumel	328.4	359.1	211.4
Huatulco	659.4	369.8	234.3
Mérida	2,364.5	849.5	369.0
Minatitlán	169.4	197.3	81.5
Oaxaca	913.4	277.5	195.0
Tapachula	177.8	129.4	144.2
Veracruz	590.6	443.2	354.5
Villahermosa	755.9	412.2	343.3
<b>Total</b>	<b>12,966.4</b>	<b>9,360.9</b>	<b>6,759.4</b>

- (1) Based on the Mexican construction price index in accordance with the terms of our master development plan.
- (2) As of December 31, 2018, we have invested Ps.367.8 million (which is included in the investment commitments for this period shown above).

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**BUSINESS OVERVIEW**

We hold concessions to operate, maintain and develop nine airports in the southeast region of Mexico for fifty years from November 1, 1998. As operators of these airports, we charge airlines, passengers and other users fees for the use of the airports' facilities. We also derive rental and other income from commercial activities conducted at our airports, such as the leasing of space to restaurants and retailers. Our Mexican concessions include the concession for Cancún International Airport, which was the second busiest airport in Mexico in 2018 in terms of passenger traffic, and the first busiest in terms of international passengers in regular service, according to the *Dirección General de Aeronáutica Civil*, or General Office of Civil Aviation, Mexico's federal authority on aviation. We also hold concessions to operate the airports in Cozumel, Huatulco, Mérida, Minatitlán, Oaxaca, Tapachula, Veracruz and Villahermosa.

We own a controlling interest in Airplan. Airplan has concessions to operate the following airports in Colombia: the Enrique Olaya Herrera Airport in Medellín and José María Córdova International Airport in Rionegro, the Los Garzones Airport in Montería, the Antonio Roldán Betancourt Airport in Carepa, the El Caraño Airport in Quibdó and the Las Brujas Airport in Corozal.

In addition, our subsidiary Aerostar holds a lease to operate, maintain and develop the LMM Airport, in San Juan, Puerto Rico, for forty years from February 27, 2013.

**Mexico**

Mexico is one of the main tourist destinations in the world. Mexico has historically ranked in the top 10 countries worldwide in terms of foreign visitors, with approximately 41 million visitors in 2018, according to the Mexican Ministry of Tourism. Within Latin America and the Caribbean, Mexico ranked first in 2018 in terms of number of foreign visitors and income from tourism, according to the World Tourism Organization. The tourism industry is one of the largest generators of foreign exchange in the Mexican economy. Within Mexico, the southeast region (where our airports are located) is a principal tourist destination due to its beaches and cultural and archeological sites, which are served by numerous hotels and resorts.

Cancún and its surroundings were the most frequently visited international tourism destination in Mexico in 2018, according to the Mexican Ministry of Tourism. Cancún International Airport represented 75.4%, 76.0% and 75.8% of our Mexican passenger traffic volume and 82.7%, 82.8% and 81.4% of our Mexican revenues in 2016, 2017 and 2018, respectively. As of December 31, 2018, Cancún had 35,590 hotel rooms, according to the Mexican Ministry of Tourism. We believe that Cancún International Airport benefits from its proximity to the Mayan Riviera, a 129-kilometer (80-mile) stretch of coastal resorts and hotels that is among Mexico's most rapidly developing tourism areas. According to the Mexican National Trust for Tourism Development, the Mayan Riviera had 46,969 hotel rooms as of December 31, 2018.

Our Mexican airports served approximately 28.4 million passengers in 2016, approximately 31.1 million passengers in 2017 and approximately 33.2 million passengers in



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2018. For year-by-year passenger figures, see Item 4. Information on the Company Business Overview Our Mexican Airports.

The United States currently is a significant source of passenger traffic volume in our Mexican airports. In 2016, 2017 and 2018, international passengers represented 54.4%, 53.9%, and 52.3% respectively, of the total passenger traffic volume in our Mexican airports. In 2016, 2017 and 2018, 61.1%, 60.2% and 58.4%, respectively, of the international passengers in our Mexican airports traveled on flights originating in or departing to the United States. As of December 31, 2018, nine Mexican and 49 international airlines, including United States-based airlines such as American Airlines (previously American Airlines and U.S. Airways) and United Airlines (previously United Airlines and Continental Airlines), were operating directly or through code-sharing arrangements (where one aircraft has two or more flight numbers of different, allied airlines) in our Mexican airports.

The following table sets forth our revenues from our Mexican airports for the period presented.

	2016	Year Ended December 31, 2017	2018
	(thousands of Mexican pesos)		
<b>Revenues:</b>			
Aeronautical Services	Ps. 4,532,194	Ps. 5,319,484	Ps. 5,965,545
Non-Aeronautical Services	3,104,343	3,709,722	4,170,319
Construction Services	2,116,954	1,580,997	263,395
<b>Total</b>	<b>Ps. 9,753,491</b>	<b>10,610,203</b>	<b>10,399,259</b>

**Aeronautical Services****General**

Aeronautical services represent the most significant source of our revenues at our Mexican airports. All of our revenues from aeronautical services are regulated under the dual-till price regulation system applicable to our Mexican airports. For more information on the dual-till price regulation system, see Item 4. Information on the Company Mexican Regulatory Framework Price Regulation Regulated Revenues.

Our revenues from aeronautical services are derived from: passenger charges, landing charges, aircraft parking charges, charges for the use of passenger walkways and charges for the provision of airport security services. Charges for aeronautical services generally are designed to compensate an airport operator for its infrastructure investment and maintenance expense. Aeronautical revenues are principally dependent on three factors: passenger traffic volume, the number of air traffic movements and the weight of the aircraft. In 2016, 2017 and 2018, 46.5%, 51.5% and 58.0% of our consolidated revenues, respectively, were derived from aeronautical services.

**Passenger Charges**

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At our Mexican airports, we collect a passenger charge for each departing passenger on an aircraft (other than diplomats, infants and transfer and transit passengers). We do not collect

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passenger charges from arriving passengers. Passenger charges are automatically included in the cost of a passenger's ticket and generally collected twice monthly from each airline. As of February 2019, the charge for international passengers was U.S.\$22.52, U.S.\$25.56, U.S.\$25.86, U.S.\$25.86, U.S.\$23.28, U.S.\$23.28, U.S.\$23.28, U.S.\$24.14 and U.S.\$24.14 for the Cancún, Cozumel, Huatulco, Mérida, Minatitlán, Oaxaca, Tapachula, Veracruz and Villahermosa Airports, respectively. As of February 2019, the charge for Mexican domestic passengers was Ps.153.45, Ps.163.79, Ps.353.45, Ps.349.14, Ps.407.76, Ps.425.86, Ps.385.34, Ps.312.93 and Ps.290.52 for the Cancún, Cozumel, Huatulco, Mérida, Minatitlán, Oaxaca, Tapachula, Veracruz and Villahermosa Airports, respectively. International passenger charges are currently dollar-denominated, but generally collected in Mexican pesos based on the average exchange rate during the month prior to the flight. Mexican domestic passenger charges are peso-denominated. In each of 2016, 2017 and 2018, passenger charges at our Mexican airports represented 79.2%, 68.1% and 53.7%, respectively, of our aeronautical revenues and 36.8%, 35.3% and 31.2%, respectively, of our total consolidated revenues. From time to time, including in 2018, we have offered discounts on passenger charges at certain of our airports.

*Aircraft Landing and Parking Charges, Passenger Walkway Charges and Airport Security Charges*

At our Mexican airports, we collect various charges from carriers for the use of our facilities by their aircraft and passengers. For each aircraft's arrival, we collect a landing charge that is based on the average of the aircraft's maximum takeoff weight and the aircraft's weight without fuel. We also collect aircraft parking charges based on the time an aircraft is at an airport's gate or parking position. Parking charges at several of our Mexican airports vary based on the time of day that the relevant service is provided (with higher fees generally charged during peak usage periods at certain of our airports). We collect aircraft parking charges the entire time an aircraft is on our aprons. Airlines are also assessed charges for the connection of their aircraft to our terminals through a passenger walkway. We also assess an airport security charge, which is collected from each airline based on the number of its departing passengers. We provide airport security services at our airports through third-party contractors. We also provide firefighting and rescue services at our airports.

**Non-aeronautical Services**

*General*

At our Mexican airports, non-aeronautical services have historically generated a proportionately smaller portion of our revenues, but have become an increased source of revenues in recent years. Our revenues from non-aeronautical services are derived from commercial activities (such as the leasing of space in our airports to retailers, restaurants, airlines and other commercial tenants) and access fees charged to providers of complementary services in our airports (such as catering, handling and ground transport). In 2016, 2017 and 2018, 28.4%, 31.0% and 33.1% of our consolidated revenues, respectively, were derived from commercial revenues from our Mexican airports as defined under the Mexican Airport Law and from our international airports (Puerto Rico and Colombia) since June 1, 2017 and October 29, 2017, the dates on which we began consolidating the results of Puerto Rico and Colombia, respectively.

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Currently, the leasing of space in our Mexican airports to airlines and other commercial tenants represents the most significant source of our revenues from non-aeronautical services. Although certain of our revenues from non-aeronautical services are regulated under our dual-till price regulation system, our revenues from commercial activities (other than the lease of space to airlines and other airport service providers that is considered essential to an airport) are not regulated.

*Commercial Activities*

Leading international airports generally generate an important portion of their revenues from commercial activities. An airport's revenues from commercial activities are largely dependent on passenger traffic, its passengers' level of spending, terminal design, the mix of commercial tenants and the basis of fees charged to businesses operating in the airport. Revenues from commercial activities also depend substantially on the percentage of traffic represented by international passengers due to the revenues generated from duty-free shopping. We believe that revenues from commercial activities account for 25.0% or more of the consolidated revenues of many leading international airports. Accordingly, a significant part of our business strategy is focused on increasing our revenues from commercial activities in Mexican our airports.

In 2013, we opened 27 commercial spaces, including 21 in Cancún, two in Villahermosa, one in Veracruz, one in Cozumel and two in Oaxaca. In 2014, we opened 52 commercial spaces, including 32 in Cancún, four in Mérida, three in Villahermosa, two in Veracruz, five in Cozumel, three in Oaxaca, two in Huatulco and one in Minatitlán. In 2015, we opened 19 commercial spaces, including 14 in Cancún, one in Mérida, one in Veracruz, one in Oaxaca, one in Huatulco and one in Minatitlán. In 2016, we opened 21 commercial spaces, including 10 in Cancún, two in Mérida, one in Villahermosa, six in Veracruz and two in Huatulco. In 2017, we opened 67 commercial spaces, including 64 in Cancún, one in Oaxaca and two in Huatulco. In 2018, we opened 22 commercial spaces, including 15 in Cancún, 3 in Cozumel, 3 in Oaxaca, and one in Tapachula.

Within our nine Mexican airports, we leased 724 commercial premises through 318 contracts with tenants as of December 31, 2018, including restaurants, banks, retail outlets (including duty-free stores), currency exchange bureaus and car rental agencies. Our most important tenants in terms of occupied space and revenue in 2018 were Aldeasa and Controladora Mera and its affiliates.

*Access Charges*

At each of our Mexican airports, we earn revenues from charging access fees to various third-party providers of complementary services, including luggage check-in, sorting and handling, aircraft servicing at our gates, aircraft cleaning, cargo handling, aircraft catering services and assistance with passenger boarding and deplaning. Our revenues from access charges are regulated under our dual-till price regulation system. Under current regulations, each of these services may be provided by the holder of a Mexican airport concession, by a carrier or by a third party hired by a concession-holder or a carrier. Typically, these services are provided by third parties, whom we charge an access fee based on a percentage of revenues that





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they earn at our Mexican airports. Under the Mexican Airport Law, third-party providers of complementary services are required to enter into agreements with the respective concession holder at that airport. Nine different contractors provide handling services at our nine Mexican airports.

Consorcio Aeroméxico, the parent company of Aeroméxico, owns Administradora Especializada en Negocios, S.A. de C.V., or Administradora Especializada, the successor company to Servicios de Apoyo en Tierra, or SEAT, a company that provides certain complementary services, such as baggage handling, to various carriers at airports throughout Mexico. SEAT operated at our Mexican airports prior to our commencement of operations under our Mexican concessions and continues to do so through its successor company.

Under the Mexican Airport Law, we are required to provide complementary services at each of our Mexican airports if there is no third party providing such services. Each of our Mexican airports has more than one third party provider of complementary services. Minatitlán Airport has the least third party providers of complementary services with four.

***Automobile Parking and Ground Transport***

Each of our Mexican airports has public car parking facilities consisting of open-air parking lots. The only Mexican airport at which we do not charge parking fees is Cozumel. Revenues from car parking at our Mexican airports currently are not regulated, although they could become regulated upon a finding by the COFECE there are no competing alternatives.

We collect revenues from various commercial vehicle operators, including taxi, bus and other ground transport operators. Our revenues from permanent providers of ground transport services, such as access fees charged to taxis, are regulated activities, while our revenues from non-permanent providers of ground transport services, such as access fees charged to charter buses, are not regulated revenues.

***Airport Security***

The *Dirección General de Aeronáutica Civil*, or General Office of Civil Aviation, Mexico's federal authority on aviation, and the Office of Public Security issue guidelines for airport security in Mexico. At each of our Mexican airports, security services are provided by independent security companies that we hire. In recent years, we have undertaken various measures to improve the security standards at our Mexican airports. These measures included increasing the responsibilities of the private security companies that we hire, the implementation, in accordance with regulations issued by ICAO, of integrated computer tomography and baggage detection system for international and domestic flights to detect explosive traces, the modernization of our carry-on luggage scanning and security equipment, the implementation of strict access control procedures to the restricted areas of our Mexican airports and the installation of a closed-circuit television monitoring system in some of our Mexican airports.

In response to the September 11, 2001 terrorist attacks in the United States, we have taken additional steps to increase security at our Mexican airports. At the request of the Transportation Security Administration of the United States, the General Office of Civil Aviation issued directives in October 2001 establishing new rules and procedures to be adopted at our



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airports. Under these directives, these rules and procedures were to be implemented immediately and for an indefinite period of time.

To comply with these directives, we reinforced security by:

- increasing and improving the security training of Mexican airport personnel,
- increasing the supervision and responsibilities of both our security personnel and airline security personnel that operate in our Mexican airports,
- issuing new electronic identification cards to Mexican airport personnel,
- reinforcing control of different access areas of our Mexican airports, and
- physically changing the access points to several of the restricted areas of our Mexican airports.

Airlines have also contributed to the enhanced security at our Mexican airports as they have adopted new procedures and rules issued by the General Office of Civil Aviation applicable to airlines. Some measures adopted by the airlines include adding more points for verification of passenger identification, inspecting luggage prior to check-in and reinforcing controls over access to airplanes by service providers (such as baggage handlers and food service providers).

***Fuel***

All airport property and installations related to the supply of aircraft fuel were retained by the Mexican Airport and Auxiliary Services Agency in connection with the opening of Mexico's airports to private investment. Pursuant to our Mexican concessions, the Mexican Airport and Auxiliary Services Agency has entered into agreements obligating it to pay each of our subsidiary concession holders a fee for access to our facilities equivalent to 1.0% of the service charge for fuel supply. As of January 1, 2015, and as a result of certain structural reforms in Mexico's constitutional and regulatory framework in connection with, among other things, the energy sector, private parties are now eligible to commercialize and sell fuel in airports to air carriers and third-party service providers of non-aeronautical services. In order to commercialize and sell fuel in airports, the eligible private parties would require a permit from the Energy Regulatory Commission. In addition, the sale of fuel to third-party service providers of non-aeronautical services would require that such service providers obtain the favorable opinion from the Ministry of Energy, the Ministry of Communications and Transportation and the office of Mexico's attorney general. As of April 15, 2019, at least two third-party service providers are currently selling fuel at our Mexican airports.

*Construction Services Revenue*

Under IFRS, an operator of a service concession that is required to make capital improvements to concessioned assets, such as us, is deemed to provide construction or upgrade services. Revenues from construction services are recognized in accordance with the methods prescribed (input method) for measuring progress towards completion of each project, as approved by the

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grantor. Revenues from construction services are not subject to regulation under our dual-till price regulation system in Mexico, Colombia and Puerto Rico.

***Our Mexican Airports***

In 2018, our Mexican airports served a total of 33.2 million passengers, 52.3% of which were international passengers. In 2018, Cancún International Airport accounted for 75.8% of our Mexican passenger traffic volume and 81.4% of our Mexican revenues.

All of our Mexican airports are designated as international airports under Mexican law, which indicates that they are equipped to receive international flights and have customs and immigration facilities.

The following table sets forth the number of passengers served by our Mexican airports based on flight origination or destination.

**Passengers by Flight Origin or Destination(1)**

(in thousands)

Region	Year Ended December 31,					Percentage of Total 2018
	2014	2015	2016	2017	2018	
Mexico(2)	10,664	12,061	13,330	14,755	16,269	48.9%
United States	7,646	8,836	9,441	10,087	10,165	30.6%
Canada	1,883	1,995	2,071	2,244	2,449	7.4%
Europe	1,704	1,690	1,764	1,912	2,043	6.1%
Latin America	1,260	1,559	1,801	2,055	2,321	7.0%
Asia and others						
<b>Total</b>	<b>23,157</b>	<b>26,141</b>	<b>28,407</b>	<b>31,053</b>	<b>33,247</b>	<b>100%</b>

(1) Figures exclude passengers in transit and private aviation passengers.

(2) Figures include international passengers on domestic flights; in 2018, such passengers accounted for 2.4% of all Mexican domestic passengers.

In 2016, 2017 and 2018, 65.0%, 62.4% and 59.9%, respectively, of our Mexican domestic passengers traveled to or from Mexico City.

The following table sets forth the total traffic volume and air traffic movements in our nine Mexican airports for the periods presented:

**Airport Traffic**  
(in thousands)

	2014	2015	Year ended December 31, 2016	2017	2018
Passengers:					
<b>Total</b>	<b>23,157.6</b>	<b>26,141.0</b>	<b>28,407.0</b>	<b>31,052.6</b>	<b>33,247.3</b>
Air traffic movements:					
<b>Total</b>	<b>290.3</b>	<b>302.9</b>	<b>316.2</b>	<b>328.8</b>	<b>342.1</b>

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The following table sets forth the passenger traffic volume for each of our Mexican airports during the periods indicated:

**Passenger Traffic**

(in thousands)

	Year ended December 31,				
	2014	2015	2016	2017	2018
Cancún	17,455.4	19,596.5	21,415.8	23,601.5	25,202.0
Mérida	1,437.0	1,663.6	1,944.8	2,148.5	2,451.6
Villahermosa	1,121.4	1,273.1	1,240.8	1,260.3	1,227.7
Veracruz	1,157.5	1,249.9	1,315.9	1,368.0	1,488.6
Oaxaca	542.3	663.2	746.9	862.3	951.0
Huatulco	519.6	618.8	662.8	776.6	819.3
Cozumel	514.5	553.8	538.1	541.6	579.7
Minatitlán	234.7	256.4	233.2	201.2	196.8
Tapachula	175.2	265.7	308.8	292.6	330.6
<b>Total</b>	<b>23,157.6</b>	<b>26,141.0</b>	<b>28,407.1</b>	<b>31,052.6</b>	<b>33,247.3</b>

The following table sets forth the air traffic movements in each of our Mexican airports during the periods indicated:

**Air Traffic Movements by Airport(1)**

	Year ended December 31,				
	2014	2015	2016	2017	2018
Cancún	146,238	161,381	171,979	181,105	190,187
Veracruz	33,233	30,172	27,528	24,659	27,200
Mérida	31,731	33,340	37,050	43,362	50,091
Villahermosa	25,096	22,564	21,615	21,372	18,246
Oaxaca	15,267	15,249	17,312	19,276	18,635
Cozumel	14,866	16,321	15,858	15,092	15,065
Tapachula	8,657	8,989	9,373	9,749	8,867
Huatulco	7,774	8,268	8,892	9,486	9,356
Minatitlán	7,418	6,615	6,631	4,747	4,405
<b>Total</b>	<b>290,280</b>	<b>302,899</b>	<b>316,238</b>	<b>328,848</b>	<b>342,052</b>

(1) Includes departures and landings.

The following table sets forth the air traffic movements in our Mexican airports for the periods indicated in terms of commercial, charter and general aviation:



**Air Traffic Movements by Aviation Category**

	2014	2015	Year ended December 31, 2016	2017	2018
Commercial Aviation	236,741	248,213	264,293	277,504	285,163
Charter Aviation	6,970	8,142	5,895	3,323	3,606
General Aviation(1)	46,569	46,544	46,050	48,021	53,283
<b>Total</b>	<b>290,280</b>	<b>302,899</b>	<b>316,238</b>	<b>328,848</b>	<b>342,052</b>

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(1) General aviation generally consists of small private aircraft.

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***Cancún International Airport***

Cancún International Airport is our most important airport in terms of passenger volume, air traffic movements and contribution to revenues. In 2018, Cancún International Airport was the second busiest airport in Mexico in terms of passenger traffic and the second busiest in terms of international passengers in regular service, according to the General Office of Civil Aviation, Mexico's federal authority on aviation. The airport is located approximately 16 kilometers (10 miles) from the city of Cancún, which has a population of 848,465. A substantial majority of the airport's international passengers (61.0% in 2016, 60.1% in 2017 and 58.2% in 2018) began or ended their travel in the United States. The airport's most important points of origin and destination are Mexico City, Monterrey, Guadalajara, Toronto, Dallas and New York. Due to the airport's significant number of passengers from the United States, its traffic volume and results of operations are substantially dependent on economic conditions in the United States. See Item 3. Key Information Risk Factors Risks Related to Our Operations Our business could be adversely affected by a downturn in the economies of the United States or Mexico.

During 2018, approximately 25.2 million passengers traveled through Cancún International Airport, principally through Terminal 2, Terminal 3, which was opened in May 2007 and Terminal 4, which was opened in Nov 2017. After having closed in October 2005 following Hurricane Wilma, Terminal 1 was reopened in November 2013 to service an increased flight schedule of low-cost airlines such as VivaAerobus and MagniCharters.

Cancún is located in the state of Quintana Roo. Cancún and its surroundings were the most visited international tourism destination in Mexico in 2018, according to the Mexican Ministry of Tourism. According to the Mexican National Trust for Tourist Development, the Cancún area had 35,590 hotel rooms as of December 31, 2018. Although Cancún may be reached by land, sea or air, we believe most tourists arrive by air through Cancún International Airport. By air, Cancún is approximately one and a half to five hours from most major cities in the United States and 10 to 13 hours by air from most major European cities.

Cancún is located near beaches, coral reefs, ecological parks and Mayan archeological sites. Cancún International Airport serves travelers visiting the Mayan Riviera, which stretches from Cancún south to the Mayan ruins at Tulum, and includes coastal hotels and resorts in the towns of Playa del Carmen, Tulum and Akumal. According to the Mexican National Trust for Tourism Development, the greater Cancún area (including the Mayan Riviera) was estimated to have an aggregate of 82,559 hotel rooms as of December 31, 2018.

Since most of the airport's passengers are tourists, the airport's traffic volume and results of operations are influenced by the perceived attractiveness of Cancún as a tourist destination. See Item 3. Key Information Risk Factors Risks Related to Our Operations Our business is highly dependent upon revenues from Cancún International Airport.

The airport's facilities include a total of 66 aircraft parking stands, 18 of which are remote aircraft parking stands. Terminal 1 (the charter and low-cost airline terminal), Terminal 2 (the old main terminal, which includes a wing referred to as the satellite wing), Terminal 3 (the terminal that commenced operations in May 2007 as described below), Terminal 4 (the terminal that commenced operations in November 2017 as described below) and a general aviation

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building that handles private aircraft. The airport has 66 gates, 38 of which are accessible by passenger walkways. Terminal 1 has 6 contact gates. Terminal 2 has 9 gates accessible by passenger walkways, 3 contact gates and 8 remote gates. Terminal 3 has 17 boarding gates accessible by passenger walkways and 5 remote gates. Terminal 4 has 12 boarding gates accessible by passenger walkways and 6 remote gates. The airport has 469 retail outlets located throughout Terminals 1, 2, 3 and 4 and one bank branch located in Terminal 2.

Terminal 1 in Cancún International Airport, which we acquired on June 30, 1999, has an area of 20,383 square meters (approximately 234.0 thousand square feet).

As part of our commercial strategy, in the fourth quarter of 2005 we completed an expansion of 8,224 square meters (approximately 88.6 thousand square feet) and a remodeling of 1,387 square meters (approximately 14.4 thousand square feet), giving us a total of 52,522 square meters (approximately 563.3 thousand square feet) in Cancún Airport's Terminal 2. As part of our Mexican Master Development Program, we remodeled Terminal 2 in 2014. Specifically, we added security checkpoints and remodeled the space to improve passenger traffic. The remodel freed up space on the ground floor and upper level of Terminal 2 and, as a result, we were able to add new commercial spaces to the terminal.

On December 6, 2005, we began construction on Terminal 3, which we opened on May 17, 2007, and which began operations on May 18, 2007. With a total investment of approximately U.S.\$100.0 million, Terminal 3 constitutes our most ambitious investment project to-date. Terminal 3 doubled international passenger capacity at Cancún International Airport. The new building, measuring a total area of 45,263 square meters (approximately 487.2 thousand square feet), has capacity for 84 check-in counters and 11 boarding gates with boarding bridges and four remote boarding gates served by buses, as well as 27 retail outlets and one bank branch. The terminal features state-of-the-art passenger information systems and security equipment, including the first CT scanning system (a system that uses x-rays to form a three-dimensional model of the contents of a piece of luggage) in Mexico for all checked baggage.

Furthermore, in order to accommodate expected increases in passenger traffic and operations, the expansion of Terminal 3 was completed in 2015 as part of our master development program in Mexico. As part of the expansion, we carried out a remodeling of the security checkpoints, including the installation of additional security lines with X-ray equipment and more waiting areas, an expansion of the baggage reclaim area by approximately 1,800 square meters and the construction of additional carousels with larger flow space, an expansion of the customs area by approximately 1,400 square meters, a remodeling of the check-in area, including an expansion by approximately 700 square meters and the addition of approximately 30 new service counters, and the redesign of the boarding lounge to accommodate six additional contact stands and a mezzanine level for arrivals.

Terminal 4 opened in November 2017. Equipped with a total of 12 boarding gates, Terminal 4 can cater to up to nine million domestic and international passengers a year. The terminal has increased the airport's passenger handling capacity to 32 million passengers per year, while full completion of the terminal by 2020 will further increase the capacity to 40 million passengers per year.

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Terminal 4 is located to the west of the existing airport facilities, between runway ends 12L and 12R. The terminal building currently has a surface area of more than 64,000 square meters, as well as 10 security filters and 12 aircraft parking stands, each with its own boarding bridge. Terminal 4 has been designed to be easily expandable when capacity increases are required, without causing disruption in day-to-day operations, and will maintain separate passenger flows for domestic and international passengers. In addition, the terminal has a multi-level floor plan, with the upper level reserved for departing passengers and the mezzanine and lower levels for arriving passengers. The new terminal consists of ten buildings with two-level double height spaces and a mezzanine level. The international terminal, which also partners with Mexican domestic airlines AeroMéxico and Interjet, also features 2,540 square meters of retail space with seven duty-free stores.

Cancún International Airport currently has two runways. The first runway has a length of 3,500 meters (2.2 miles). The second runway, which was completed in 2009, has a length of 2,800 meters (1.7 miles). Along with the second runway, we also built a new control tower at Cancún airport in 2009.

In April 2006, we obtained a license to develop cargo facilities at Cancún International Airport, which are currently being operated by our subsidiary Caribbean Logistics, S.A. de C.V. (previously Asur Carga, S.A. de C.V.).

*Mérida International Airport*

Mérida International Airport serves the inland city of Mérida, which has a population of 929,642, and surrounding areas in the state of Yucatán. Mérida International Airport ranked second among our Mexican airports in 2018 in terms of passenger traffic. The substantial majority of this airport's passengers are domestic. The airport's primary point of origin and destination is Mexico City. In 2018, approximately 2.5 million passengers traveled through Mérida International Airport.

Mérida International Airport attracts a mix of both business travelers and tourists. The city of Mérida is an established urban area with numerous small and medium-sized businesses. The city is approximately 120 kilometers (75 miles) by highway from Chichen Itza and approximately 80 kilometers (50 miles) from Uxmal, pre-Columbian archeological sites that attract a significant number of tourists.

The airport has two perpendicular runways, one with a length of 3,200 meters (2.0 miles) and another with a length of 2,300 meters (1.4 miles). The airport has one terminal, with four gates accessible by passenger walkways and six boarding positions without walkways.

In 2016, 2017 and 2018, 19,127, 20,264 and 20,648 metric tons of cargo, respectively, were transported through Mérida International Airport, making it our leading airport in terms of cargo volume. In 2016, 2017 and 2018, Mérida represented 35.6%, 33.8% and 32.6%, respectively, of our total cargo volume.

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There are currently 47 businesses operating at Mérida International Airport. One business is operated by Grupo de Desarrollo del Sureste, S.A. de C.V. ( GDS ) pursuant to a long-term lease contract that terminated on January 1, 2009. This lease allowed GDS to

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construct and develop the airport's air cargo terminal. Because GDS continued operating the business notwithstanding the termination of the lease, we initiated legal proceedings to have them evicted. In February 2017, a final judgment was issued in the case between Aeropuerto de Mérida, S.A. de C.V. and GDS, terminating the lease agreement and ordering the return of 80,000 leased square meters to us. In December 2017, an area of 78,000 square meters was judicially delivered to us as part of the final judgment. Then in May 2018, we recovered full possession of the building leased to customs agents. However, despite two judgments in our favor, the return of 14,000 square meters currently in the possession of GDS remains pending.

In addition to the business formerly operated by GDS, we opened a retail store in the terminal in August 2007 and a car rental company was opened in October 2009. Our concession provides us the right to collect landing charges and parking charges for aircraft using the cargo terminal.

***Cozumel International Airport***

Cozumel International Airport is located on the island of Cozumel in the state of Quintana Roo. The airport primarily serves foreign tourists. During 2018, 579,719 passengers traveled through Cozumel International Airport, most of which were international passengers. Cozumel is the most frequently visited destination for cruise ships in Mexico, hosting approximately 3.6 million, 4.1 million and 4.3 million cruise ship visitors in 2016, 2017 and 2018, respectively. Cozumel has one of the world's largest coral reserves, and many passengers traveling to Cozumel are divers. The airport's most important points of origin and destination are Dallas, Mexico City, Atlanta and Houston. The island of Cozumel has a population of 98,004.

The airport has a commercial runway with a length of 2,700 meters (1.7 miles). The airport has one main commercial terminal with six boarding positions and a total area of 10,938 square meters (approximately 117.71 thousand square feet). The airport also has a general aviation building for small private aircraft. There are currently 43 businesses operating at Cozumel International Airport.

***Villahermosa International Airport***

Villahermosa International Airport is located in the state of Tabasco, approximately 75 kilometers (46.9 miles) from Palenque, a Mayan archeological site. The city of Villahermosa has a population of 722,133. Oil exploration is the principal business activity in the Villahermosa area, and most of the airport's passengers are businesspeople working in the oil industry. During 2018, the airport served approximately 1.2 million passengers, substantially all of which arrived on domestic flights. The airport's most important points of origin and destination are Mexico City, Monterrey, Guadalajara and Cancún.

As a result of a modernization project carried out in 2006, the airport's commercial aviation apron was extended by a total of 12,521 square meters (approximately 134.6 thousand square feet), representing an increase of 87.0%. The terminal building was expanded from 5,463 square meters (approximately 58.7 thousand square feet) to 9,584 square meters (approximately



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103.2 thousand square feet), representing an increase of 77.0%. There are currently 28 businesses operating at Villahermosa International Airport.

The airport has one runway with a length of 2,200 meters (1.4 miles), which was repaired in 2010. The airport's terminal has eight contact positions, including four with telescopic corridors for the direct boarding and deplaning of passengers between the aircraft and the terminal building.

In February 2014, the Palenque International Airport opened in the city of Palenque, 46.9 miles from Villahermosa. We do not believe the Palenque International Airport has had an impact on passenger traffic at the Villahermosa International Airport and we estimate that any impact that may be experienced in the future would not be significant.

***Oaxaca International Airport***

Oaxaca International Airport serves the city of Oaxaca, which is the capital of the state of Oaxaca. The city of Oaxaca, located 390 kilometers (243.8 miles) from the Pacific coast, has a population of 335,728. The airport served 951,037 passengers in 2018, most of which were domestic. The airport's passengers are primarily Mexican businesspeople and tourists, thus its passenger volume and results of operations are dependent on Mexican economic conditions. Oaxaca is a picturesque colonial city located near several tourist attractions, including the archeological ruins of Monte Alban and Mitla. The airport's most important point of origin and destination is Mexico City and Tijuana.

The airport has one runway with a length of 2,450 meters (1.5 miles) and a terminal building with six contact positions. The airport also includes a general aviation building for small private airplanes with 38 positions and two additional positions for helicopters. There are currently 26 businesses operating at Oaxaca International Airport.

***Veracruz International Airport***

Veracruz International Airport is located in the city of Veracruz along the Gulf of Mexico. The city of Veracruz has a population of 532,592. Veracruz is one of the busiest ports in Mexico, accounting for 14.4% of all commercial traffic in Mexican ports, and is the location of the country's largest container terminal. According to the Mexican Bureau of Ports, Veracruz accounted for 9.1% of all waterborne cargo handled by Mexican ports in 2018. In 2018, the airport served approximately 1.5 million passengers. Because the airport's passengers are primarily Mexican business people, its passenger volume and results of operations are dependent on Mexican economic conditions. The airport's most important points of origin and destination are Mexico City, Monterrey and Cancún.



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The original 4,065 square meters (43,700 square feet) of the terminal building at the airport were remodeled in 2005, and an extension of 2,000 square meters (21,500 square feet) was added, representing an increase of 49.0%. In addition, special collapsible jetways were built to protect passengers during boarding and disembarking, along with a new international baggage claim facility and bigger, newer offices and facilities for federal authorities. There are currently 36 businesses operating at Veracruz International Airport.

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At the end of 2015, we concluded an extensive remodeling and expansion project in the terminal building at the Veracruz International Airport, as foreseen in our Master Development Program in Mexico. In response to increased passenger numbers and with the aim of maintaining service standards, the surface area of the terminal building was expanded by 174% to over 17,500 square meters, with the installation of three new boarding gates with passenger boarding bridges, for a total of 9 gates. The expansion project has created increased capacity in baggage-screening facilities, queuing areas and counters for check-in, security filters, boarding lounges, luggage-reclaim areas, and public car parking, among other functional areas of the terminal-building complex. The new design of the terminal building also improves the separation of domestic and international passenger flows.

The airport has one perpendicular runway with a length of 2,400 meters (1.5 miles). The airport has one main commercial terminal. The airport also has a general aviation building for small private aircraft with 10 positions and five additional positions for helicopters.

***Huatulco International Airport***

Huatulco International Airport serves the Huatulco resort area in the state of Oaxaca on Mexico's Pacific coast. Huatulco has a population of 44,273, and was first developed as a tourist resort in the late 1980s. The airport served 819,305 passengers in 2018, most of which were domestic. The substantial majority of the airport's passengers are international tourists, although the majority arrive through domestic flights and are classified as domestic passengers because of their connection in Mexico City. The airport's most important points of origin and destination are Mexico City.

The airport has one runway with a length of 3,000 meters (1.9 miles). It was extended from a previous length of 2,700 meters (1.7 miles). The airport's terminal has seven remote positions. The airport has a general aviation building for small private airplanes with 22 positions. There are currently 41 businesses operating at Huatulco International Airport.

***Tapachula International Airport***

Tapachula International Airport serves the city of Tapachula, which has a population of 240,945, and the state of Chiapas. In 2018, the airport served 330,619 passengers, substantially all of which were domestic. The airport's passenger volume and results of operations are dependent on Mexican economic conditions since virtually all of its passengers are domestic. The airport's most important point of origin and destination is Mexico City.

The airport has one runway with a length of 2,000 meters (1.3 miles). The airport has one terminal with four remote boarding positions. The airport also has a general aviation building for small private aircraft with 19 positions. There are currently 20 businesses operating at Tapachula International Airport.

***Minatitlán International Airport***

Minatitlán International Airport is located near the Gulf of Mexico, 13 kilometers (8.1 miles) from the city of Coatzacoalcos in the state of Veracruz, 11 kilometers (6.9 miles) from the city of Cosoleacaque and 26 kilometers (16.2 miles) from the city of Minatitlán. The

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metropolitan area comprised of these three cities has a population of 115,648. In 2018, the airport served 196,786 passengers. In recent years, the airport's passenger traffic has decreased due to lower oil and petrochemical industry activity in Coatzacoalcos and Cosoleacaque. The airport's passengers are principally domestic business people drawn by the area's petrochemical and agriculture businesses. Because the airport's passengers are primarily Mexican travelers, its passenger volume and results of operations are dependent on Mexican economic conditions. The airport's most important point of origin and destination is Mexico City.

The airport has one runway with a length of 2,100 meters (1.3 miles). The airport's main terminal has four remote parking positions. The airport has a general aviation building for small private airplanes with 20 boarding positions. There are currently 25 businesses operating at Minatitlán International Airport.

**Other Mexican Properties**

In October 2008, we purchased 130 hectares of land on the bay of Huatulco from FONATUR for Ps.286.3 million. We won the right to purchase the land through a public bidding process that was part of a program launched by the Mexican government to accelerate the development of Huatulco as a flagship city for Mexican tourism. Pursuant to the terms of the purchase agreement, we are required to construct at least 450, and no more than 1,300 hotel rooms. We will be considered to have satisfied our obligations under the purchase agreement when at least 80.0% of the construction on 450 hotel rooms is completed. On March 26, 2013, FONATUR relieved us of the obligation to submit architectural plans and begin and complete construction within a specific timeframe. Therefore, we are no longer subject to penalties by FONATUR if we do not present the architectural plans or complete the project within the allotted time. However, we cannot assure you that FONATUR will not make future requests to complete the project within a set timeframe or that we will be able to timely complete the required steps within that timeframe. As of March 26, 2013, FONATUR no longer imposes mandatory deadlines for investment.

**Principal Air Traffic Customers of our Mexican Airports**

As of December 31, 2018, 61 international airlines and 59 Mexican airlines operated flights at our nine airports (including airlines operating solely on a code share basis). A code share arrangement means that airlines that do not fly their own aircraft into our airports arrange to share the passenger space in another airline's aircraft, with both airlines booking passengers through the same code.

Interjet is the Mexican airline that operates the most flights at our Mexican airports. Among foreign airlines, American Airlines and United Airlines operate the greatest number of flights to and from our Mexican airports. In 2018, American Airlines (previously American Airlines and U.S. Airways) and United Airlines (previously United Airlines and Continental Airlines) accounted for 9.9% and 9.3%, respectively, of our revenues.

During late March 2019, Interjet experienced a series of flight delays and cancellations resulting in part from a shortage of employees to serve all of Interjet's scheduled flights for the



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period. Interjet's management later announced that it had found a solution to prevent further service disruptions.

The following table sets forth our principal air traffic customers at our Mexican airports based on the percentage of regulated revenues they represented for the years ended December 31, 2016, 2017 and 2018:

**Principal Air Traffic Customers of our Mexican Airports**

<b>Customer</b>	<b>Percentage of ASUR Mexico Revenues</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
ABC Aerolíneas S.A. de C.V. (Interjet).	8.9%	8.7%	10.4%
American Airlines	10.4%	10.9%	9.9%
United Airlines, Inc.	10.1%	10.5%	9.3%
Delta Air Lines Inc.	6.5%	8.0%	7.6%
Concesionaria Vuela Compañía de Aviación SAPI de CV (Volaris)	7.4%	6.7%	7.6%
Aeroenlaces Nacionales, S. A. de C. V. (Viva Aerobus).	6.1%	6.7%	7.0%
Aerolitoral, S. A. de C. V. (Aeroméxico Connect).	6.2%	5.6%	6.0%
Aerovías de México, S. A. de C. V. (Aeroméxico).	6.3%	5.2%	4.9%
Southwest Airlines Co.	3.3%	4.4%	4.6%
Other	34.7%	33.3%	32.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Seasonality**

Our business is subject to seasonal fluctuations. In general, demand for air travel is typically higher during the summer months and during the winter holiday season, particularly in international markets, because there is more vacation travel during these periods. Our results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal, including economic conditions, war or threat of war, weather, air traffic control delays and general economic conditions, as well as the other factors discussed above. As a result, our operating results for a quarterly period are not necessarily indicative of operating results for an entire year, and historical operating results are not necessarily indicative of future operating results.

**Competition**

Since our business is substantially dependent on international tourists, the principal competition to our Mexican airports is from competing tourist destinations. We believe that the main competitors to Cancún are vacation destinations in Mexico, such as Acapulco, Puerto Vallarta and Los Cabos, and elsewhere such as Florida, Cuba, Jamaica, the Dominican Republic and other Caribbean islands and Central American resorts. In March 2000, a new airport opened in Chichen Itza. This airport is operated by the state of Yucatán.

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In addition, the Mexican government has announced its intention to grant a concession for a new airport in the Mayan Riviera through a public bidding process. The bidding process for the Mayan Riviera airport was announced on May 11, 2010. Three companies, including ASUR, participated in the bidding process. On January 31, 2011, the COFECE issued an

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unfavorable decision regarding our participation in the bidding process for the construction, maintenance and operation of the Riviera Maya airport. We disagreed with the decision and the views expressed by the COFECE and on March 11, 2011, we initiated legal proceedings pursuant to established Mexican legislation to defend our right to participate in the bidding process. On May 20, 2011, we were notified by the Ministry of Communications and Transportation, through the Mexican Civil Aviation Authority, that the international public bidding process was cancelled because none of the technical bids presented by the participants complied with the requirements established in the bidding documents. As a result, these legal proceedings were cancelled and have therefore terminated. No party was declared the winner of these legal proceedings. If the bidding process is restarted, we may again be denied the right to participate.

Currently, the Mayan Riviera is served primarily by Cancún Airport. Although the Ministry of Communications and Transportation has committed to adjust the master development plans and maximum rates for our airports within three months of the granting of a concession for the Mayan Riviera airport, we are unable to predict the effect that the new airport may have on our Mexican passenger traffic or operating results if the project is successfully carried out, and the extent of any revisions to our master development plans or maximum rates.

In February 2014, the Palenque International Airport opened in the city of Palenque, 46.9 miles from Villahermosa. We do not believe the Palenque International Airport has had an impact on passenger traffic at the Villahermosa International Airport and we estimate that any impact that may be experienced in the future would not be significant.

The Mexican Airport and Auxiliary Services Agency currently operates five small airports in Mexico's southeast region and Grupo Aeroportuario de Chiapas (GAC) operates two. The Mexican Airport and Auxiliary Services Agency estimates that its airports collectively account for less than 3.3% of passenger traffic in the region and GAC estimates that its airports account for less than 3.9% of passenger traffic in the region.

**Luis Muñoz Marín International Airport**

We, through our Cancún airport subsidiary, own a 60.0% interest in Aerostar, which has a 40-year lease for the LMM Airport. The LMM Airport is located three miles outside of San Juan, Puerto Rico. It is the Caribbean's largest and busiest airport, offering leisure and business travel to over 50 destinations. The LMM Airport serves the capital of San Juan and it is the primary gateway from Puerto Rico to international destinations and the mainland United States. The LMM Airport is ranked as the 18th largest medium hub facility and the 48th largest airport in the United States by the FAA based on number of enplanements, as of December 31, 2018. According to the Puerto Rico Ports Authority, in 2016, 2017 and 2018, approximately 9.0 million passengers, 8.4 million passengers and 8.4 million passengers, respectively, traveled through the LMM Airport.

The LMM Airport site covers approximately 1,300 acres of land. It does not face competition from other forms of surface transportation given its island location. The largest competing airport on the island is nearly two hours away by car from San Juan. The LMM Airport is a short driving distance from the largest hotels in Puerto Rico.



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The LMM Airport has an estimated capacity to handle up to 10 million enplanements annually, which is more than double its current usage. The LMM Airport is comprised of two runways and five terminals (Terminals A through E). Terminal A, which is the newest facility at the LMM Airport, opened in June 2012. Terminals B through E were constructed in various stages beginning with Terminals D and E in the late 1950s, then Terminal B in the 1980s and Terminal C in the 1990s. Terminal B was closed in November 2013 for remodeling, and we reopened the terminal during the fourth quarter of 2014. Terminal E is not currently in use and Terminal D is partially closed.

In 2017, LMM Airport opened eight commercial spaces. In 2018, 8 commercial spaces were opened.

**Principal Air Traffic Customers of LMM Airport**

As of December 31, 2018, 30 domestic and 14 international airlines were operating directly or through code-sharing arrangements, where two or more airlines share the same flight and each airline publishes and markets the flight under its own flight number, at LMM Airport. Some airlines serve both international and domestic destinations.

As of December 31, 2018, scheduled passenger air services at LMM Airport were provided by 32 airlines (together with regional affiliates and other partners).

The following table sets forth our principal air traffic customers at LMM airport based on the percentage of Puerto Rico regulated revenues they represented for the year ended December 31, 2018.

**Principal Air Traffic Customers of LMM Airport**

<b>Customer</b>	<b>Percentage of ASUR Puerto Rico Revenues</b>	
	<b>2017</b>	<b>2018</b>
JetBlue Airways	29%	29%
American Airlines	15%	13%
Southwest Airlines	9%	9%
Delta Air Lines Inc.	7%	6%
United Airlines	6%	5%
Seaborne Virgin Islands	4%	3%
Copa Airlines	3%	4%
Fedex	3%	3%
Spirit Airlines	2%	3%
Other	25%	25%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

On September 20, 2017, Hurricane Maria struck Puerto Rico, causing extensive damage to the hotel and tourist infrastructure on the island, which led to sharply reduced air passenger traffic at LMM Airport, especially during the third and fourth quarters of 2017. During the third and

fourth quarters of 2017, our passenger traffic in Puerto Rico decreased 15.8% relative to the

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same period in 2016. Our passenger traffic in Puerto Rico also decreased 0.4% in 2018 relative to 2017.

In 2018, passengers at LMM Airport traveling to and from the mainland United States represented 88% of total passenger traffic. The LMM Airport's passenger segments are primarily divided among leisure, visiting friends and relatives and business.

**Aerostar's Operating Agreement**

In order to participate in the bidding process for the LMM Airport, our Cancún airport subsidiary entered into a joint venture with two of Oaktree's infrastructure funds, Highstar Capital IV, L.P. (Highstar IV) and Highstar Aerostar Prism/IV-A Holdings, L.P. (Highstar Aerostar) and created Aerostar on March 14, 2012 for the purpose of leasing, developing, operating and managing the LMM Airport pursuant to the Lease Agreement, the Airport Use Agreements and the terms of the contracts related to the LMM Airport assumed by Aerostar as of February 27, 2013.

On February 22, 2013, our Cancún airport subsidiary made a U.S.\$100.0 million subordinated shareholder loan to Aerostar to partially fund the cost of acquiring the concession to operate the LMM Airport. This subordinated shareholder loan is now treated as an intercompany loan as we have consolidated Aerostar's financial results into ASUR's financial results.

In May 2017, Highstar Aerostar sold a 10.0% interest in Aerostar to Aeropuerto de Cancún, our Cancún subsidiary, pursuant to a Membership Interest Purchase Agreement. As a result of this transaction, Aeropuerto de Cancún holds a 60.0% equity interest in Aerostar. In addition, Highstar Aerostar sold its remaining 40.0% interest in Aerostar to PSP Investments, pursuant to a separate Membership Interest Purchase Agreement. Following the closing of both transactions, we now hold a 60.0% equity interest in Aerostar through our Cancún airport subsidiary, and PSP Investments holds a 40.0% equity interest through AviAlliance, a wholly-owned subsidiary. Starting June 1, 2017, we began to consolidate Aerostar's financial results into ASUR's financial results. We intend to continue operating Aerostar and the LMM Airport in a manner substantially consistent with prior operations.

Concurrently with the closing of these transactions, ASUR (through Aeropuerto de Cancún), Aerostar and PSP Investments agreed to amend and revise the Operating Agreement for Aerostar.

The Amended and Restated Operating Agreement prohibits any member from directly or indirectly selling, exchanging, transferring, pledging, assigning or otherwise disposing of its membership units to any person, with the exception of transfers (i) between investment funds where, following such transfer, the ownership interests remain under common ownership management or control or (ii) of shares of any member or any parent of such member that is publicly traded on a national or international stock exchange, whether or not the transfer occurs on such stock exchange. Restrictions on transfers include, among others, that (i) the proposed transferee must execute and deliver to the management board an instrument agreeing to be bound by the terms of the Amended and Restated Operating Agreement, (ii) each other member has

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been consulted as to any transferee becoming a member of Aerostar, (iii) the transferee (a) may not be a strategic airport competitor of ASUR, (b) is not and has not been involved in corrupt activities, (c) has not publicly stated it is insolvent, (d) is able to pay its debts as they become due and (e) has not filed for or is subject to bankruptcy and (iv) the transfer otherwise complies with the Amended and Restated Operating Agreement.

As a member of Aerostar, our Cancún airport subsidiary was required to make an initial capital contribution equivalent to (x) its proportionate share of the Leasehold Fee required under the Lease Agreement, minus (y) any anticipated net cash proceeds of any debt financing incurred for the purpose of paying the Leasehold Fee, multiplied by (z) its membership percentage at least two business days prior to the Closing. Our Cancún airport subsidiary's membership percentage at that time was 50.0%. Under the Amended and Restated Operating Agreement, our Cancún airport subsidiary is not required to make any additional capital contributions to Aerostar unless it is required to do so by the Amended and Restated Operating Agreement or such additional capital contributions are approved by the operating board of managers by supermajority vote. Additionally, if (i) during the terms of either the Lease Agreement or the Airport Use Agreements, Aerostar requires additional financing to meet its obligations under these agreements or to ensure that it is not insolvent, and Aerostar is not able to obtain financing on terms acceptable to the managers, or (ii) Aerostar's President and Chief Financial Officer reasonably determine that within thirty (30) days Aerostar will not have enough working capital to meet its current expenses, and the managers fail to agree by supermajority vote (a supermajority defined as a majority consisting of at least one manager designated by each member) that additional capital contributions are required, then the members are required to make such additional capital contributions, in proportion to their respective membership percentages, without the need for further action by the managers. If the managers agree or the President and CFO determine that additional capital contributions are needed, then the members must make such contribution within seven business days after the managers make the determination. To date, no additional capital contributions have been required. Our Cancún airport subsidiary is not entitled to receive interest on any capital contribution made to Aerostar.

Our Cancún airport subsidiary is entitled to distributions in accordance with its membership percentage, subject to the adequacy of projected cash flows after giving effect to any distribution, any capital expenditure requirements, any financial covenants contained in any financing documents or other agreements to which Aerostar is a party and the need to maintain a reasonable level of working capital for Aerostar.

Aerostar's property, business and affairs are managed by an operating board, and certain strategic decisions are left to a members board.

The operating board is comprised of eight managers, which are appointed by the members in proportion to their respective membership units. Each member that holds at least a 12.5% membership interest in Aerostar (each, an Electing Member) will be entitled to appoint, remove and replace one manager for each 12.5% interest it holds; any managers not elected by the Electing Members will be elected by a vote of the majority of membership interests. Accordingly, our Cancún subsidiary is entitled to designate four members of the board of managers and, because it has the majority of membership interests, is able to elect a fifth member. AviAlliance is entitled to elect three members of the board of managers.

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All operating and management decisions relating to Aerostar, except for major decisions, require the approval of the majority of the votes of the managers. Senior officers, including the President, Chief Financial Officer, and Chief Operating Officer, may be removed or replaced at any time and for any reason by a majority of the board of managers, which we control. Certain major decisions require the supermajority vote of the operating board. These decisions include:

- determining the amount of cash available for distributions and approving any distributions to be made to the members;
- amending in a material way the Lease to operate the LMM Airport, the Airport Use Agreements governing the Signatory Airlines' use of the LMM Airport or any financing documents to which Aerostar is a party;
- approving and implementing any incentive compensation, option or similar plan for officers or other employees of Aerostar;
- approving Aerostar's annual budget or any deviations from the set budgets by more than 5.0%, and the capital expenditure budget, any single capital expenditure in the budget greater than U.S.\$2.5 million and any single deviation from the capital expenditure budget in excess of the lesser of 5.0% or U.S.\$500,000;
- material borrowings from third parties and material encumbrances;
- affiliate transactions;
- changing Aerostar's corporate structure, business or business plans;
- settle any material litigation;
- sales of assets having a market value in excess of U.S.\$50,000 or U.S.\$500,000 in aggregate in any 12-month period;

- the determination of the contents of, and approval of, a final strategy document for the company's capacity enhancement plan;
- making calls for additional capital contributions by the members;
- any transaction to merge or consolidate Aerostar with another Person, any transaction to sell, transfer, assign, convey or otherwise dispose of all or substantially all of the assets or rights of Aerostar or any transaction to purchase all or substantially all of the assets or rights of any Person by Aerostar;
- any proposal to liquidate or dissolve Aerostar or have it file for bankruptcy or initiate similar proceedings;
- raising capital rights issues; and

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- commencing any legal proceedings on behalf of Aerostar against a member.

The Amended and Restated Operating Agreement provides that if there is a deadlock between the managers or the member representatives on any issue to which agreement by a supermajority of managers is required, and the deadlock is not resolved within 30 days following the giving of written notice of the existence of the deadlock by one manager to another manager, any manager may refer the deadlock to the Chief Executive Officers of ASUR or AviAlliance for resolution. If such persons are unable to resolve the deadlock within 21 days of being requested to resolve the matter, then the matter will be referred to a non-binding mediation process. Finally, if the matter is not resolved through mediation within 45 days (unless ASUR and AviAlliance agree otherwise) after a mediator is appointed, then either member can submit the dispute to final and binding arbitration.

### **Our Colombian Airports**

Our subsidiary Airplan, of which we own 100.00% of the capital stock, holds concessions to administer, operate, develop and maintain six airports in Colombia. Management considers both quantitative and qualitative factors in determining the final year of the concession term, which is 2032; however, in accordance with legal guidelines, the concession term may be extended until 2048 as long as the requirements established by the grantor are met. Our Colombian airports include José María Córdova International Airport in Rionegro and Enrique Olaya Herrera Airport in Medellín, Los Garzones Airport in Montería, Antonio Roldán Betancourt Airport in Carepa, El Caraño Airport in Quibdó, and Las Brujas Airport in Corozal.

### **Colombia**

Colombia continues to grow as an increasingly popular tourist destination in Latin America, attracting approximately 4.3 million international visitors in 2018, a 7.6% increase compared to the same period in 2017, according to the Colombian Ministry of Commerce, Industry and Tourism. In particular, Medellín and its outskirts, where we operate José María Córdova International Airport and Enrique Olaya Herrera Airport, is one of the most-visited cities in Colombia.

Our Colombian airports served approximately 10.2 million passengers in 2016, approximately 10.0 million passengers in 2017, and approximately 10.6 million passengers in 2018. For year-by-year passenger figures, see Our Colombian Airports.

### **Aeronautical Services**

#### ***General***

Pursuant to Airplan's 2008 concession agreement, the revenues from our Colombian airports are divided into two categories: regulated and non-regulated. Regulated revenues consist of revenues derived from aeronautical services. Regulated revenues are regulated by the concession

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agreement managed by the National Infrastructure Agency (*Agencia Nacional de Infraestructura*), or ANI, and are listed in certain resolutions issued by the Special Administrative Unit of Civil Aeronautics (*Unidad Administrativa Especial de Aeronáutica Civil*), or Aerocivil. Each aeronautical service is subject to a maximum tariff, established by Aerocivil. In addition, Aerocivil establishes the methodology and mechanisms to update and collect the tariffs. All tariffs are updated annually based on the Colombian consumer price index



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(*Índice de Precios al Consumidor*), or the IPC, and a formula set forth in Aerocivil Resolution 04530 of 2007. The tariffs on aeronautical services related to international flights, including international passenger charges, are denominated in U.S. dollars and updated annually based on the change in the U.S. consumer price index and a formula set forth in Aerocivil Resolution 04530 of 2007. Our revenues from aeronautical services are primarily derived from passenger charges for the use of terminals, takeoff, landing and aircraft movement charges, charges for boarding bridges and aircraft parking charges.

***Passenger Charges***

We collect a passenger charge for each departing passenger on an aircraft. Passenger charges are established and regulated by Aerocivil pursuant to Resolution 04530 of 2007. Pursuant to Aerocivil regulations and the concession agreement, José María Córdova, Montería and Quibdó Airports apply the same domestic passenger charge, Enrique Olaya Herrera Airport has its own domestic passenger charge and Carepa and Corozal apply the same domestic passenger charge. José María Córdova and Enrique Olaya Herrera Airports apply the same international passenger charge. International passenger charges are U.S. dollar-denominated. As of January 15, 2019, the charge for international passengers was U.S.\$40.0 for the José María Córdova and Enrique Olaya Herrera Airports. Colombian domestic passenger charges are Colombian peso-denominated. As of January 15, 2019, the charge for Colombian domestic passengers was COP\$16,300, COP\$20,600, COP\$16,300, COP\$8,200, COP\$16,300 and COP\$8,200 for the José María Córdova, Enrique Olaya Herrera, Montería, Carepa, Quibdó and Corozal Airports, respectively.

***Other Charges***

We collect various charges from carriers for the use of our facilities by their aircraft. For each aircraft's departure and arrival, we collect charges based on the rates set forth in Articles 5, 6 and 7 of Resolution 04530 of 2007, issued by Aerocivil. This resolution sets forth the maximum tariffs charged to domestic and international airlines for their respective flights. We also collect aircraft parking charges based on the time an aircraft is stationed at an airport's gate or parking position. After two hours have elapsed from the moment an aircraft enters one of our Colombian airports, we collect an hourly parking charge, equal to 5.0% of the maximum tariff established by Aerocivil, for the entire time the aircraft is on our aprons. Airlines are also subject to charges for the connection of their aircraft to our terminals through a boarding bridge. Pursuant to Airplan's concession agreement and Aerocivil regulations, we are required to provide (without additional charge) firefighting and rescue services at our airports. However, we collect charges from carriers for performing certain activities that require firefighting services, such as the use of firefighting cars for the supply of fuel and for cleaning fuel from platforms.

**Non-aeronautical Services**

***General***

Pursuant to Airplan's concession agreement, revenues from non-aeronautical services are not regulated. Our revenues from non-aeronautical services are derived from commercial activities, automobile parking and ground transport fees.



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***Commercial Activities***

Within our six Colombian airports, we leased 1,170 commercial premises through 754 contracts with local tenants as of December 31, 2018. Our most important tenants in terms of occupied space and revenue in 2018 were Aerovías del Continente Americano S.A., Marketmedios Comunicaciones S.A. and Organización Terpel S.A., LASA S.A. - Sociedad de Apoyo Aeronáutico, Terraire S.A.

***Automobile Parking and Ground Transport***

Each of our Colombian airports has public car parking facilities, which are provided either directly by us or by a third party. We provide public parking directly at Enrique Olaya Herrera Airport in Medellín and the Montería, Carepa airports and Quibdó Airports. Public parking was provided through a third party at the José María Córdova Airport in Rionegro until February 2019. Since February 2019, we have provided public parking directly at José María Córdova Airport. Pursuant to the concession agreement, we may charge third parties for the operation of our public parking and ground transport facilities; these charges are not regulated. We and the third party may negotiate freely on the price for the third party's operation of the parking or ground transport facilities. For those of our airports that do assess parking fees, we or a third party charge a fee for each individual vehicle entering the airport. Although parking and ground transport services are not directly regulated, the fee charged to each individual vehicle that enters parking or ground transport facilities at our Colombian airports cannot exceed a certain limit established by city authorities. We do not charge parking fees at Corozal.

***Airport Security***

Pursuant to the Colombian concession agreement, Airplan is responsible for security at each of the terminals comprising the concession. Airplan is also obligated to coordinate with Aerocivil and other security authorities, including the national police, to adopt procedures and measures aimed at guaranteeing the safety of the facilities and of airport users.

***Fuel***

Fuel access for our Colombian airports and related vehicles and aircrafts is governed by the concession agreement. Fuel supply is a service that constitutes part of our non-regulated revenue. We are required to ensure the delivery of fuel to the aircrafts at our Colombian airports, including facilitating access between private suppliers and third parties, but we are not directly responsible for supplying the fuel. Fuel supply operations at our Colombian airports must comply with certain Colombian regulations, including Annex 6 of the International Civil Aviation Organization and Decree 1521 of 1998. Notwithstanding our role in facilitating access to fuel, we are not involved in commercial relationships among the airlines and third parties supplying the fuel. We may assign space on our airport premises to fuel suppliers in exchange for a monthly payment. Moreover, we may charge fuel suppliers a tariff on the volume of fuel provided to aircraft. We have agreements with fuel suppliers Terpel and Energizar.

In the event it is not feasible to reach an agreement with the current fuel suppliers of the corresponding airport, we may enter into an agreement with a third party that will be in charge of operating the fuel distribution system. Under such an agreement, the third party operator makes



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a monthly payment to us in exchange for the space we grant it on our airport premises. The third party must also pay a tariff on the volume of fuel supplied to the aircrafts.

Aerocivil establishes safety guidelines and requirements with respect to fuel supply at our Colombian airports.

**Our Colombian Airports**

In 2018, our Colombian airports served a total of 10.6 million passengers, excluding passengers in transit and private aviation passengers. In 2018, José María Córdova International Airport accounted for 75.0% of our passenger traffic and 82.6% of our revenues, in each case from our Colombian airports.

José María Córdova International Airport in Rionegro and Enrique Olaya Herrera Airport in Medellín are designated as international airports under Colombian aeronautical regulations, which indicates that they are equipped to receive international flights and have customs and immigration facilities.

*José María Córdova International Airport*

José María Córdova International Airport is the second-busiest airport in Colombia in terms of passenger traffic. The airport is located in Rionegro, approximately 45 minutes from Medellín. Medellín has a population of approximately 2.5 million as of December 31, 2018, and is situated in a valley in the mountainous Antioquia department. The city is an urban center that is home to various businesses, museums, universities and parks. In addition, Medellín hosts an annual flower festival that attracts visitors.

The airport's most significant points of origin and destination are Bogotá, Cartagena, Panama City, Santa Marta, Cali, Miami, San Andrés, Barranquilla, Fort Lauderdale, Montería and Madrid. During 2018, approximately 8.03 million passengers traveled through José María Córdova International Airport, including 1.58 million international passengers and 6.45 million domestic passengers.

The following table sets forth the number of international passengers (excluding passengers in transit and private aviation passengers) at José María Córdova International Airport by flight origin or destination.

City	Year ended December 31, (in thousands)		
	2016	2017	2018
Panama City	468.8	497.0	557.1
Miami	236.5	279.7	316.6

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Fort Lauderdale	163.0	159.6	191.1
Madrid	71.8	105.0	140.9
Mexico City	60.5	72.2	94.9
Other	277.9	192.0	282.9
<b>Total</b>	<b>1,278.5</b>	<b>1,305.5</b>	<b>1,583.5</b>

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The following table sets forth the number of Colombian domestic passengers (excluding passengers in transit and private aviation passengers) that traveled through José María Córdova International Airport by flight origin or destination.

City	Year ended December 31, (in thousands)		
	2016	2017	2018
Bogotá	3,545.4	3,555.4	4,042.8
Cartagena	683.3	714.2	841.3
Cali	585.4	429.5	369.5
San Andrés	311.5	334.5	367.1
Barranquilla	352.5	299.6	306.9
Santa Marta	266.7	257.4	240.4
Other	271.6	302.5	280.6
<b>Total</b>	<b>6,016.4</b>	<b>5,893.1</b>	<b>6,448.6</b>

The airport's facilities include spaces for cargo operations. These spaces may be operated by third parties. José María Córdova International Airport currently has one runway, with a length of 3,440 meters (2.1 miles). José María Córdova International Airport was built in 1985 and currently has two terminals (passenger and cargo terminals).

There are currently 397 businesses operating in José María Córdova International Airport.

### *Enrique Olaya Herrera Airport*

Enrique Olaya Herrera Airport also serves the city of Medellín, and was the city's main airport until the opening of José María Córdova International Airport in 1985. The airport is conveniently located within Medellín city limits and serves domestic flights to cities such as Bogotá, Bucaramanga and Pereira. The airport's primary points of origin and destination are Quibdó, Apartadó, Bogotá, Montería, Pereira and Bucaramanga. In 2018, approximately 0.95 million passengers traveled through Enrique Olaya Herrera Airport.

The following table sets forth the number of Colombian domestic passengers (excluding passengers in transit and private aviation passengers) that traveled through Enrique Olaya Herrera Airport by flight origin or destination.

City	Year ended December 31, (in thousands)		
	2016	2017	2018
Quibdó	249.5	222.8	218.3
Apartadó	180.3	172.4	168.5
Bogotá	113.1	117.5	127.3
Montería	105.4	89.2	97.2
Pereira	90.8	80.8	93.2
Bucaramanga	61.9	55.1	54.2
Corozal	38.2	38.7	41.7
Manizales	19.2	34.6	32.1

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Other	183.2	198.9	119.6
<b>Total</b>	<b>1,041.6</b>	<b>1,010.0</b>	<b>952.1</b>



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The airport's facilities include spaces for cargo operations. These spaces may be operated by third parties. The airport has one runway, with a length of 1,800 meters (1.1 miles). Enrique Olaya Herrera Airport was built in 1932.

There are currently 194 businesses operating at Enrique Olaya Herrera Airport.

### *Los Garzones Airport*

Los Garzones Airport serves the city of Montería, Colombia. The city of Montería is located in the northern region of Colombia and has a population of 460,223 as of December 31, 2018. The city is located approximately 30 miles from the Caribbean Sea and has an inland seaport connected to the Caribbean Sea by the Sinú River. During 2018, 941,069 passengers traveled through Los Garzones Airport, including only Colombian domestic passengers. The airport's primary points of origin and destination are Bogotá and Medellín. The airport serves domestic flights to cities such as Bogotá, Medellín, Cartagena and Barranquilla.

The following table sets forth the number of Colombian domestic passengers (excluding passengers in transit and private aviation passengers) that traveled through Los Garzones Airport by flight origin or destination.

City	Year Ended December 31, (in thousands)		
	2016	2017	2018
Bogotá	687.8	655.9	654.8
Medellín	237.4	252.0	249.5
Barranquilla	30.4	27.6	25.4
Other	16.4	18.1	11.4
<b>Total</b>	<b>972.0</b>	<b>953.6</b>	<b>941.1</b>

The airport's facilities include spaces for cargo operations. These spaces may be operated by third parties. The airport has one runway, with a length of 2,164 meters (1.3 miles). Los Garzones Airport was built in 1974.

There are currently 61 businesses operating at Los Garzones Airport.

### *Antonio Roldán Betancourt Airport*

Antonio Roldán Betancourt Airport serves the city of Carepa, Colombia. The city of Carepa has a population of 57,233 as of December 31, 2018. During 2018, 197,018 passengers traveled through Antonio Roldán Betancourt Airport. The airport's primary

point of origin and

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destination is Medellín. The airport serves domestic flights to cities such as Bogotá, and Medellín.

The following table sets forth the number of Colombian domestic passengers (excluding passengers in transit and private aviation passengers) that traveled through Antonio Roldán Betancourt Airport by flight origin or destination.

City	Year Ended December 31, (in thousands)		
	2016	2017	2018
Medellín	188.8	179.9	181.4
Bogotá	10.4	10.9	10.3
Quibdó	8.9	7.3	5.4
Other	6.1	7.1	
<b>Total</b>	<b>214.2</b>	<b>205.2</b>	<b>197.1</b>

The airport's facilities include spaces for cargo operations. These spaces may be operated by third parties. The airport has one runway, with a length of 1,960 meters (1.2 miles). Antonio Roldán Betancourt Airport was built in 1989.

There are currently 25 businesses operating at Antonio Roldán Betancourt Airport.

*El Caraño Airport*

El Caraño Airport serves the city of Quibdó, Colombia, located on the Atrato River in the western region of the country. The city of Quibdó has a population of 115,907 as of December 31, 2018. During 2018, 326,923 passengers traveled through El Caraño Airport. The airport's primary points of origin and destination are Medellín and Bogotá. The airport serves domestic flights to cities such as Bogotá, Medellín and Cali.

The following table sets forth the number of Colombian domestic passengers (excluding passengers in transit and private aviation passengers) that traveled through El Caraño Airport by flight origin or destination.

City	Year Ended December 31, (in thousands)		
	2016	2017	2018
Medellín	249.6	225.2	223.8
Bogotá	84.5	88.9	79.8
Cali			14.1
Bahía Solano	17.9	16.9	1.5
Other	43.0	44.5	7.7
<b>Total</b>	<b>395.0</b>	<b>375.5</b>	<b>326.9</b>



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The airport's facilities include spaces for cargo operations. These spaces may be operated by third parties. The airport has one runway, with a length of 1,400 meters (0.9 miles). El Caraño Airport was built in 1957.

There are currently 59 businesses operating at El Caraño Airport.

### *Las Brujas Airport*

Las Brujas Airport serves the city of Corozal, Colombia. The city of Corozal has a population of 63,246 as of December 31, 2018. During 2018, 91,137 passengers traveled through Las Brujas Airport. The airport's primary point of origin and destination is Bogotá. The airport serves domestic flights to cities such as Bogotá and Medellín.

The following table sets forth the number of Colombian domestic passengers (excluding passengers in transit and private aviation passengers) that traveled through Las Brujas Airport by flight origin or destination.

City	Year Ended December 31, (in thousands)		
	2016	2017	2018
Bogotá	38.3	42.5	56.8
Medellín	38.6	40.5	34.3
Other	0.4	0.1	0.0
<b>Total</b>	<b>77.3</b>	<b>83.1</b>	<b>91.1</b>

The airport's facilities include spaces for cargo operations. These spaces may be operated by third parties. The airport has one runway, with a length of 1,440 meters (0.9 miles). Las Brujas Airport was built in 1939.

There are currently 18 businesses operating at Las Brujas Airport.

### **Principal Air Traffic Customers of our Colombian Airports**

As of December 31, 2018, 13 international and 8 Colombian airlines operated flights at our six Colombian airports.

Avianca is the Colombian airline that operates the most flights at our Colombian airports. Among foreign airlines, COPA and LATAM operate the greatest number of flights to and from our Colombian airports.



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The following table sets forth our principal air traffic customers at our Colombian airports based on the percentage of revenues they represented for the year ended December 31, 2018.

**Principal Air Traffic Customers at Our Colombian Airports**

<b>Customer</b>	<b>Percentage of ASUR Colombia Revenues Year Ended December 31,</b>	
	<b>2017</b>	<b>2018</b>
Aerovías del Continente Americano (AVIANCA)	26.2%	26.4%
AeroRepública S.A. (COPA Airlines)	16.5%	16.7%
Fast Colombia SAS (Viva Colombia)	12.0%	10.4%
Aerovías de Integración Regional S.A. (LATAM)	6.6%	7.2%
American Airlines Inc.	6.1%	5.7%
Trans American Airlines (TACA)	4.5%	3.6%
Empresa Aérea de Servicios y Facilitación Logística Integral (EASYFLY)	4.4%	4.0%
Spirit Airlines Inc.	3.2%	3.4%
Satena	2.9%	2.9%
Jet Blue Airways Corporation	2.8%	2.9%
Others	14.8%	16.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Seasonality**

Our business is subject to seasonal fluctuations. In general, demand for air travel in Colombia is typically higher during December, January and July. Our results of operations generally reflect this seasonality, but may also be impacted by other factors that are not necessarily seasonal, including economic conditions, the threat of violence or war, weather and air traffic control delays.

**Competition**

Our principal competition is from competing destinations in Colombia and Latin America. We believe that the main competitors to our José María Córdova International Airport in Rionegro are Bogotá and Cartagena, as well as other destinations in Latin America, such as Panama City and Lima.

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**MEXICAN REGULATORY FRAMEWORK**

**Applicable Law in Mexico**

The following are the principal laws, regulations and instruments that govern our business and the operation of our Mexican airports:

- the General Law of Commercial Corporations, enacted August 4, 1934,
- the Mexican Communications Law, enacted February 19, 1940,
- the Federal Labor Law, enacted April 1, 1970,
- the Customs Law, enacted December 15, 1995,
- the Value Added Tax Law, enacted December 29, 1978,
- the Mexican Federal Duties Law, enacted December 31, 1981,
- the Mexican Civil Aviation Law, enacted May 12, 1995,
- the Social Security Law, enacted December 21, 1995,
- the Mexican Airport Law, enacted December 22, 1995,
- the regulations to the Mexican Civil Aviation Law, enacted December 7, 1998,



- the concessions that entitle our subsidiaries to operate our nine airports, which were granted in 1998 and amended in 1999,
- the regulations to the Mexican Airport Law, enacted February 17, 2000,
- the Mexican National Assets Law, enacted May 20, 2004,
- the Securities Market Law, enacted December 30, 2005,
- the Income Tax Law, enacted December 11, 2013, and
- the Federal Economic Competition Law, enacted May 23, 2014.

The Mexican Airport Law and the regulations to the Mexican Airport Law establish the general framework regulating the construction, operation, maintenance and development of Mexican airport facilities. The Mexican Airport Law's stated intent is to promote the expansion, development and modernization of Mexico's airport infrastructure by encouraging investment and competition.

Under the Mexican Airport Law, a concession granted by the Ministry of Communications and Transportation is required to construct, operate, maintain or develop a

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public service airport in Mexico. A concession generally must be granted pursuant to a public bidding process, except for: (i) concessions granted to (a) entities considered part of the federal public administration as defined under Mexican law and (b) private companies whose principal stockholder may be a state or municipal government; (ii) concessions granted to operators of private airports (who have operated privately for five or more years) wishing to begin operating their facilities as public service airports; and (iii) complementary concessions granted to existing concession holders. Complementary concessions may be granted only under certain limited circumstances, such as where an existing concession holder can demonstrate, among other things, that the award of the complementary concession is necessary to satisfy passenger demand. In 1998, the Ministry of Communications and Transportation granted nine concessions to operate, maintain and develop the nine principal airports in Mexico's southeast region to our subsidiaries. Because our subsidiaries were considered entities of the federal public administration at the time the concessions were granted, the concessions were awarded without a public bidding process. Each of our concessions was amended on March 19, 1999 in order, among other things, to incorporate each airport's maximum rates and certain other terms as part of the concession.

The Mexican National Assets Law among other items establishes regulations relating to concessions on real property held in the public domain, including the airports that we operate. The Mexican National Assets Law requires concessionaires of real property held in the public domain that are used for administrative or other non-public purposes to pay a tax. In addition, the Mexican National Assets Law establishes grounds for revocation of concessions for failure to pay this tax.

On February 17, 2000, the regulations to the Mexican Airport Law were issued. Although we believe we are currently complying with the principal requirements of the Mexican Airport Law and its regulations, we are not in compliance with certain requirements under the regulations. These violations could result in fines or other sanctions being assessed by the Ministry of Communications and Transportation, and are among the violations that could result in termination of a concession if they occur three or more times.

On May 23, 2014, a new Federal Economic Competition Law (*Ley Federal de Competencia Económica*) was enacted. The statute grants broad powers to the COFECE, including the abilities to investigate and regulate essential facilities, investigate companies, eliminate barriers to competition in order to promote access to the market and order the divestment of assets. The statute also sets forth important changes in connection with mergers and anti-competitive behavior, increases liabilities that may be incurred for violations of the law, increases the amount of fines that may be imposed for violations of the law, and limits the availability of legal defenses against the application of the law.

If the COFECE determines that a specific service or product is an essential facility, it has the ability to regulate access conditions, prices, tariffs or technical conditions for or in connection with the relevant service or product. The COFECE has previously determined that certain elements of the infrastructure at Mexico City International Airport may be considered essential facilities. As of the date of filing, the COFECE has not made any determination that the services we render in our Mexican airports are considered an essential facility.

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On January 26, 2015, an amendment to the Mexican Airport Law was published and enacted. Among other matters, the amendment includes provisions that intend to create a competitive market for the suppliers of complementary services. To this end, the amendment establishes that a concession holder may not limit the number of providers of complementary services in its airport, except in instances in which space, efficiency and/or safety warrant such a limitation. If a concession holder denies entry to any complementary service provider, that service provider may file a complaint before the Ministry of Communications and Transportation.

Additionally, on June 8, 2016, an amendment to the Mexican Airport Law was published and enacted, in terms of which additional provisions were included in connection with the granting of concessions or resolutions to extend the term thereof, establishing requirements to be carried out by the Ministry of Communications and Transportation before the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) in case public funds are used to finance an airport project.

**Role of the Ministry of Communications and Transportation**

The Ministry of Communications and Transportation is the principal regulator of airports in Mexico and is authorized by the Mexican Airport Law to perform the following functions:

- grant, modify and revoke concessions for the operation of airports,
  
- establish air transit rules and rules regulating take-off and landing schedules through the Mexican air traffic control authority,
  
- take all necessary action to create an efficient, competitive and non-discriminatory market for airport-related services,
  
- approve any transaction or transactions that directly or indirectly may result in a change of control of a concession holder,
  
- approve the master development plans prepared by each concession holder every five years,
  
- determine each airport's maximum rates,

- approve any agreements entered into between a concession holder and a third party providing airport or complementary services at its airport,
- establish safety regulations,
- monitor airport facilities to determine their compliance with the Mexican Airport Law, other applicable laws and the terms of the concessions, and
- impose penalties for failure to observe and perform the rules under the Mexican Airport Law, the Mexican Airport Law regulations and the concessions.

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In addition, under the Mexican Organic Law of the Federal Public Administration, the Mexican Airport Law and the Mexican Civil Aviation Law, the Ministry of Communications and Transportation is required to provide air traffic control, radio assistance and aeronautical communications at Mexico's airports. The Ministry of Communications and Transportation provides these services through SENEAM, the Mexican air traffic control authority, which is a division of the Ministry of Communications and Transportation. Since 1978, the Mexican air traffic control authority has provided air traffic control for Mexico's airports.

**Scope of Mexican Concessions and General Obligations of Concession Holders**

As authorized under the Mexican Airport Law, each of the concessions held by our subsidiaries is for an initial 50-year term from November 1, 1998. This initial term of each of our Mexican concessions may be renewed in one or more terms for up to an additional 50 years, subject to the concession holder's acceptance of any new conditions imposed by the Ministry of Communications and Transportation and to its compliance with the terms of its concession.

In order to renew a concession, the Ministry of Communications and Transportation must obtain a favorable opinion from the Tax Ministry, which will analyze the profitability of each of the airports together with the costs and benefits of renewing the concession. Such analysis compares the cash revenues that may be generated from the use, benefit and exploitation of the public domain assets and services subject to the relevant concessions against the associated costs. The Tax Ministry must issue a resolution on the profitability of each airport within 30 days following receipt of all relevant information from the Ministry of Communications and Transportation. If the Tax Ministry does not issue a resolution within the 30-day period, it will be deemed that the Tax Ministry issued favorable opinion. In addition, together with the profitability analysis, the Ministry of Communications and Transportation shall submit a proposal for the concession fee applicable to the renewed period to the Tax Ministry.

The Mexican concessions held by our subsidiary concession holders allow the relevant concession holder, during the term of the concession, to: (i) operate, maintain and develop its airport and carry out any necessary construction in order to render airport, complementary and commercial services as provided under the Mexican Airport Law and the Mexican Airport Law regulations; and (ii) use and develop the assets that comprise the airport that is the subject of the concession (consisting of the airport's real estate and improvements but excluding assets used in connection with fuel supply and storage). These assets are government-owned assets, subject to the Mexican National Assets Law. Upon expiration of a concession, these assets automatically revert to the Mexican government at no charge.

Substantially all of the contracts entered into by the Mexican Airport and Auxiliary Services Agency with respect to each of our airports have been assigned to the relevant concession holder for each airport. As part of this assignment, each concession holder agreed to indemnify the Mexican Airport and Auxiliary Services Agency for any loss suffered by the Mexican Airport and Auxiliary Services Agency due to the concession holder's breach of its obligations under an assigned agreement.

Under the Mexican Federal Duties Law, each of our subsidiary concession holders is required to pay the Mexican government a concession fee based on its gross annual regulated

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revenues from the use of public domain assets pursuant to the terms of its concession. Currently, this concession fee is set at a rate of 5.0% and may be revised annually by the Mexican Congress. Our Mexican concessions provide that we may request an amendment of our maximum rates if there is a change in this concession fee.

Mexican concession holders are required to obtain a certification for the facilities pursuant to the Mexican Airport Law and its regulations, as well as applicable national and international standards.

Mexican concession holders are required to provide airport security. If public order or national security is endangered, the competent federal authorities are authorized to act to protect the safety of aircraft, passengers, cargo, mail, installations and equipment.

Each Mexican concession holder and any third party providing services at an airport is required to carry specified insurance in amounts and covering specified risks, such as damage to persons and property at the airport, in each case as specified by the Ministry of Communications and Transportation. To date, the Ministry of Communications and Transportation has not specified the required amounts of insurance. We cannot assure you that we will not be required to obtain additional insurance once these amounts are specified.

We and our Mexican subsidiary concession holders are jointly and severally liable to the Ministry of Communications and Transportation for the performance of all obligations under the concessions held by our subsidiaries. Each of our subsidiary concession holders is responsible for the performance of the obligations set forth in its concession, including the obligations arising from third-party contracts, as well as for any damages to the Mexican government-owned assets that they use and to third-party airport users. In the event of a breach of one concession, the Ministry of Communications and Transportation is authorized to revoke all of the Mexican concessions held by our subsidiaries.

The shares of a Mexican concession holder and the rights under a concession may be subject to a lien only with the approval of the Ministry of Communications and Transportation. No agreement documenting liens approved by the Ministry of Communications and Transportation may allow the beneficiary of a pledge to become a concession holder under any circumstances.

A Mexican concession holder may not assign any of its rights or obligations under its concession without the authorization of the Ministry of Communications and Transportation. The Ministry of Communications and Transportation is authorized to consent to an assignment only if the proposed assignee satisfies the requirements to be a concession holder under the Mexican Airport Law, undertakes to comply with the obligations under the relevant concession and agrees to any other conditions that the Ministry may require.

**Classification of Services Provided at Mexican Airports**

The Mexican Airport Law and the Mexican Airport Law regulations classify the services that may be rendered at an airport into the following three categories:



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- *Airport Services.* Airport services may be rendered only by the holder of a concession or a third party that has entered into an agreement with the concession holder to provide such services. These services include: the use of airport runways, taxiways and aprons for landing, aircraft parking and departure, the use of hangars, passenger walkways, transport buses and automobile parking facilities, the provision of airport security services, rescue and firefighting services, ground traffic control, lighting and visual aids, the general use of terminal space and other infrastructure by aircraft, passengers and cargo, and the provision of access to an airport to third parties providing complementary services (as defined in the Mexican Airport Law) and third parties providing permanent ground transport services (such as taxis).
- *Complementary Services.* Complementary services may be rendered by an airline, by the airport operator or by a third party under agreements with airlines or the airport operator. These services include: ramp and handling services, passenger check-in, and aircraft security, catering, cleaning, maintenance, repair and fuel supply and related activities that provide support to air carriers.
- *Commercial Services.* Commercial services involve services that are not considered essential to the operation of an airport or aircraft, and include: the leasing of space to retailers, restaurants and banks and advertising.

Third parties rendering airport, complementary or commercial services are required to do so pursuant to a written agreement with the relevant concession holder. All agreements relating to airport or complementary services are required to be approved by the Ministry of Communications and Transportation. The Mexican Airport Law provides that the concession holder is jointly liable with these third parties for compliance with the terms of the relevant concession with respect to the services provided by such third parties. All third-party service providers of complementary services are required to be corporations incorporated under Mexican law.

Airport and complementary services are required to be provided to all users in a uniform and regular manner, without discrimination as to quality, access or price. Mexican concession holders are required to provide airport and complementary services on a priority basis to military aircraft, disaster support aircraft and aircraft experiencing emergencies. Airport and complementary services are required to be provided at no cost to military aircraft and aircraft performing national security activities.

In the event of *force majeure*, the Ministry of Communications and Transportation may impose additional regulations governing the provision of services at airports, but only to the extent necessary to address the *force majeure* event. The Mexican Airport Law allows the airport administrator appointed by a concession holder to suspend the provision of airport services in the event of *force majeure*.

A Mexican concession holder is also required to take all necessary measures to create a competitive market for complementary services. A concession holder may not limit the number of providers of complementary services in its airport, except in instances where space, efficiency



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and/or safety warrant such limitation. If a concession holder denies entry to any complementary services provider, such service provider may file a complaint before the Ministry of Communications and Transportation. The Ministry of Communications and Transportation shall determine within 60 days of the filing of the complaint whether entry of the service provider into the airport shall be authorized.

**Master Development Plans**

Mexican concession holders are also required to submit to the Ministry of Communications and Transportation a master development plan describing, among other things, the concession holder's construction and maintenance plans.

Each master development plan is for a 15-year period and is required to be updated every five years and resubmitted for approval to the Ministry of Communications and Transportation. Upon such approval, the master development plan is deemed to constitute a part of the relevant concession. Any major construction, renovation or expansion of an airport may only be made pursuant to a concession holder's master development plan or upon approval by the Ministry of Communications and Transportation. Information required to be presented in the master development plan includes:

- airport growth and development expectancies,
- 15-year projections for air traffic demand (including passenger, cargo and operations),
- construction, conservation, maintenance, expansion and modernization programs for infrastructure, facilities and equipment,
- five-year detailed investment program and planned major investments for the following 10 years,
- probable sources of financing,
- descriptive airport plans, and
- environmental protection measures.

The Mexican concessions require the concession holder to engage recognized independent consultants to conduct polls among airport users with respect to current and expected quality standards, and to prepare air traffic projections and investment requirements. The concession holder must submit a draft of the master development plan to airport users for their review and comments. Further, the concession holder must submit the master development plan to the Ministry of Communications and Transportation prior to the expiration of the five-year term. The Ministry of Communications and Transportation may request additional information or clarification as well as seek further comments from airport users.

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Changes to a master development plan and investment program require the approval of the Ministry of Communications and Transportation, except for emergency repairs and minor works that do not adversely affect an airport's operations.

In June 2018, the Ministry of Communications and Transportation approved each of our current updated master development plans. These plans are in effect from January 1, 2019 to December 31, 2023.

The following table sets forth our committed investments for the regulated part of our business for each Mexican airport pursuant to the terms of our current master development plans for the periods presented. Even though we have committed to invest the amounts in the table, those amounts could be lower or higher depending on the cost of each project.

**Committed Investments**

Airport	2019	2020	Committed Investments Year ended December 31,			Totals
			2021	2022	2023	
			(millions of constant Mexican pesos as of December 31, 2018)(1)			
Cancún	1,184.1(2)	2,679.3(2)	1,522.1(2)	1,155.6(2)	465.8(2)	7,007.0(2)
Cozumel	35.1	167.0	77.0	27.0	22.2	328.4
Huatulco	200.2	186.1	116.3	73.4	83.4	659.4
Mérida	406.5	892.8	648.4	316.8	100.1	2,364.5
Minatitlán	35.6	59.4	49.1	17.2	8.0	169.4
Oaxaca	85.6	490.5	240.6	70.9	25.8	913.4
Tapachula	13.2	51.8	34.8	45.5	32.6	177.8
Veracruz	99.9	260.7	109.7	69.7	50.7	590.6
Villahermosa	113.6	321.2	219.1	40.8	61.3	755.9
<b>Total</b>	<b>2,173.8</b>	<b>5,108.8</b>	<b>3,017.1</b>	<b>1,816.9</b>	<b>849.8</b>	<b>12,966.4</b>

(1) Based on the Mexican construction price index in accordance with the terms of our master development plan.

(2) As of December 31, 2018, we have invested Ps.367.8 million (which is included in the investment commitments for this period shown above).

The following table sets forth our committed and indicative investments for the regulated part of our business for each Mexican airport pursuant to the terms of our current master development plans for the periods presented.

Airport	Committed Investments		Indicative Investments			
	January 1, 2019	December 31, 2023	January 1, 2024	December 31, 2028	January 1, 2029	December 31, 2033
	(millions of constant Mexican pesos as of December 31, 2018)(1)					
Cancún		7,007.0(2)		6,322.9		4,826.2

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Cozumel	328.4	359.1	211.4
Huatulco	659.4	369.8	234.3
Mérida	2,364.5	849.5	369.0
Minatitlán	169.4	197.3	81.5
Oaxaca	913.4	277.5	195.0
Tapachula	177.8	129.4	144.2
Veracruz	590.6	443.2	354.5
Villahermosa	755.9	412.2	343.3
<b>Total</b>	<b>12,966.4</b>	<b>9,360.9</b>	<b>6,759.4</b>

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- (1) Based on the Mexican construction price index in accordance with the terms of our master development plan.
- (2) As of December 31, 2018, we have invested Ps.367.8 million (which is included in the investment commitments for this period shown above).

**Price Regulation**

The Mexican Airport Law provides that the Ministry of Communications and Transportation may establish price regulations for services for which the COFECE determines that a competitive market does not exist. On March 9, 1999, the COFECE issued a ruling stating that competitive markets generally do not exist for airport services and airport access provided to third parties rendering complementary services. This ruling authorized the Ministry of Communications and Transportation to establish regulations governing the prices that may be charged for airport services and access fees that may be charged to providers of complementary services in our airports. On March 19, 1999, a new regulation, the Rate Regulation, was incorporated within the terms of each of our Mexican concessions. The Rate Regulation, which became effective May 1, 1999, establishes the annual maximum rates for each of our concession holders, which is the maximum amount of revenue per workload unit (one passenger or 100 kilograms (220 pounds) of cargo) in a given year that the concession holder may earn at its airports from all regulated revenue sources. On May 23, 2014, the new Federal Economic Competition Law (*Ley Federal de Competencia Económica*) was enacted. The statute grants broad powers to the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) or COFECE, including the abilities to investigate and regulate essential facilities, investigate companies, eliminate barriers to competition in order to promote access to the market and order the divestment of assets. The statute also sets forth important changes in connection with mergers and anti-competitive behavior, increases liabilities that may be incurred for violations of the law, increases the amount of fines that may be imposed for violations of the law, and limits the availability of legal defenses against the application of the law.

**Regulated Revenues**

The Rate Regulation establishes a dual-till system of price regulation under which certain of our revenues, such as Mexican passenger charges, landing charges, aircraft parking charges and access fees from third parties providing complementary services at our airports, are regulated, while the revenues that we earn from commercial activities in terminals at our Mexican airports, such as the leasing of space to duty-free stores, retailers, restaurants, car rental companies and banks, are not regulated.

The Rate Regulation provides that the following sources of revenues are regulated under this dual-till system:

- revenues from airport services (as defined under the Mexican Airport Law), other than automobile parking, and

- access fees earned from third parties providing complementary services, other than those related to the establishment of administrative quarters that the Ministry of Communications and Transportation determines to be non-essential.

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All other sources of revenues at our Mexican airports are not regulated. 48.8%, 52.6% and 60.1% of our Mexican revenues in 2016, 2017 and 2018, respectively, were derived from regulated sources of revenue.

Each Mexican concession holder is entitled to determine the prices charged for each regulated service and is required to register such prices with the Ministry of Communications and Transportation. Once registered, those prices are deemed part of its concession, and may only be changed every six months or earlier if there has been a cumulative increase of at least 5.0% in the Mexican producer price index (excluding petroleum) as published by the Mexican Central Bank since the date of the last adjustment and in other specific circumstances. See Item 4. Information on the Company Mexican Regulatory Framework Price Regulation Special Adjustments to Maximum Rates.

**Current Maximum Rates**

Each Mexican airport's maximum rates from January 1, 2019 to December 31, 2023 were set by the Ministry of Communications and Transportation in August 2018.

The following table sets forth the maximum rates for each of our Mexican airports for the periods indicated. These maximum rates are subject to adjustment only under the limited circumstances described below under Special Adjustments to Maximum Rates.

	<b>Maximum Rates(1)(2)</b>				
	<b>Year ended December 31,</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Minatitlán	271.84	269.94	268.04	266.17	264.31
Cozumel	256.32	254.52	252.74	250.97	249.20
Oaxaca	252.56	250.79	249.04	247.30	245.57
Tapachula	210.49	209.02	207.56	206.11	204.67
Huatulco	209.96	208.48	207.02	205.58	204.14
Mérida	201.63	200.21	198.81	197.42	196.03
Cancún	196.11	194.74	193.38	192.03	190.68
Veracruz	185.84	184.54	183.25	181.97	180.69
Villahermosa	184.02	182.72	181.44	180.17	178.91

(1) Expressed in adjusted Mexican pesos as of December 31, 2018 based on the Mexican producer price index (excluding petroleum).

(2) Our Mexican concessions provide that each airport's maximum rate may be adjusted annually to take account of projected improvements in efficiency. For the five-year period ending December 31, 2023, the maximum rates applicable to our airports reflect a projected annual efficiency improvement of 0.70%.

**Methodology For Determining Future Maximum Rates**

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The Rate Regulation provides that each Mexican airport's annual maximum rates are to be determined in five-year intervals based on the following variables:

- Projections for the 15-year period of workload units (each of which is equivalent to one passenger or 100 kilograms (220 pounds) of cargo), operating costs and expenses (excluding amortization and depreciation) related to services subject to price regulation.



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- Projections for the 15-year period of capital expenditures related to regulated services, based on air traffic forecasts and quality of standards for services to be derived from the master development plans.
- Reference values, which were established in the Mexican concessions and are designed to reflect the net present value of the regulated revenues minus the corresponding regulated operating costs and expenses (excluding amortization and depreciation), and capital expenditures related to the provision of regulated services plus a terminal value.
- A discount rate to be determined by the Ministry of Communications and Transportation. The Mexican concessions provide that the discount rate shall reflect the cost of capital to Mexican and international companies in the airport industry (on a pre-tax basis), as well as Mexican economic conditions. The Mexican concessions provide that the discount rate shall be at least equal to the average yield of long-term Mexican government debt securities quoted in the international markets during the prior twenty four months plus a risk premium to be determined by the Ministry of Communications and Transportation based on the inherent risk of the airport business in Mexico.

Our Mexican concessions specify a discounted cash flow formula to be used to determine the maximum rates that, given the projected pre-tax earnings, capital expenditures and discount rate, would result in a net present value equal to the reference values established in connection with the last determination of maximum rates.

Our Mexican concessions provide that each airport's maximum rate may be adjusted annually to take account of projected improvements in efficiency. For the period beginning January 1, 2019 and ending December 31, 2023, the maximum rates applicable to our airports reflect a projected annual efficiency improvement of 0.70%.

The Mexican concessions provide that each Mexican airport's reference values, discount rate and the other variables used in calculating the maximum rates are not guarantees and do not in any manner represent an undertaking by the Ministry of Communications and Transportation or the Mexican government as to the performance of any concession holder. To the extent that the revenues from services subject to price regulation in any period are less than an airport's maximum rate multiplied by the workload units processed for such period, no adjustment will be made to compensate for this shortfall.

To the extent that such aggregate revenues per workload unit exceed the relevant maximum rate, the Ministry of Communications and Transportation may proportionately reduce the maximum rate in the immediately subsequent year and assess penalties equivalent to 1,000 to 50,000 times the daily value of the Unit of Measure and Update. As of February 2019: The daily value of the Unit of Measure and Update was Ps.84.49. As a result, the maximum penalty as of such date could have been Ps.4.22 million (U.S.\$215,152). In the event that a Mexican concession holder fails to comply with certain terms of its concession, or violates certain other terms of its concession after having been sanctioned at least three times for violation of that concession, the Ministry of Communications and Transportation is entitled to revoke its



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concession. We would face similar sanctions for any violations of the Mexican Airport Law or its regulations. A full discussion of circumstances that might lead to a revocation of a concession may be found below at Penalties and Termination and Revocation of Concessions and Concession Assets.

Currently, our calculation of workload units (one passenger or 100 kilograms (220 pounds)) of cargo does not include transit passengers. There is a possibility that in the future our workload units may include transit passengers and the Ministry of Communications and Transportation will decrease our maximum rates to reflect this higher passenger base. Although there can be no assurance, we do not expect this change to occur in the short term or have a material adverse effect on our revenues if and when it happens.

*Special Adjustments to Maximum Rates*

Once determined, each Mexican airport's maximum rates are subject to special adjustment only under the following circumstances:

- *Change in law or natural disasters.* A concession holder may request an adjustment in its maximum rates if a change in law with respect to quality standards or safety and environmental protection results in operating costs or capital expenditures that were not contemplated when its maximum rates were determined. In addition, a concession holder may also request an adjustment in its maximum rates if a natural disaster affects demand or requires unanticipated capital expenditures. There can be no assurance that any request on these grounds would be approved, or that we would make such a request.
- *Macroeconomic conditions.* A concession holder may also request an adjustment in its maximum rates if, as a result of a decrease of at least 5.0% in Mexican gross domestic product in a 12-month period, the workload units processed in the concession holder's airport are less than that projected when its maximum rates were determined. To grant an adjustment under these circumstances, the Ministry of Communications and Transportation must have already allowed the concession holder to decrease its projected capital improvements as a result of the decline in passenger traffic volume. There can be no assurance that any request on these grounds would be approved, or that we would make such a request.
- *Increase in concession fee under Mexican Federal Duties Law.* An increase in duty payable by a concession holder under the Mexican Federal Duties Law entitles the concession holder to request an adjustment in its maximum rates. There can be no assurance that any request on these grounds would be approved.
- *Failure to make required investments or improvements.* The Ministry of Communications and Transportation annually is required to review each concession holder's compliance with its master development plan (including the provision of services and the making of capital investments). If a concession holder fails to satisfy any of the investment commitments contained in its master development plan, the



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Ministry of Communications and Transportation is entitled to decrease the concession holder's maximum rates and assess penalties.

- *Excess revenues.* In the event that revenues subject to price regulation per workload unit in any year exceed the applicable maximum rate, the maximum rate for the following year will be decreased to compensate airport users for overpayment in the previous year. Under these circumstances, the Ministry of Communications and Transportation is also entitled to assess penalties against the concession holder.

In addition, the Ministry of Communications and Transportation has committed to review and adjust Cancún's maximum rate within three months from the granting of a concession to operate the Mayan Riviera Airport to reflect changes in projected traffic levels at our airports. See Item. 4 Information on the Company Mexican Regulatory Framework Master Development Plans.

### **Ownership Commitments and Restrictions**

The Mexican concessions require us to retain a 51.0% direct ownership interest in each of our nine concession holders throughout the term of these concessions. Any acquisition by us or one of our concession holders of any additional Mexican airport concessions or of a beneficial interest of 30.0% or more of another concession holder requires the consent of the COFECE. In addition, the Mexican concessions prohibit us and our concession holders, collectively or individually, from acquiring more than one concession for the operation of an airport along each of Mexico's southern and northern borders.

Air carriers are prohibited under the Mexican Airport Law from controlling or beneficially owning 5.0% or more of the shares of a holder of an airport concession. We, and each of our subsidiaries, are similarly restricted from owning 5.0% or more of the shares of any air carrier.

Foreign governments acting in a sovereign capacity are prohibited from owning any direct or indirect equity interest in a holder of a Mexican airport concession.

### **Reporting, Information and Consent Requirements**

Mexican concession holders and third parties providing services at Mexican airports are required to provide the Ministry of Communications and Transportation access to all airport facilities and information relating to an airport's construction, operation, maintenance and development. Each concession holder is obligated to maintain statistical records of operations and air traffic movements in its airport and to provide the Ministry of Communications and Transportation with any information that it may request. Each concession holder is also required to publish its annual audited consolidated financial statements in a principal Mexican newspaper within the first four months of each year.

The Mexican Airport Law provides that any person or group directly or indirectly acquiring control of a concession holder is required to obtain the consent of the Ministry of Communications and Transportation to such control acquisition. For purposes of this requirement, control is

deemed to be acquired in the following circumstances:

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- if a person acquires 35.0% or more of the shares of a concession holder,
- if a person has the ability to control the outcome of meetings of the stockholders of a concession holder,
- if a person has the ability to appoint a majority of the members of the Board of Directors of a concession holder, and
- if a person by any other means acquires control of an airport.

Under the regulations to the Mexican Airport Law, any company acquiring control of a concession holder is deemed to be jointly and severally liable with the concession holder for the performance of the terms and conditions of the concession.

The Ministry of Communications and Transportation is required to be notified upon any change in a concession holder's chief executive officer, Board of Directors or management. A concession holder is also required to notify the Ministry of Communications and Transportation at least ninety days prior to the adoption of any amendment to its bylaws concerning the dissolution, corporate purpose, merger, transformation or spin-off of the concession holder.

**Penalties and Termination and Revocation of Mexican Concessions and Concession Assets**

The Mexican Airport Law provides that sanctions of up to 400,000 times the daily value of the Unit of Measure and Update may be assessed for failures to comply with the terms of a concession. As of February, 2019, the daily value of the Unit of Measure and Update was Ps.84.49. As a result, the maximum penalty as of such date could have been Ps.33.8 million (U.S.\$1.7 million).

Under the Mexican Airport Law and the terms of the Mexican concessions, a concession may be terminated upon any of the following events:

- expiration of its term,
- surrender by the concession holder,

- revocation of the concession by the Ministry of Communications and Transportation,
- reversion (*rescate*) of the Mexican government-owned assets that are the subject of the concession (principally real estate, improvements and other infrastructure),
- inability to achieve the purpose of the concession, except in the event of *force majeure*, or
- dissolution, liquidation or bankruptcy of the concession holder.

The Mexican National Assets Law, published in the *Diario Oficial de la Federación* on May 20, 2004, among other items, establishes regulations relating to concessions on real property held in the public domain, including the airports that we operate. The Mexican



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National Assets Law requires concessionaires of real property held in the public domain that are used for administrative or other non-public purposes to pay a tax. In addition, the Mexican National Assets Law establishes new grounds for revocation of concessions for failure to pay this tax.

A Mexican concession's termination does not exempt the concession holder from liability in connection with the obligations acquired during the term of the concession.

Upon termination, whether as a result of expiration or revocation, the public domain assets (including real estate and fixtures) that were the subject of the concession automatically revert to the Mexican government at no cost. In addition, upon termination the Mexican federal government has a preemptive right to acquire privately-owned assets used by the concession holder to provide services under the concession at prices determined by expert appraisers appointed by the Ministry of Communications and Transportation. Alternatively, the Mexican government may elect to lease these assets for up to five years at fair market rates as determined by expert appraisers appointed by the Mexican government and the concession holder. In the event of a discrepancy between appraisals, a third expert appraiser must be jointly appointed by the Mexican government and the concession holder. If the concession holder does not appoint an expert appraiser, or if such appraiser fails to determine a price, the determination of the appraiser appointed by the Mexican government will be conclusive. If the Mexican government chooses to lease the assets, it may thereafter purchase the assets at their fair market value, as determined by an expert appraiser jointly appointed by the Mexican government and the concession holder.

A Mexican concession may be revoked by the Ministry of Communications and Transportation under certain conditions, including:

- the failure by a concession holder to begin operating, maintaining and developing an airport pursuant to the terms established in the concession,
- the failure by a concession holder to maintain insurance as required under the Mexican Airport Law,
- the assignment, encumbrance, transfer or sale of a concession, any of the rights thereunder or the assets underlying the concession in violation of the Mexican Airport Law,
- any alteration of the nature or the conditions of an airport's facilities, as established in the concession title, without the authorization of the Ministry of Communications and Transportation,
- consent to the use, or without the approval of air traffic control authorities, of an airport by any aircraft that does not comply with the requirements of the Mexican Civil Aviation Law, that has not been authorized by the Mexican air traffic control authority, or that is involved in the commission of a felony,



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- knowingly appointing or maintaining a chief executive officer or board member of a concession holder that is not qualified to perform his functions under the law as a result of having violated criminal laws,
- a violation of the safety regulations established in the Mexican Airport Law and other applicable laws,
- a total or partial interruption of the operation of an airport or its airport or complementary services without justified cause,
- the failure of ASUR to own at least 51.0% of the capital stock of its subsidiary concession holders,
- the failure to maintain the airport's facilities,
- the provision of unauthorized services,
- the failure to indemnify a third party for damages caused by the provision of services by the concession holder or a third-party service provider,
- charging prices higher than those registered with the Ministry of Communications and Transportation for regulated services or exceeding the applicable maximum rate,
- any act or omission that impedes the ability of other service providers or authorities to carry out their functions within the airport, or
- any other failure to comply with the Mexican Airport Law, its regulations and the terms of a concession.

The Ministry of Communications and Transportation is entitled to revoke a concession without prior notice as a result of the first six events described above. In the case of other violations, a concession may be revoked as a result of a violation only if sanctions have been imposed at least three times with respect to the same violation within a period of five years.

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According to the Mexican National Assets Law, Mexico's national patrimony consists of private and government-owned assets of the Federation. The surface area of our airports and improvements on such space are considered government-owned assets. A concession concerning government-owned assets may be reverted to the Mexican government prior to the concession's expiration, when considered necessary for the public interest. In exchange, the Mexican government is required to pay compensation, taking into consideration investments made and depreciation of the relevant assets, but not the value of the assets subject to the concessions, based on the basis and methodology set forth in the reversion (*rescate*) resolutions issued by the Ministry of Communications and Transportation. Following a declaration of reversion, the assets that were subject to the concession are automatically returned to the Mexican government.

In the event of war, natural disaster, grave disruption of the public order or an imminent threat to national security, internal peace or the economy, the Mexican government may carry

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out a requisition (*requisita* step-in rights) with respect to our airports. The step-in rights may be exercised by the Mexican government as long as the circumstances warrant. In all cases, except international war, the Mexican government is required to indemnify us for damages and lost profits (*daños y perjuicios*) caused by such requisition, calculated at their real value (*valor real*); provided that if we were to contest the amount of such indemnification, the amount of the indemnity with respect to damages (*daños*) shall be fixed by expert appraisers appointed by us and the Mexican government, and the amount of the indemnity with respect to lost profits (*perjuicios*) shall be calculated taking into consideration the average net income during the year immediately prior to the requisition. In the event of requisition due to international war, the Mexican government would not be obligated to indemnify us.

**Grants of New Mexican Concessions**

The Mexican government may grant new concessions to manage, operate, develop and construct airports. Such concessions may be granted through a public bidding process in which bidders must demonstrate their technical, legal, managerial and financial capabilities. The COFECE has the power, under certain circumstances, to prohibit a party from bidding, and to cancel an award after the process has concluded. In addition, the government may grant concessions without a public bidding process to the following entities:

- parties who hold permits to operate civil aerodromes and intend to transform the aerodrome into an airport so long as (i) the proposed change is consistent with the national airport development programs and policies, (ii) the civil aerodrome has been in continuous operation for the previous five years and (iii) the permit holder complies with all requirements of the concession,
- current concession holders when necessary to meet increased demand so long as (i) a new airport is necessary to increase existing capacity, (ii) the operation of both airports by a single concession holder is more efficient than other options, and (iii) the concession holder complies with all requirements of the concession,
- current concession holders when it is in the public interest for their airport to be relocated,
- entities in the federal public administration, and
- commercial entities in which local or municipal governments have a majority equity interest if the entities corporate purpose is to manage, operate, develop and/or construct airports.

Additionally, under the Mexican Airport Law for the granting of a concession title or the resolution to extend the term thereof, the Ministry of Communications and Transportation shall file before the Ministry of Finance and Public Credit the following:

- a favorable opinion regarding the economic profitability of the corresponding project,

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- the registry of the programs portfolio and investment projects, in terms of the Federal Law on Budget and Treasury Responsibility (*Ley Federal de Presupuesto y Responsabilidad Hacendaria*), in case public funds are used to finance an airport project, and
- the assessment of the considerations that the concession holder shall pay to the federal government in terms of applicable law. For purposes of this section, the Ministry of Communications and Transportation shall submit a proposal of said considerations to the Ministry of Finance and Public Credit.

**Environmental Matters**

Our Mexican operations are subject to federal, state and municipal laws, regulations and official standards relating to the protection of the environment and natural resources.

The main Mexican federal environmental laws include, among others, the General Law of Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), the General Law for the Prevention and Integral Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*), the General Law for Sustainable Forest Development (*Ley General de Desarrollo Forestal Sustentable*) and the General Law for Wildlife (*Ley General de Vida Silvestre*) which are administered by the Mexican Federal Environmental Protection Agency (*Procuraduría Federal de Protección Ambiental*), or the PROFEPA, the enforcement arm of the Mexican Environmental and National Resources Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*). The Law of National Waters (*Ley de Aguas Nacionales*) and its regulations are administered by the Mexican National Water Commission (*Comisión Nacional del Agua*), or the CNA, and the PROFEPA, which has inspection and supervision abilities.

The General Law of Ecological Balance and Environmental Protection is a framework law that establishes the basic tenets of Mexican environmental law as well as the various instruments of public policy designed to mitigate environmental degradation in the country, such as the evaluation of environmental impact, the imposition of environmental damage or pollution liability and environmental land planning among others. In connection with the management of dangerous materials and pollution liability, the General Law for the Prevention and Integral Management of Waste imposes an obligation on responsible parties to remedy pollution and also establishes the joint liability of both property owners and parties having actual possession of polluted property, regardless of the party responsible for the pollution. Pursuant to the Law of National Waters, the use of national waters is subject to obtaining a concession from the National Water Commission (*Comisión Nacional del Agua*), or the CONAGUA. The companies that discharge waste water must obtain a permit and comply with maximum allowable contaminant levels in order to preserve water quality and must also pay fees, such as for the use of national waters and wastewater discharge basins. The Mexican Official Norms (*Normas Oficiales Mexicanas*), which are benchmarks or technical requirements for environmental protection with respect to miscellaneous activities, are issued by a competent regulatory authority pursuant to the General Law of Ecological Balance and Environmental Protection. The Mexican Official Norms establish the maximum thresholds for atmosphere emissions and pollution discharges into waste water, list and classify hazardous waste, provide for the protection of flora and fauna species, etc. The Mexican

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Official Norms also regulate noise pollution by establishing the maximum permitted decibel thresholds. The PROFEPA and CONAGUA can bring administrative and criminal proceedings against companies that violate environmental laws, and they also have the ability to close non-complying facilities. Additionally, under the Federal Law of Environmental Responsibility, certain third parties, as well as civil organizations, members of affected communities, the PROFEPA itself and local environmental authorities may file environmental damage claims before the district courts. This law provides for a new legal proceeding to demand the reparation of or compensation for environmental damage resulting from unlawful acts or omissions. Under this new law, we could be subject to additional liabilities and penalties. Certain establishments in Mexico generating more than 25,000 tons of CO<sub>2</sub> per year are required to verify and report their direct or indirect emissions of greenhouse gases to the National Emissions Registry (*Registro Nacional de Emisiones*), the regulatory arm of the Mexican Environmental, National Resources and Fishing Ministry (*Secretaría de Medio Ambiente Recursos Naturales y Pesca*).

The PROFEPA has issued clean industry certificates for all of our airports in Mexico. These certificates certify compliance with applicable Mexican environmental law regulations. We are in compliance with the requirement to renew these certificates every two years.

The level of environmental regulation in Mexico has increased in recent years, and the enforcement of the law is becoming more stringent. We expect this trend to continue and to be stimulated by international agreements between Mexico and the United States and/or other countries or international organizations.

Modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations may result in the need for investments that are not currently provided for in our capital expenditures program and may otherwise result in a material adverse effect on our business, results of operations or financial condition.

Although we do not currently expect that compliance with Mexican environmental laws or Mexican state environmental laws will have a material effect on our financial condition or results of operations, there can be no assurance, however, that environmental regulations or the enforcement thereof will not change in a manner that could have a material adverse effect on our business, results of operations, prospects or financial condition.



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**PUERTO RICAN REGULATORY FRAMEWORK**

**Puerto Rican Sources of Regulation**

The following are the principal laws, regulations and instruments that govern the business and operation of the LMM Airport owned by Aerostar, our joint venture with PSP Investments:

- the Federal Aviation Act of 1958, as enacted and amended and any regulations issued under it;
- the Federal Aviation Administration's Airport Privatization Program;
- the Part 139 Certification of Airports issued by the FAA;
- the Airport Security Program approved by the Transportation Security Administration ( TSA );
- the Puerto Rico Public Private Partnership Act of June 8, 2009, as amended;
- the Lease Agreement among Aerostar and the PRPA dated July 24, 2012, which entitles Aerostar to operate the LMM Airport; and
- the Airport Use Agreements dated February 27, 2013, which govern the relationship between Aerostar and the principal airlines serving the LMM Airport.

The Federal Aviation Act of 1958 is an act of the U.S. Congress that created the FAA. Its purpose is to promote safe air travel and to protect lives and property of people on the ground as well as air travelers. The act gave the FAA the authority to set aviation regulations and to oversee and regulate safety in the airline industry.

The FAA's Airport Privatization Program was established by the U.S. Congress to explore privatization as a means of generating capital for airport improvement and development. Through the program, private companies may own, manage, lease and develop public airports. The

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2012 Reauthorization Act (the Act) increased the number of airports that can participate in the program from five to ten. The Act also authorized the FAA to permit up to 10 public airport sponsors to sell or lease an airport with certain restrictions and to exempt the sponsors from certain federal requirements that could otherwise make privatization impractical. Under this program, the airport's owners or lease holders may be exempt from repayment of federal grants, return of property acquired with federal assistance and the use of proceeds from the airport's sale or lease to be used exclusively for the airport's purposes. The Act also provides that a private operator may receive Airport Improvement Program and discretionary grants, collect Passenger Facility Charges and charge reasonable fees, provided that the airport demonstrates compliance with nine key statutory and regulatory conditions, including applicable Airport Improvement Program grant assurances, Passenger Facility Charges assurances, and assurances that it will not unjustly discriminate, that the operation of the airport will not be interrupted, that fees imposed on general aviation operators will not increase faster than fees for air carriers, and that collective bargaining agreements for airport employees will not be abrogated. The pilot program began in

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September 1997. As of August 2018, the most recent date for which this information is available, there were three active applications in the program.

In order for Aerostar to operate the LMM Airport, it was required to have FAA approval. Aerostar submitted its final application to the FAA on September 19, 2012. The FAA rendered a record of decision on February 25, 2013, approving the Lease Agreement and Aerostar as a private operator, among other matters. The application included a description of the property, the terms of the transfer, the qualifications of our joint venture as the private operator, any requests for exemptions under the 1996 FAA Reauthorization Act, the necessary air carrier approval, and a description of plans for the LMM operations, maintenance and development. The FAA issued Aerostar a Part 139 certificate on February 27, 2013. The FAA and TSA will continue to monitor the transfer of the LMM Airport to Aerostar as private operator and will treat Aerostar as any other airport sponsor, subject to all federal safety and security requirements.

In addition to approval under the FAA Airport Privatization Program, Aerostar is required to hold an Airport Operating Certificate or the Part 139 Certification from the FAA pursuant to U.S. federal law 14 CFR Part 139. To obtain a certificate, an airport must agree to certain operational and safety standards and provide for such things as firefighting and rescue equipment. FAA Airport Certification Safety Inspectors conduct yearly inspections to ensure compliance, though the FAA is authorized to make unannounced inspections. If the FAA finds that an airport is not meeting its obligations, it may impose an administrative sanction. It can also impose a financial penalty for each day the airport continues to violate a Part 139 requirement. In extreme cases, the FAA has the power to revoke the airport's certificate or limit the areas of an airport where air carriers can land or takeoff.

Each airport operator must have an Airport Security Program approved by the TSA and is subject to regulation by the TSA. The security program at LMM was approved and must continue to be in compliance with TSA regulations and guidelines at all times during the term of Aerostar's operation of the airport. The TSA provides direct passenger screening at LMM and will continue to do so during the length of the concession at no cost to Aerostar.

The Puerto Rico Public Private Partnership Act authorizes all departments, agencies and instrumentalities of the government of Puerto Rico to establish public-private partnerships through contracts. The Act sets the process for procuring Public Private Partnership projects, including the development of a Desirability & Convenience study for each prospective project and establishment of the Request for Qualifications and Request for Proposals process. It also establishes eligibility criteria for potential bidders and provides lenders the right to step-in upon default. Granting Aerostar the lease to operate the LMM Airport was the second project to be completed under the Act. A Public-Private Partnership is a contractual arrangement between a public sector agency and a non-government entity that allows for greater private sector participation in the development and financing of infrastructure projects and provisions of services.

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**Role of the Federal Aviation Administration**

The FAA is the national aviation authority of the U.S. As an agency of the U.S. Department of Transportation, it has authority to regulate and oversee aspects of civil aviation in the U.S. The FAA's primary responsibilities include:

- regulating U.S. commercial air space transportation;
- regulating air navigation facilities and flight inspection standards;
- encouraging and developing civil aeronautics, including new aviation technology;
- issuing, suspending, or revoking pilot certificates;
- regulating civil aviation to promote safety, especially through local offices called Flight Standards District Offices;
- developing and operating a system of air traffic control and navigation for both civil and military aircraft;
- researching and developing the National Airspace System and civil aeronautics; and
- developing and carrying out programs to control aircraft noise and other environmental effects of civil aviation.

**Role of the Transportation Security Administration**

The TSA is an agency of the Department of Homeland Security that was created after the terrorist attacks of September 11, 2001 to strengthen the security of U.S. transportation systems. The TSA is responsible for security at U.S. airports and has deployed a federal workforce to screen all commercial airlines passengers and baggage. The TSA also regulates aviation security. The TSA employs a risk-based strategy to secure U.S. transportation systems. In 2018, the TSA had more than 43,000 security officers who screened more than 2 million passengers each day at

nearly 440 federalized airports throughout the U.S.

**Role of the Puerto Rico Ports Authority**

The Puerto Rico Ports Authority ( PRPA ) is a public corporation and government body created by Law No. 125 on May 7, 1942. Prior to February 27, 2013, when the transactions contemplated by the Lease Agreement were completed, it was the governing body responsible for the current operations at the LMM Airport. The PRPA is directed by an Executive Director and a board of directors. It has a Maritime Department and an Aviation Department. In addition to leasing the LMM Airport to Aerostar, the Aviation Department owns and operates the airports of Isla Grande, Ponce, Mayaguez, Arecibo, Aguadilla, Culebra, Humacao, Patillas and Vieques.

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**Scope of Lease Agreement and General Obligations of Aerostar**

As authorized by Act No. 29 of the Legislative Assembly of Puerto Rico, the PRPA granted Aerostar a Lease for an initial term of 40 years from February 27, 2013. This initial term may be terminated earlier or extended if both the PRPA and Aerostar agree to the modification in writing, in accordance with the terms of the Lease and the Use Agreement. Aerostar made an upfront payment of U.S.\$615.0 million, which was funded by a mixture of debt financing incurred by Aerostar and equity contributions by each of ASUR (through its Cancún airport subsidiary) and Oaktree Capital. During the term of the Lease Agreement, Aerostar will be required to make annual revenue-sharing payments to the PRPA, fixed at U.S.\$2.5 million per year for the first five years, 5.0% of gross airport revenues for the sixth through the thirtieth years and 10.0% of gross airport revenues for the thirty-first through fortieth years.

During its term, the Lease allows Aerostar to: (i) operate, manage, maintain, improve, enhance, develop and rehabilitate the LMM Airport to provide general, ancillary and complementary airport services to members of the general public; and (ii) collect and retain all fees, charges and revenues in respect of the LMM Airport, its assets and contracts pertaining to the LMM Airport. Under the Lease, the Authority also assigned and transferred to Aerostar substantially all of the assets used exclusively at the LMM Airport.

Under the lease, the PRPA assigned substantially all of the contracts pertaining to the LMM Airport to Aerostar. Additionally, the Lease requires that Aerostar indemnify the PRPA for any loss suffered by it due to: (i) Aerostar's breach of its obligations under the Lease Agreement (ii) any assumed debts, liabilities and obligations relating to the LMM Airport or its operations and (iii) any taxes or mortgage recording charges related to the transfer of Aerostar's interest under the Lease.

Under the Lease, Aerostar is required to comply at all times during the Lease's term, with the FAA Airport Privatization Program. In order to be compliant, Aerostar must ensure that (i) the LMM Airport is available for public use without unjust discrimination; (ii) operations of the LMM Airport are not interrupted if Aerostar becomes insolvent; (iii) it maintains, improves and modernizes the LMM Airport through capital investments; (iv) the charges imposed on air carriers does not increase faster than the rate of inflation unless a higher amount is approved by 65.0% of the airlines serving the LMM Airport; (v) the percentage increase in fees imposed on general aviation aircrafts does not exceed the percentage increase in fees imposed on air carriers; (vi) safety and security at the LMM Airport are maintained at the highest possible level; (vii) the adverse effect of noise from LMM Airport is mitigated to the same extent as at a public airport; (viii) any adverse effects on the environment from the operations of the airport are mitigated to the same extent as at a public airport; and (ix) any collective bargaining agreement that covers employees of the LMM Airport and is in effect on the date the Lease went into effect is not abrogated by the Lease.

Aerostar is required to maintain during the term of the Lease the specified insurance in specified amounts and covering specified risks, such as employment practices liability insurance, workers' compensation insurance, commercial general liability insurance, automobile liability insurance, risk insurance for any maintenance or repairs, professional liability insurance, risk property insurance, pollution legal liability insurance, business insurance against interruption or

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loss of projected revenues for at least six months from the occurrence of the risk, contractors protective liability insurance, boiler and machinery coverage or equipment breakdown coverage, and fiduciary liability insurance, in each case as specified in the Lease.

Our subsidiary Aerostar is liable to the PRPA for the performance of all obligations under the Lease, including obligations arising from third-party contracts as well as any damage to the PRPA-owned assets and to third-party airport users. Therefore, ASUR is liable for any of Aerostar's obligations under the Lease.

So long as there are no events of default outstanding under the Lease, Aerostar has the right to enter into one or more leasehold mortgages and assign its rights under the Lease to a leasehold mortgagee. However, limitations on any leasehold mortgage include: (i) the mortgage or lien cannot affect the fee simple interest and estate of the PRPA in the LMM Airport; (ii) the PRPA cannot be liable for any payment secured by the leasehold mortgage; (iii) the rights acquired by a leasehold mortgagee are subject to and subordinated to the terms of the Lease and to all of the PRPA's rights and the rights of the airlines. Further, Aerostar is liable at all times to the PRPA for payments of all sums due to it under the Lease and for the performance of all of Aerostar's obligations under the Lease. The mortgagee cannot have greater rights or interests in than Aerostar's and the PRPA's in the LMM Airport. The mortgagee and the Government Development Bank for Puerto Rico must enter into a consent agreement acceptable to all the parties where consenting to the assignment of the Lease to an agent in connection with the financing of the mortgage. Aerostar has granted a leasehold mortgage to Citibank, as collateral agent for Aerostar's secured lenders, to secure the debt incurred to finance the leasehold fee, capital expenditures and certain initial projects.

Aerostar cannot transfer its interest under the Lease unless: (i) the FAA and the TSA have approved the transfer and the transferee; (ii) the transferee obtains all necessary approvals and exemptions from the FAA as required pursuant to 49 U.S.A. Section 47134; (iii) the PRPA has approved the transferee and (iv) the proposed transferee enters into an agreement with the PRPA satisfactory to it where the transferee acquires the rights, assumes the obligations of Aerostar and agrees to perform and observe all obligations and covenants of Aerostar under the Lease. However, the limitations on transfers do not prohibit or limit the transfer of direct or indirect ownership interests in Aerostar by ASUR or the other equity participants or its beneficial owners to any person so long as no more than 50.0% of the ownership interests in Aerostar are transferred in a single transaction or series of related transactions.

**Scope of Airport Use Agreements**

As operator of the LMM Airport, Aerostar entered into Use Agreements with the principal airlines serving the LMM Airport, which are referred to as the Signatory Airline for a term of 15 years from February 27, 2013, although the term can be terminated earlier if the parties agree to it. If at the end of the term, new use agreements have not been approved, each of the Use Agreements in effect at the time of termination would continue to be binding until new use agreements are signed. Any new use agreement shall afford to the Signatory Airlines the same rights they have under the current Use Agreements with respect to the Lease.

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The Use Agreements give the Signatory Airlines the right to conduct an airline transportation business and to perform any incidental or necessary activities to conduct their business, including using all facilities, improvements, equipment and services that are designated for common use or in connection with the Airport. Aerostar must provide open access to the airport and must designate most of the airport facilities for common use by the Signatory Airlines. If for any given year of the term Aerostar wishes to reduce the common use space, it must obtain the approval of all airlines that (i) in the aggregate, paid a majority of the fees charged to the Signatory Airlines under the Use Agreement and (ii) constitute a majority of all votes cast by Signatory Airlines within 30 days of Aerostar's request to reduce the common space. Each Use Agreement allows Aerostar to assign space as both seasonal and non-seasonal exclusive use space to each of the Signatory Airlines, but such assignments will not constitute a lease.

Aerostar also agreed under the Use Agreement to engage in the Capacity Enhancement Plan, which was already completed. For a fuller description of the capital projects Aerostar will engage in to improve the facilities and premises of the LMM Airport, see Item 4. Information on the Company Regulatory Framework Puerto Rican Regulatory Framework Capacity Enhancement Plan.

Aerostar is required by each Use Agreement to indemnify the Signatory Airlines or the PRPA for any loss arising from any injury to persons, including death, or damage to property, that results from Aerostar's operation of the LMM Airport. However, Aerostar is not responsible for indemnifying the Signatory Airlines or the PRPA if the injury or damage is caused by negligent or willful acts of the PRPA, the Signatory Airlines or a third party that is not under contract with Aerostar.

The Use Agreements entitle Aerostar to the following total annual contributions from the airlines serving the LMM Airport:

- For the first partial year of the term (i.e., the year ending December 31, 2013), U.S.\$62.0 million multiplied by the number of days of the term in that year over the number of days in that year.
- For the five full years of the term, U.S.\$62.0 million per year.
- For the remaining full years of the term, the total annual contribution for the prior year, adjusted for inflation based on the U.S. non-core consumer price index.

Additionally, the Use Agreement allows Aerostar to increase the fees it charges to the Signatory Airlines for capital expenditures relating to projects that the Signatory Airlines approve and for government-mandated capital and certain operating expenditures. Increases to the fees imposed on the Signatory Airlines and payable to Aerostar in relation to these capital expenditures are subject to the specific adjustment mechanisms outlined in each of the Use Agreements.

Aerostar must operate the LMM Airport in accordance with all requirements of applicable law, including the FAA's Airport Operating Certificate, the Airport Security Program





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approved by the TSA and the Airport Certificate Manual. Aerostar was also required to deposit U.S.\$6.0 million into an escrow account called the Puerto Rico Air Travel Promotion and Support Fund on February 27, 2013. As of December 2018, the complete \$6.0 million has been distributed to Signatory Airlines in accordance with the Use Agreements.

Events of Default under the Use Agreement include if Aerostar (i) fails to comply with its obligations under the Use Agreement; (ii) fails to comply with a work plan approved by the airlines; (iii) any portion of the airport used by the airline is subject to a levy under execution or attachment that is not vacated by a court within 60 days or (iv) admits in writing that it cannot pay its debts as they become due, makes an assignment for the benefit of creditors or files a voluntary bankruptcy.

**Capital Expenditures Required under the Lease Agreement and Airport Use Agreements**

Aerostar was required under the Lease to fund and perform certain general accelerated upgrades at its sole cost and expense. These mandated general accelerated upgrades include landscaping improvement work as specified in the Lease, repair and replacement of jet bridges that do not conform to good industry practice, repair of damaged roadways and markings, curbs and walkways, replacement of deteriorating flooring throughout the interior of the terminals and buildings at the LMM Airport, installment of Wi-Fi connectivity throughout the LMM Airport terminals, installment of electric outlets for passenger use through the LMM Airport terminals, upgrade, enhancement, repair and replacement of deficient and unsafe areas of lighting, and repair and replacement of elevators, escalators and stairwells throughout the LMM Airport terminals and buildings. Aerostar completed work on the required general accelerated upgrades by December 31, 2014.

Aerostar is also required under the Use Agreements to complete certain initial capital projects, such as construction of new access roads and all necessary utilities, relocation of certain terminal baggage inspection facilities, replacement of stairwells in the LMM Airport parking garage, replacement of failed pavement in taxiways, update of Airline location signs on access roads and terminal entrances and repair roof leaks in all LMM terminals, among others. These initial capital projects are necessary to bring the condition of the LMM Airport to a high level consistent with the Operating Standards (described below). If the aggregate cost incurred by Aerostar for performing all required initial capital projects is less than U.S.\$34.0 million, the Signatory Airlines have the right to require that Aerostar expend an amount equal to the difference between the costs incurred in performing the initial capital projects and U.S.\$34.0 million toward completing other capital projects approved by the Signatory Airlines without adjusting the annual contribution the Signatory Airlines must pay Aerostar under the Use Agreement.

In addition, Aerostar must perform any capital project that is required in order to comply with any applicable law or airport certification requirement. The Use Agreement allows Aerostar to increase certain annual fees payable by the Signatory Airlines in amounts equal to the annual amortized costs of any government mandated capital projects.

All capital projects related to the operation, maintenance, construction and rehabilitation of and capital improvements to the LMM Airport must be in compliance with the standards,

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specifications, policies, procedures and processes outlined in the Operating Standards prepared by the PRPA and the Puerto Rico Public Private Partnerships Authority. The purpose of the Operating Standards is to provide minimum requirements that Aerostar must meet for the benefit of Puerto Rico, the PRPA, and the Signatory Airlines in the operation and maintenance of the LMM Airport.

**Capacity Enhancement Plan**

In accordance with the Use Agreement, Aerostar and the Signatory Airlines have agreed on a plan for the reconfiguration of the LMM Airport, also known as the Capacity Enhancement Plan, or CEP.

The CEP was a three-phase major renovation and reconfiguration project planned and designed mainly for the purpose of significantly improving the operating and passenger efficiency of the LMM Airport. The final phase was completed as of September 30, 2015.

**Ownership Commitment and Restrictions**

The Lease allows any person who holds any shares of capital stock or any other equity interest in Aerostar to transfer its interest to any person so long as it does not constitute a change of control under the Lease. A change of control under the Lease occurs if (i) there is a transfer of 50.0% or more of the direct or indirect voting or economic interests in Aerostar to another party, (ii) there is a transfer from one party to another of the power to directly or indirectly direct the management and policy of Aerostar, whether through ownership of voting securities, by contract, management agreement, or common directors, officers or trustees or otherwise or (iii) there is a merger, consolidation, amalgamation, business combination or sale of substantially all of the assets of Aerostar. If the proposed transfer would result in a change in control, then the transfer must be approved as described in this section.

In addition to the restrictions on transfers imposed by the Lease, the Use Agreements restrict Aerostar from transferring its interest in the LMM Airport or its rights under the Lease unless the transferee is approved by the Signatory Airlines. The Signatory Airlines can withhold approval of the transferee if they reasonably determine that the transfer would be detrimental to their air transportation business at the LMM Airport. This determination must take into account one or more of the following factors: (i) the financial strength and integrity of the transferee, (ii) the experience of the transferee in operating airports and performing other projects and (iii) the background and reputation of the proposed transferee. Transfers are permitted so long as they do not constitute a change of control, which is defined in the same way as under the Lease.

**Reporting, Information and Consent Requirements**

The Lease requires Aerostar to notify the PRPA of all material emergencies, accidents and airfield incidents at the LMM Airport Facility. Further, in addition to reporting obligations under applicable environmental laws, Aerostar must notify the PRPA of any discharge, dumping or spilling of any reportable quantity, as defined under applicable environmental laws, of hazardous substances. Additionally, Aerostar must provide the PRPA any notice it is required to deliver to the Signatory Airlines under the Use Agreements within five business days.



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Aerostar is also required to provide the PRPA its unaudited financial statements for each six-month period within 60 days and its audited financial statements within 120 days after the end of each reporting year during the term. In addition, the Lease grants the PRPA or any other governmental authority of competent jurisdiction audit and inspection rights with regards to Aerostar's operation of the LMM Airport through the term of the Lease.

Similarly, the Use Agreements require that Aerostar keep its books and records relating to the Use Agreements and to the computation of the fees payable under it by the Signatory Airlines at the LMM Airport or in or near San Juan, Puerto Rico for at least five years from the date the books and records are created. Further, the Signatory Airlines have the right, at their own expense and subject to prior notice to Aerostar, to examine, make copies of and audit any book, record or account that relates to the computation and payment of the Signatory Airlines' annual contributions. Aerostar is also required to provide the Signatory Airlines any accident notice or financial report it is required to provide the PRPA under the Lease.

**Events of Default, Termination and Revocation of the Lease**

Under the Lease Agreement, any of the following items constitute an event of default by Aerostar:

- the failure to comply with any material obligation under the Lease,
- the failure to pay amounts owed to the PRPA,
- if Aerostar repeatedly fails to comply with the performance requirements of the Operating Standards,
- violating the transfer restrictions imposed by the Lease,
- Aerostar's inability to pay its debt as it becomes due, and
- the creation of a levy under execution or attachment is made against all or any material portion of the LMM Airport as a result of a mortgage or lien.

Additionally, the Lease will be automatically rescinded if Aerostar or any subsidiary, alter ego, president, vice presidents, executive directors, directors or members of its Board of Directors is convicted or enters a plea of guilty in respect of any crime outlined in Act No. 458 of the Legislative Assembly of Puerto Rico, enacted on December 29, 2000. Similarly, if Aerostar is convicted of a public integrity crime other than

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an Act No. 458 crime, the Lease will terminate as required by Act No. 237 of the Legislative Assembly of Puerto Rico, enacted August 31, 2004.

Upon the occurrence of any of the events of default described above, the PRPA has the right to do any or all of the following:

- terminate the Lease, subject, in certain circumstances, to Aerostar's right to cure the default;

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- if the default consists of the Aerostar's failure to pay amounts due, make the payment on behalf of Aerostar and to be reimbursed within three business days after written demand of reimbursement;
- cure the default and seek reimbursement for any costs associated with curing the default plus an administrative fee equal to 15.0% of the cure costs;
- seek specific performance, injunction or other equitable remedies if damages are inadequate to remedy the default in question;
- seek to recover losses arising from the default and exercise any recourse available to any party who is entitled to damages or a debt under applicable law;
- seize any of Aerostar's goods located at the LMM Airport;
- debar or suspend Aerostar for 10 years in accordance with the Public Private Partnership Act; and
- exercise any of its other rights and remedies under the Lease, at law or in equity.

**New Airports Certified as Part 139 Airports**

The lease entitled Aerostar to receive compensation from the PRPA if the PRPA or any other governmental authority established under the laws of Puerto Rico obtains an airport certificate under 14 CFR Part 139 that would authorize scheduled passenger commercial services at any airport located within Puerto Rico that did not have such certificate as of February 27, 2013 (i) prior February 27, 2033 at any airport located within the municipality of Ceiba or (ii) prior to February 27, 2028 at any airport located in Puerto Rico other than in the municipality of Ceiba. The compensation should restore Aerostar to the same after-tax economic position it would have enjoyed if the events described in this paragraph had not occurred. The actual amount of the compensation must be calculated in accordance with the terms of the Lease.

**Environmental Matters**

Our LMM Airport business is subject to U.S. federal and Puerto Rico laws and regulations relating to the protection of the environment. The principal environmental laws include the federal Clean Air Act, governing air emissions, the federal Clean Water Act, governing wastewater and

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storm water discharges, the federal Resource Conservation and Recovery, governing waste management, and various Puerto Rico laws and regulations administered by the Puerto Rico Environmental Quality Board ( EQB ). The LMM Airport maintains several environmental permits, including an operating permit for air emissions and non-hazardous waste generator and transporter registrations issued by the EQB, a storm water permit and hazardous waste generator registration issued by the U.S. Environmental Protection Agency ( EPA ), a wastewater discharge authorization issued by the Puerto Rico Aqueduct and Sewer Authority, and a used oil storage permit issued by the local municipality.



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The LMM Airport is subject to administrative consent orders issued by EPA pursuant to its corrective action authority under the Resource Conservation and Recovery Act. The consent orders require investigation and remediation of various areas of soil and groundwater contamination, primarily but not exclusively related to leaks and spills of gasoline and jet fuel from the fuel hydrant system at the LMM Airport property. Investigation and remediation of the contamination currently is underway and is expected to continue for several years. Pursuant to the LMM Airport Lease, the Authority retains responsibility for all contamination that occurred before February 27, 2013, when Aerostar began operating the LMM Airport.

The level of environmental regulation in Puerto Rico has increased in recent years, and the enforcement of the law is becoming more stringent. We expect this trend to continue. We do not expect that compliance with the applicable U.S. federal or Puerto Rico environmental laws and regulations will have a material effect on our financial condition or results of operations. There can be no assurance, however, that environmental laws and regulations or the enforcement thereof will not change in a manner that could require us to make additional capital contributions to Aerostar, which could have a material adverse effect on our income derived from Aerostar.

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**COLOMBIAN REGULATORY FRAMEWORK**

**Applicable Law in Colombia**

The following are the principal laws, regulations and instruments that govern the operation of our Colombian airports:

- the concession that entitles Airplan to operate our Colombian airports, which was granted on March 13, 2008,
  
- Law 80 of 1993, enacted on October 28, 1993;
  
- Law 105 of 1993, enacted on December 30, 1993;
  
- Law 336 of 1996, enacted on December 20, 1996;
  
- Law 1150 of 2007, enacted on July 16, 2007; and
  
- decrees and resolutions governing aeronautical activity enacted by the Colombian Ministry of Transportation and Aerocivil.

**Role of the National Infrastructure Agency**

The National Infrastructure Agency, or the ANI, is part of the Colombian Ministry of Transportation and represents the principal institution responsible for infrastructure concessions in Colombia. The ANI was created in 2011 and assumed the duties of its predecessor agency, the National Institute of Concessions. The ANI is authorized by Decree 4165 of 2011 to perform the following functions, among others:

- identify, evaluate and propose concession initiatives or other forms of public services;

- plan the procurement and execution of concession projects or other forms of public-private partnership for the design, construction, maintenance, operation, administration and/or exploitation of public infrastructure and related services identified by the Colombian government;
- define procedures for the stages of concession projects, including the planning, pre-awarding, awarding and evaluation of concession projects or other forms of public-private partnership;
- coordinate studies and surveys to define and collect information related to concession projects and other forms of public-private partnership, including studies related to tariffs, valuation and environmental matters;
- supervise the technical, legal and financial structuring of concession projects or other forms of public-private partnership in accordance with the policies established by national transportation and economic authorities;

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- coordinate and manage development processes related to concession projects and other forms of public-private partnerships, including the procurement of licenses and permits and the negotiation and acquisition of properties;
- assess and monitor the concession projects and other forms of public-private partnership, as well as propose and implement measures related to risk management and mitigation;
- verify concession holders' compliance with obligations set forth in concession agreements and in policies and guidelines from the relevant authorities; and
- coordinate with national authorities such as the National Institute of Roads and Aerocivil with respect to transportation structure of concession projects or other forms of public-private partnership.

In 2013, the ANI replaced Aerocivil as the government agency responsible for managing and enforcing the Airplan concession agreement.

**Role of Aerocivil**

The Special Administrative Unit of Civil Aeronautics, or Aerocivil, is a government agency of the Colombian Ministry of Transportation. Aerocivil is the principal regulator of civil aviation, the aviation industry and the Colombian airspace. Aerocivil is authorized by Law 105 of 1993 and Decree 260 of 2004 to perform the following functions, among others:

- oversee and regulate air transport and air navigation in Colombia;
- collaborate with the Ministry of Transportation and other authorities to define policies, guidelines and general plans for civil aeronautics and air transport for the greater development of Colombia;
- monitor and review compliance with national and international policies regarding civil aviation and air transportation;

- promote and implement strategies to advance the development of services in the airport sector;
- evaluate compliance with aeronautical and air transport regulations at private airports or airports under concession;
- promote regional participation and mixed schemes in airport administration;
- establish and enforce fees and tariffs for the provision of aeronautical and airport services or those generated by concessions, authorizations, licenses or any other type of income or asset; and
- organize and operate aeronautical telecommunications.

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In 2013, Aerocivil was replaced by ANI as the authority responsible for managing and enforcing the concession agreement with Airplan.

**Role of the Olaya Herrera Airport Public Authority**

The Olaya Herrera Airport Public Authority (*Establecimiento Público Aeropuerto Olaya Herrera*), or AOH, is a municipal public entity that, together with Aerocivil, granted the concession agreement to Airplan in 2008. The AOH has jurisdiction over the physical location of the Enrique Olaya Herrera Airport in Medellín. Although the AOH executed an administrative contract with ANI to grant the 2008 Airplan concession, the ANI continues to manage the concession. Pursuant to Decree 2299 of 2001, the purpose and function of AOH is the administration and development of a property granted to the municipality of Medellín for the operation of airport facilities. In order to achieve this mandate, the AOH is legally entitled to partner with individuals and public and private legal entities.

**Scope of Colombian Concession and General Obligations**

On March 13, 2008, Aerocivil and the AOH granted Airplan a concession to perform the administration, operation, commercial development, remodeling, maintenance and modernization of José María Córdova International Airport in Rionegro and Enrique Olaya Herrera Airport in Medellín, Los Garzones Airport in Montería, Antonio Roldán Betancourt Airport in Carepa, El Caraño Airport in Quibdó, and Las Brujas Airport in Corozal.

The concession agreement consists of four stages:

- an initial 10-month stage known as the previous stage;
- an adaptation and modernization stage, which was intended to last five years, but was extended until all airports under the concession execute their investment plan for the development of the airports;
- a maintenance stage; and
- a reversion stage, in which the concession terminates and all real and other property under the concession reverts to the Colombian government. This final stage cannot last longer than three months.

We are currently in the adaptation and modernization stage, which we expect to end in June 2020. The overall duration of the concession depends on the revenues generated by the Colombian airports. In particular, the concession remains in effect until the date on which any of the

following events occur: (i) the regulated revenues generated are equal to expected regulated revenues, provided that the concession agreement has been in force for at least 24 years or (ii) the concession agreement has been in force for at least 40 years, regardless of whether the regulated revenues generated are equal to the expected revenues. If our Colombian airports generate regulated revenues that are equal to the expected revenues before the end of the 25-year period, the concession agreement will remain in effect until the end of such period. Thus, management considers both quantitative and qualitative factors in determining the final year of the concession term, which is 2032; however, in accordance with legal guidelines, the concession term may be extended until 2048 as long as the requirements established by the grantor are met.

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The concession sets forth a series of obligations, including payment of concession fees (a fixed fee that the ANI cannot modify, equal to 19.0% of regulated revenues and non-regulated revenues, invoiced or received by the concession holder), obtaining the ANI's express approval for large construction, renovation or expansion projects, compliance with applicable environmental legislation, refraining from providing air transport services to passengers, payment of dispute resolution costs and expenses, obtaining necessary licenses and permits required for the activities under the concession and any related requirements regarding the administration, commercial exploitation, operation, resources management, adaptation and maintenance of the airports. We may not assign the concession without prior written authorization from the AOH and ANI.

On June 25, 2008, in accordance with the concession agreement, for the administration of the resources of the concession and the payment of the obligations in the charge of the concessionaire, Airplan was required to enter into an agreement with Fiduciaria Bancolombia. The agreement established a trust, with Fiduciaria Bancolombia as trustee, to which all gross income received and capital and debt resources obtained for the purpose of the concession are transferred. Airplan and the grantor of the concessions are both beneficiaries of the trust, and the trust allocates the income and resources in accordance with the concession agreement.

**Committed Investments**

Airplan and the Colombian government reached agreements in 2014 and 2016 with terms of three years and 33 months, respectively, with regard to investment commitments for certain of its airports. For 2018 and 2019, José María Córdova International Airport has committed investments of U.S.\$9.8 million (COP\$31,963.9 million) and U.S.\$9.5 million (COP\$30,963.7 million), respectively. For 2018, El Caraño Airport has committed investments of U.S.\$0.78 million (COP\$ 2,521.9 million). These amounts have been translated at the rate of COP\$3,249.75 per U.S.\$1.00, which corresponds to the Colombian Peso Market Exchange Rate (*Tasa de cambio representativa del mercado*) as of December 31, 2018. Antonio Roldán Betancourt Airport, Enrique Olaya Herrera Airport, Los Garzones Airport and Las Brujas Airport do not have any investment commitments with the Colombian government for 2018 and 2019.

The following table presents a summary of the investment commitments for our Colombian airports as of December 31, 2018.

**Committed Investments at Our Colombian Airports**

<b>Airport</b>	<b>Project Description</b>	<b>Amount Invested (in millions of COP\$)</b>	<b>Status as of December 31, 2018</b>
Montería	Runway renovation	10,762.2	Completed
Corozal	Runway renovation	5,757.5	Completed
Medellín (Rionegro)	Runway renovation	28,304.3	Completed
Medellín	Runway renovation	8,321.3	Completed
Quibdó	Runway renovation	16,322.1	Completed
Carepa	Runway renovation	13,622.5	Completed
Medellín (Rionegro)	Expansion of domestic departures passenger terminal	22,588.6	Completed
Medellín (Rionegro)	Expansion of international departures passenger terminal	25,492.5	Completed
Medellín (Rionegro)	Connections building	18,425.7	In progress
Medellín (Rionegro)	Expansion of international platform	37,749.4	Completed
Medellín (Rionegro)	Expansion of Cargo Terminal	76,841.0	In progress
Quibdó	Expansion of passenger terminal	10,727.7	Completed
Quibdó	Construction of shopping center, hotel and library	75,509.5	Completed
Quibdó	Expansion of runway and platform	86,041.8	Completed



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Montería	Expansion of passenger terminal	29,288.8	Completed
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**Ownership Commitments and Restrictions**

Pursuant to the concession agreement, Airplan is required to refrain from allowing Colombian state-owned entities to hold a majority stake in Airplan's capital stock. Moreover, unless otherwise approved by the ANI, Airplan shall refrain from allowing the assignment of shares by shareholders that have contributed their financial capacity or experience to fulfill the requirements during the tender process for the concession.

**Reporting, Information and Consent Requirements**

Pursuant to the concession agreement, the ANI and the AOH appointed a supervisor to coordinate and oversee the execution of the Colombian concession. Such supervisor is authorized to give instructions regarding compliance with the concession agreement and to request any information the ANI or the AOH deems necessary to verify compliance with the obligations of the concession.

Airplan must provide the supervisor with the opinion of an independent auditor by April 30 of each year, along with the financial statements of the previous year. In addition, Airplan is required to provide financial statements to the supervisor and the ANI or the AOH on a quarterly basis.

During the adaptation and modernization stage of the concession, Airplan must present the status of the execution of the concession to the supervisor, the ANI and the AOH on a bimonthly basis. Similarly, during the maintenance stage, Airplan must provide the status of the execution of the concession on a bimonthly basis.

In the event that the supervisor requests any additional information related to the concession agreement, Airplan must deliver such information within three days following the date of the request.

**Penalties and Termination of Colombian Concession**

In the event of noncompliance with the terms of the Colombian concession agreement, ANI and the AOH may rescind the agreement and assess a penalty, the amount of which varies depending on the stage of the concession. Airplan is subject to a maximum penalty of U.S.\$20 million during the adaptation and modernization stage. During the maintenance stage, this

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maximum penalty may be reduced by 30.0%, 50.0% or 70.0%, depending on when the breach occurs.

Under applicable Colombian laws and the terms of the concession, a concession may be terminated upon any of the following events:

- expected revenues are reached, after the concession has been in force for at least 24 years;
  
- the concession has been in force for 40 years, regardless of whether the concession holder has achieved the expected revenues;
  
- the ANI and the AOH unilaterally terminate the concession, provided that any of the following events has occurred:
  - the requirements of public service or a situation of public order require termination;
  
  - dissolution of the concession holder;
  
  - bankruptcy of the concession holder;
  
  - cessation of payments, bankruptcy or judicial liens of the concession holder seriously affect its ability to satisfy the concession agreement; or
  
  - declaration of debarment by the ANI or the AOH as a result of a material breach by the concession holder that affects the concession's execution in a grave manner, including in the event that the concession holder fails to remedy fines imposed due to noncompliance with the concession agreement.

If the ANI or the AOH declares debarment, they are entitled to take a series of actions in addition to terminating the concession agreement, including collecting a penalty from Airplan and initiating a claim for any additional damage that they may have suffered due to breach of the concession. Debarment also prohibits the concession holder from contracting with a public entity for five years. This prohibition extends to the shareholders of the concession holder.

**Grants of New Colombian Concessions**

The Colombian government may grant new concessions to manage, operate and develop airports. Such concessions may be granted through a bidding process. Bidders can be domestic or international and may participate in public tenders either individually or by plural participation schemes.

Under such plural participation schemes, Colombian law authorizes the existence of consortiums, temporary unions and companies that expect to incorporate. The bidding process consists of several phases, including public notice and request for proposals, as well as technical viability and budget studies carried out by the contracting entity.

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Once the bidding process begins, the bidders must present observations and comments to the request for proposals. Once the contracting entity releases the final version of the request for proposals, the bidding process is finalized and the bidders present their proposals. The contracting entity reviews each proposal and releases a public assessment report with observations and comments for each bidder, who may submit amendments to proposals under the terms of the original request for proposals.

After the contracting entity releases a final assessment report, it can choose to award the project or decline to grant the project if none of the current proposals addressed the requirements of the request for proposal.

**Environmental Matters**

Our Colombian operations are subject to federal, state and municipal laws, regulations and official standards relating to the protection of the environment and of natural resources. The main environmental laws include Law 1682 of 2013, which regulates the environmental regime applicable to transportation and infrastructure projects in Colombia and Decree 1076 of 2017, which regulates environmental licenses and permits.

Under Law 1682 of 2013, concession holders assume responsibility for obtaining the necessary administrative authorizations to initiate the activities under the concession agreement, including environmental licenses and permits. According to Law 1682 of 2013, maintenance, rehabilitation and improvement activities related to the concession do not require environmental licenses; however, the concession holder must still file a plan with the ANI that will serve as a guide for the ANI and for environmental authorities to perform environmental oversight and follow up on the concession activities.

Under Colombian laws, the concession holder must obtain certain environmental permits for construction activities. Decree 1076 of 2017 requires an environmental license for activities that have the potential to cause the deterioration of natural renewable resources and significantly modify the surrounding landscape.

Modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations in Colombia may result in the need for investments that are not currently provided for in our capital expenditures program and may otherwise result in a material adverse effect on our business, results of operations or financial condition.

Although we do not currently expect that compliance with Colombian environmental laws will have a material effect on our financial condition or results of operations, there can be no assurance, however, that environmental regulations or the enforcement thereof will not change in a manner that could have a material adverse effect on our business, results of operations, prospects or financial condition.

Table of Contents**ORGANIZATIONAL STRUCTURE**

The following table sets forth our material consolidated subsidiaries as of December 31, 2018, including our direct and indirect ownership interest in each:

<b>Subsidiary</b>	<b>Ownership Interest</b>	<b>Place of Organization</b>
Aeropuerto de Cancún, S.A. de C.V.	100%	Mexico
Aeropuerto de Cozumel, S.A. de C.V.(1)	100%	Mexico
Aeropuerto de Mérida, S.A. de C.V.	100%	Mexico
Aeropuerto de Huatulco, S.A. de C.V.(2)	100%	Mexico
Aeropuerto de Oaxaca, S.A. de C.V.	100%	Mexico
Aeropuerto de Veracruz, S.A. de C.V.(3)	100%	Mexico
Aeropuerto de Villahermosa, S.A. de C.V.	100%	Mexico
Aeropuerto de Tapachula, S.A. de C.V.(4)	100%	Mexico
Aeropuerto de Minatitlán, S.A. de C.V.(5)	100%	Mexico
Aerostar Airport Holdings, LLC(6)	60%	Commonwealth of Puerto Rico
Sociedad Operadora de Aeropuertos Centro Norte S.A.(7)	100%	Colombia
Servicios Aeroportuarios del Sureste, S.A. de C.V.	100%	Mexico
RH Asur, S.A. de C.V.	100%	Mexico

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- (1) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has an 18.1% equity participation in this airport.
- (2) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has a 21.6% equity participation in this airport.
- (3) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has a 30.0% equity participation in this airport.
- (4) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has a 30.0% equity participation in this airport.
- (5) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has a 23.4% equity participation in this airport.
- (6) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has a 60.0% equity participation in this entity. On June 1, 2017, we began to consolidate Aerostar results into our financial statements.
- (7) As of December 31, 2018, Aeropuerto de Cancún, S.A. de C.V., has a 100% equity participation in this group. On October 19, 2017, we began to consolidate Airplan results into our financial statements.

**PROPERTY, PLANT AND EQUIPMENT**

Pursuant to the Mexican General Law of National Assets, all real estate and fixtures in our Mexican airports are owned by the Mexican nation. Each of our Mexican concessions is scheduled to terminate in 2048, although each concession may be extended one or more times for up to an aggregate of an additional fifty years. The option to extend a concession is subject to (i) the favorable opinion of the Tax Ministry with respect to the profitability and concession fee relevant to each concession in the extended period (as more fully described in the Mexican Regulatory Framework section), (ii) our acceptance of any changes to such concession that may be imposed by the Ministry of Communications and

Transportation and (iii) our compliance with the terms of our current Mexican concessions. Upon expiration of our Mexican concessions, these assets automatically revert to the Mexican nation, including improvements we may have made during the terms of the concessions, free and clear of any liens and/or encumbrances, and we will be required to indemnify the Mexican government for damages to these assets, except for those caused by normal wear and tear.

Pursuant to the Airplan concession agreement, all real estate and fixtures in our Colombian airports are owned by the Colombian government. Management considers both quantitative and qualitative factors in determining the final year of the concession term, which is 2032; however, in accordance with legal guidelines, the concession term may be extended until 2048 as long as the requirements established by the grantor are met. However, the concession may not be extended any further. The concession agreement establishes two categories of property: airport property (granted for the development and execution of the concession agreement) and aeronautical property (controlled and operated by the ANI and AOH for the purpose of facilitating air navigation). The concession does not grant the concession holder control of aeronautical

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property, including office buildings and other real estate outside of the Colombian airports. Upon termination of the concession, all real estate and fixtures in our Colombian airports will revert to the Colombian government.

Our corporate headquarters are located in Mexico City, with a lease area of 742.64 square meters. We also rent two warehouses totaling 128 square meters located in Mexico City for storage. In addition, we own 130 hectares of land in Huatulco that we plan to use for tourism development. We maintain comprehensive insurance coverage that covers the principal assets of our airports and other property, subject to customary limits, against damage due to natural disasters, accidents or similar events. We do not maintain business interruption insurance.

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. Operating and Financial Review and Prospects**

The following discussion should be read in conjunction with, and is entirely qualified by reference to, our consolidated financial statements and the notes to those financial statements. It does not include all of the information included in our consolidated financial statements. You should read our consolidated financial statements to gain a better understanding of our business and our historical results of operations.

Our consolidated financial statements included in this annual report are prepared in accordance with IFRS, as issued by IASB.

**Overview**

We operate nine airports in the southeastern region of Mexico under concessions granted by the Mexican government, six airports in Colombia under concessions granted by the Colombian government and the LMM Airport in San Juan, Puerto Rico. The majority of our revenues are derived from providing aeronautical services, which are generally related to the use of our airport facilities by airlines and passengers. For example, in 2016, 2017 and 2018, 46.5%, 51.5% and 58.0%, respectively, of our total revenues were derived from aeronautical services. Changes in our revenues from aeronautical services are principally driven by passenger and cargo volume at our airports. Our revenues from aeronautical services are also affected by the maximum rates we are allowed to charge at our Mexican airports under the price regulation system established by the Ministry of Communications and Transportation. The system of price regulation that applies to our aeronautical revenues allows us to charge up to a maximum rate for each unit of traffic volume (which is measured in workload units) at each Mexican airport. Thus, increases in aeronautical services, such as passenger and cargo volume, and therefore the number of workload units that we handle, tend to generate greater revenues.



We also derive revenue from non-aeronautical activities, principally related to the commercial services offered at our airports, such as the leasing of space to restaurants, retailers and service providers. At our Mexican airports, revenues from non-aeronautical activities are not subject to the system of price regulation established by the Ministry of Communications and Transportation. Thus, our non-aeronautical revenues are primarily affected by the mix of

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commercial services offered at our airports, the contracts that we have with the providers of those commercial services and our ability to increase the rates we charge to those service providers, and to a somewhat lesser extent, passenger traffic at our airports. While we expect that aeronautical revenues will continue to represent a majority of our future total revenues, growth of our revenues from commercial activities has exceeded, and we expect will continue to exceed, the growth rate of our aeronautical revenues.

**Recent Developments**

*We purchased a controlling interest in several airports in Colombia*

In the spring of 2017, we, through our Cancún airport subsidiary, entered into agreements to acquire a controlling interest in Airplan and Oriente. In October 2017, we received the necessary approvals from the Colombian regulatory authorities to conclude the acquisition of a 92.42% stake. Airplan has concessions to operate the following airports in Colombia: the Enrique Olaya Herrera Airport in Medellín and José María Córdova International Airport in Rionegro, the Los Garzones Airport in Montería, the Antonio Roldán Betancourt Airport in Carepa, the El Caraño Airport in Quibdó and the Las Brujas Airport in Corozal. On May 25, 2018, we increased our ownership stake in Airplan to 100% by acquiring an additional 7.58% of Airplan's capital stock. We terminated our agreement to purchase Oriente in 2018.

We purchased the initial 92.42% interest in Airplan for an aggregate price of approximately U.S.\$201.6 million, subject to pricing adjustments and pursuant to a series of agreements with the respective shareholders of Airplan. We paid U.S.\$69.6 million of the purchase price with cash on hand, and obtained an unsecured loan from BBVA Bancomer in April 2017 to pay the balance of the purchase price. The loan had a term of one year and an interest rate calculated on the basis of the 28-day TIE plus 0.60%. This loan was paid on October 2017, and we, through our Cancún airport subsidiary, concurrently incurred two loans of Ps.2,000.0 million each, one with BBVA Bancomer and the other with Banco Santander.

For more information on this acquisition, please see Item 4. Information on the Company Business Overview Our Colombian Airports.

*We acquired an additional 10% interest in Aerostar*

Highstar sold a 10% interest in Aerostar to Aeropuerto de Cancún, our Cancún subsidiary, pursuant to a Membership Interest Purchase Agreement. Following the closing of this transaction, Aeropuerto de Cancún now holds a 60% equity interest in Aerostar and, starting June 1, 2017, we began to fully consolidate Aerostar's results. In addition, Highstar sold its remaining 40% interest in Aerostar to PSP Investments, pursuant to a separate Membership Interest Purchase Agreement. Following the closing of both transactions, we now hold a 60% equity interest in Aerostar through our Cancún airport subsidiary, and PSP Investments holds a 40% equity interest through AviAlliance, a wholly owned subsidiary,

Hurricane Maria, which struck Puerto Rico on September 20, 2017, has impacted Aerostar results. Since the hurricane, air passenger traffic at LMM Airport has declined. During the third and fourth quarters of 2017, our passenger traffic in Puerto Rico decreased 15.8%



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relative to the same period in 2016. Our passenger traffic in Puerto Rico also decreased 14.9% in 2018 relative to the same period in 2017.

Our air passenger traffic at LMM in 2018 decreased 0.4% from 2017.

*A new air transport agreement went into effect*

On December 18, 2015, Mexico and the United States signed a new bilateral aviation agreement, the Air Transport Agreement, that replaced the previous Air Transport Agreement entered into by the parties on August 15, 1960 and last amended on November 21, 2014. The new Air Transport Agreement aims to, among other things, increase competition by eliminating rules that limit the number of airlines permitted to operate on certain cross-border routes and increase passenger traffic in both Mexico and the United States by encouraging code-sharing and alliances between the two nations. On July 22, 2016, the United States and Mexico exchanged diplomatic notes to bring the new Air Transport Agreement into force. On August 21, 2016, the new Airport Transport Agreement went into effect.

*We participated in a tax amnesty program implemented by the Mexican federal government*

When bidding was concluded for the shares of the Mexican airport group that became ASUR, The Ministry of Communications and Transportation agreed that the concessionaire could amortize the value of the concession at an annual rate of 15.0% for tax purposes. Contrary to this decision, in February 2012, the Ministry of Finance and Public Credit determined that this agreement was invalid and that the rate should instead be 2.0%. We filed an appeal in April 2012 to overturn this determination. In May 2013, while our appeal was pending, the Mexican federal government implemented a tax amnesty program for federal taxes, which we participated in by paying Ps.128.3 million to settle the claim with the Ministry of Finance and Public Credit solely with respect to income taxes. Our participation in the tax amnesty program, however, had no impact on our separate appeal of the amount of distributions owed by the Company under the mandatory employee statutory profit sharing regime established by Mexican federal labor laws. As of April 15, 2019, our appeal is still pending resolution with respect to such distributions. If we were to lose the appeal, we estimate that we would be required to pay an additional Ps.116.0 million.

**Passenger Traffic Volume and Composition**

Our principal source of revenues at our Mexican and Colombian airports is passenger charges collected from airlines for each passenger departing from the airport terminals we operate (excluding diplomats, infants and transfer and transit passengers). In 2016, 2017 and 2018, passenger charges represented 79.2%, 75.7% and 73.2% of our aeronautical services revenues and 36.8%, 39.2% and 42.5%, respectively, of our consolidated revenues. Accordingly, the main factor affecting our results of operations is the number of passengers using our airports.

*Volumes in Mexico*

In 2016, 2017 and 2018, approximately 45.6%, 46.1% and 47.7%, respectively, of the passengers traveling through our Mexican airports were domestic. The total number of Mexican

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domestic passengers for 2018 increased 10.7% as compared to 2017. In 2016, 2017 and 2018, 54.4%, 53.9% and 52.3% of the passengers traveling through our Mexican airports were international. During 2016, 2017 and 2018, 24.4%, 26.4% and 26.6%, respectively, of our total revenues were derived from passenger charges collected from international passengers traveling through our airports.

Of the international passengers traveling through our Mexican airports, a majority have historically traveled on flights to or from the United States. In 2016, 2017 and 2018, for example, 33.2%, 32.5% and 30.6% of the total passengers and 61.1%, 60.2% and 58.4%, respectively, of the international passengers traveling through our Mexican airports arrived or departed on flights originating in or departing to the United States. As a consequence, our results of operations are substantially influenced by U.S. political, economic and other conditions, particularly trends and events affecting leisure travel and consumer spending. For more information on the potential influence of U.S. political and economic conditions, see Item 3 Key Information Risk Factors Changes in U.S. immigration and border policy could adversely affect passenger traffic to and from Mexico and Colombia.

In addition, a majority of our Mexican passengers traveling domestically has typically traveled on flights to or from Mexico City. Due to excess demand in the Mexico City Airport, in 2005 commercial passenger carriers started using the Toluca airport, previously used only for private carriers, as an alternative point of departure for the Mexico City area. Between 2005 and 2008, the percentage of Mexican domestic passengers traveling from or to Mexico City had decreased because of an increase in commercial carriers arriving and departing from Toluca. However, Mexicana's bankruptcy in 2009 alleviated the oversaturation in the Mexico City Airport. As a result, the percentage of travel from Mexico City since then has increased because commercial flights that had been using Toluca as an alternative point of departure for the Mexico City area relocated their operations to Mexico City. The relocation of these carriers from Toluca to Mexico City since 2009 has resulted once again in excess demand in Mexico City. Therefore, we expect that many of these carriers may choose Toluca again as an alternative point of departure from the Mexico City area. Many factors affecting our passenger traffic volume and the mix of passenger traffic in our airports are beyond our control.

***Volumes in Puerto Rico***

The majority of passenger traffic volume in the LMM Airport consists of domestic passengers traveling from the mainland United States. In 2018, 89.2% and 10.8% of the passengers traveling through the LMM Airport were domestic and international, respectively. As with Mexico, our results in Puerto Rico are substantially influenced by economic and political developments in the United States. In addition, we expect that passenger traffic volumes will be influenced by the progress of recovery efforts from Hurricane Maria. For more information, see Item 3 Risk Factors Risks Related to Our Operations Hurricanes and other natural disasters have adversely affected our business in the past and could do so again in the future.

In 2018, we had 8.4 million passengers travel through the LMM Airport.

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*Volumes in Colombia*

The majority of passenger traffic volume in our Colombian airports consists of domestic passengers. In 2018, 85.1% and 14.9% of the passengers traveling through our Colombian airports were domestic and international, respectively. Of the international passengers traveling through our Colombian airports, approximately 36.0% traveled on flights originating in or departing to the United States. Similar to Mexico and Puerto Rico, our results in Colombia may be influenced by economic and political developments in the United States.

In 2018, we had 10.6 million passengers travel through our Colombian airports.

**Classification of Revenues and Price Regulation**

For financial reporting purposes, we classify our revenues into three categories: revenues from aeronautical services, revenues from non-aeronautical services and revenues from construction services. Our revenues from aeronautical services are derived from passenger charges, landing charges, aircraft parking charges, charges for airport security services and for the use of passenger walkways. Our revenues from non-aeronautical services are associated with the leasing of space in our airports to airlines, retailers and other commercial tenants, access fees collected from third parties providing complementary services at our airports and related miscellaneous sources. In addition, we derive construction revenues from the services we are deemed to provide by making capital improvements to concessioned assets.

Revenues from our Mexican and Colombian airports are subject to a dual-till price regulation system. Under this system, a substantial portion of our revenues, such as revenues from passenger charges, landing charges, aircraft parking charges and access fees from third parties providing services at our airports, are regulated. Based on our classification of revenues for financial reporting purposes, all of our revenues from aeronautical services and certain of our revenues from non-aeronautical services, such as access fees charged to third parties providing complementary services in our Mexican airports, are regulated by the relevant authorities. The system of price regulation applicable to our Mexican airports establishes an annual maximum rate in pesos for each airport, which is the maximum annual amount of revenues per workload unit (equal to one passenger or 100 kilograms (220 pounds) of cargo) that we may earn at that airport from regulated services. The maximum rates for our Mexican airports have been determined for each year through December 31, 2018. Aerocivil in Colombia establishes the fees and tariffs for the provision of aeronautical revenues at our Colombian airports. Each year, our subsidiary Airplan is required to update the fees and tariffs related to its concession, which are then submitted to Aerocivil for its review and approval.

Aeronautical revenues at the LMM Airport are not directly regulated by the government. However, aeronautical revenues at the LMM Airport are limited by the terms of the Airport Use Agreement, which governs the relationship between our subsidiary Aerostar and the principal airlines serving the LMM Airport. Pursuant to the agreement, Aerostar is entitled to an annual contribution of U.S.\$62 million during the first five years of the term. From year six onward, the total annual contribution for the prior year increases in accordance with an adjusted consumer price index factor based on the U.S. non-core consumer price index.

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In 2016, 2017 and 2018, 48.8%, 52.6% and 60.1%, respectively, of our total revenues from our Mexican operations and 7.4%, 7.0% and 6.7%, respectively, of our revenues from non-aeronautical services at our Mexican airports were earned from regulated sources of revenues. Revenues associated with leased space in our terminals (other than space leased to airlines and other space deemed essential to our Mexican airports by the Ministry of Communications and Transportation) and construction revenues are currently not regulated under the price regulation system established by the Ministry of Communications and Transportation in Mexico. In 2018, 64.3% of our total revenues from our Colombian operations were earned from regulated sources of revenues. Aerocivil in Colombia establishes the tariffs applicable to regulated sources of revenue at our Colombian airports.

The following table sets forth our revenues for the years ended December 31, 2016, 2017 and 2018.

	2016		Year ended December 31, 2017(1)		2018(2)	
	Amount	Percent	Amount (millions of Mexican pesos)	Percent	Amount	Percent
<b>Regulated Revenues:</b>						
Airport Services(3)	4,762.5	48.8%	6,743.8	53.6%	9,222.6	59.8%
<b>Non-regulated Revenues:</b>						
Access fees from non-permanent ground transportation	42.9	0.4%	47.8	0.3%	57.9	0.4%
Car parking and related access fees	83.4	0.9%	184.0	1.5%	298.5	1.9%
Other fees	8.6	0.1%	11.1	0.1%	18.8	0.1%
Commercial Services	2,772.5	27.1%	3,877.5	29.0%	4,743.6	30.8%
Other Services	93.0	1.0%	113.1	0.9%	133.0	0.9%
<b>Other Revenues:</b>						
Construction Services(4)	2,117.0	21.7%	1,844.2	14.6%	935.8	6.1%
<b>Total</b>	<b>9,753.5</b>	<b>100.0%</b>	<b>12,589.8</b>	<b>100.0%</b>	<b>15,410.2</b>	<b>100%</b>

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

(3) Includes access fees charged to third parties providing complementary services in our airports, which are classified as non-aeronautical revenues for financial reporting purposes, as well as aeronautical revenues in Puerto Rico, which, although unregulated, are limited by a long-term contract with our airline clients at that airport.

(4) We are required to account for the revenues and expenses relating to those services. In our case, because we hire a third party to provide construction and upgrade services, our revenues relating to construction or upgrade services are equal to our expenses for those services.

*Aeronautical Revenue*



*Mexican Aeronautical Revenues*

The system of price regulation applicable to aeronautical revenues at our Mexican airports establishes a maximum rate in Mexican pesos for each airport for each year in a five-year period, which is the maximum annual amount of revenue per workload unit (equal to one terminal passenger or 100 kilograms (220 pounds) of cargo) that we may earn at that airport from aeronautical services. The maximum rates for our Mexican airports have been determined for each year through December 31, 2023. Therefore, our aeronautical revenues are determined largely by the number of workload units at each of our Mexican airports, which is primarily

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driven by passenger traffic levels. Aeronautical revenues differ among our Mexican airports to the extent that passenger traffic levels differ among these airports.

Under the Mexican regulatory system applicable to our aeronautical revenues, we can set the specific price for each category of aeronautical services every six months (or more frequently if accumulated inflation since the last adjustment exceeds 5.0%), as long as the total aeronautical revenue per workload unit each year at each of our Mexican airports does not exceed the maximum rate at that airport for that year. The specific prices we charge for regulated services are based on various factors, including projections of passenger traffic volumes, capital expenditures estimated in our Mexican master development programs, the Mexican producer price index (excluding petroleum) and the value of the peso relative to the U.S. dollar. We currently set the specific price for each category of aeronautical services after negotiating with our principal airline customers. Our current agreements with our principal airline customers at our Mexican airports have been renewed. We do not have any contracts that will expire before April 30, 2019. Under these agreements, our specific prices are structured such that the substantial majority of our aeronautical revenues are derived from passenger charges, and we expect this to continue to be the case in future agreements.

In 2016, 2017 and 2018, passenger charges at our Mexican airports represented 79.2%, 68.1% and 53.7% of our aeronautical service revenues and 36.8%, 35.3% and 31.2%, respectively, of our consolidated revenues.

Historically, we have set our prices for regulated services at our Mexican airports as close as possible to the maximum rates allowed in any given year, and we expect to pursue this pricing strategy in the future. There can be no assurance that we will be able to collect most of the revenue we are entitled to earn from services subject to price regulation in the future.

As noted above, our regulated revenues at each Mexican airport are subject to a maximum rate established by the Ministry of Communications and Transportation. To avoid exceeding the maximum rate established at an airport for any given year, we have historically taken measures to ensure that the maximum rates are not exceeded at year end, including reducing prices during the latter part of the year and issuing credit notes or discounts to customers as price adjustments. These price adjustments or discounts constitute a reduction of the selling prices (i.e., the amounts originally billed to customers for services rendered), and therefore, are characterized as a reduction of the related revenues recognized during the year. All discounts and credit notes are issued and recorded in the same year as the service is provided. In 2016, 2017 and 2018, we did not issue rebates in significant amounts.

*Colombian Aeronautical Revenues*

Our Colombian airports' revenues from passenger charges for the use of terminals, takeoff, landing and aircraft movement charges, charges for boarding bridges and aircraft parking charges are regulated by the National Infrastructure Agency pursuant to its concession agreement with our subsidiary Airplan. In 2018, passenger charges at our Colombian airports, represented 12.0% of our consolidated aeronautical revenues and 7.0% of our consolidated revenues. Our subsidiary Airplan charges tariffs to airlines (relating to domestic routes, international routes and development). The tariffs are established by Aerocivil, through

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Resolution 04530 of 2007 and will expire between 2019 and 2032. As of December 31, 2018, the following airlines at our Colombian airports were subject to such tariffs: Avianca, Aerorepública (COPA), Wingo, Viva Colombia, LATAM, American Airlines, EasyFly, TACA, Spirit, Aeroméxico, Jet Blue, Satena, Iberia, Air Panama, Avior, Tampa Cargo, Aerolíneas de Antioquia, LAN Perú, SkyLease and LANCO. See Item 4 Information on the Company Business Overview Colombia.

*Puerto Rican Aeronautical Revenues*

As noted above, aeronautical revenues from our LMM Airport are limited by the Airport Use Agreement between Aerostar and the principal airlines serving the LMM Airport. Aeronautical revenues include revenues from passenger charges for the use of terminals, landing and aircraft movement charges and aircraft parking charges. We include aeronautical revenues from LMM Airport in our calculation of total regulated revenues. In 2018, passenger charges at our LMM Airport, represented 7.5% of our consolidated aeronautical revenues and 4.3% of our consolidated revenues.

The following table sets forth our revenue from aeronautical services from all airports for the years indicated.

**Aeronautical Revenue**

	2016		Year ended December 31, 2017(1)		2018(2)	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Aeronautical Revenue:</b>						
Passenger charges	3,589.2	79.2%	4,908.7	75.7%	6,547.7	73.2%
Landing charges	279.0	6.1%	593.6	9.2%	1,047.8	11.7%
Aircraft parking charges	520.9	11.5%	608.7	9.4%	745.9	8.3%
Airport security charges	67.2	1.5%	72.4	1.1%	92.0	1.0%
Passenger walkway charges	75.9	1.7%	300.8	4.6%	509.5	5.7%
<b>Total Aeronautical Revenue</b>	<b>4,532.2</b>	<b>100.0%</b>	<b>6,484.2</b>	<b>100.0%</b>	<b>8,942.9</b>	<b>100.0%</b>

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombian airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

The following table sets forth our Mexican revenue from aeronautical services per workload unit for the years indicated. Our Colombian and Puerto Rico airports are not regulated under workload units.

Year ended December 31,

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	2016	2017 (millions of Mexican pesos)		2018	Change(1)
	Amount	Amount	Amount	Amount	
<b>Other Information:</b>					
Total workload units(2)	29.0	31.7	33.9		7.0%
Aeronautical revenue	4,532.2	5,319.5	5,965.5		12.1%
Aeronautical revenue per workload unit(3)	156.2	167.8	175.8		4.8%

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(1) As compared to the previous year.

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(2) In millions. Under the regulation applicable to our aeronautical revenues, a workload unit is equivalent to one terminal passenger or 100 kilograms (220 pounds) of cargo.

(3) Aeronautical revenues per workload unit are expressed in Mexican pesos (not millions of Mexican pesos).

The following table sets forth the number of passengers paying passenger charges for the years indicated.

Airport	Year ended December 31,			% change 2017-2018
	2017	2017(1)	2018(2)	
	(in thousands of Mexican pesos, except percentages)			
Cancún	10,581.2	11,639.0	12,419.0	7.0%
Mérida	947.4	1,045.1	1,195.2	14.4%
Villahermosa	619.5	630.8	616.7	(2.2%)
Other Mexican Airports	1,899.7	2,015.3	2,176.3	8.0%
San Juan	N/A	8,247.0	8,250.0	0.0%
Colombia	N/A	4,999.9	5,287.9	5.8%
<b>Total</b>	<b>14,047.8</b>	<b>28,577.1</b>	<b>29,945.1</b>	<b>4.8%</b>

(1) Reflects passenger data for full year 2017. We began consolidating financial information for our LMM Airport and Colombian airports as of June 1, 2017 and October 19, 2017, respectively.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

At our Mexican and Colombian airports, we earn passenger charges from each departing passenger at our airports other than transit passengers, diplomats and infants.

***Non-Aeronautical Revenue***

Our revenues from non-aeronautical services are principally derived from commercial activities, such as leasing of space in our airports to airlines, leasing of space to, and collection of royalties from, third parties operating stores and providing commercial services at our airports and access fees charged to operators of automobile parking facilities and providers of complementary services, and non-commercial activities, such as leasing of space essential for the operation of airlines and access fees from non-permanent ground transportation and complementary service providers, including providers of ramp and handling services, catering, maintenance services and repair and related activities that support air carriers. Most of our revenues from non-aeronautical services are not subject to price regulation under our dual-till price regulation system.

Because non-aeronautical revenues are determined in part by passenger traffic levels, the differences in non-aeronautical revenues between our airports are determined in part by passenger traffic levels. Differences in non-aeronautical revenues are also determined by the mix of commercial services available at an airport. Because international passengers, many of whom are vacation travelers, tend to use more expensive commercial services, like souvenir shops and international food and beverage vendors, airports that have higher levels of international passenger

traffic, like the Cancún airport, tend to generate higher amounts of non-aeronautical revenues.

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The following table sets forth our revenue from non-aeronautical activities for the years indicated.

	2016		Non-aeronautical Revenue Year ended December 31, 2017(1) (millions of Mexican pesos)		2018(2)	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Non-aeronautical Services:</b>						
Commercial	2,673.0	86.1%	3,693.5	86.7%	4,778.9	86.4%
Leasing of space	2,627.4	84.6%	3,578.9	84.0%	4,431.4	80.1%
Access fee	42.9	1.4%	47.9	1.1%	57.9	1.0%
Other	2.7	0.1%	66.7	1.6%	289.6	5.2%
Non Commercial	431.3	13.9%	567.9	13.3%	752.6	13.6%
Leasing of space	108.1	3.5%	121.4	2.8%	133.4	2.4%
Access fee	159.8	5.1%	266.8	6.3%	392.9	7.1%
Other	163.4	5.3%	179.7	4.2%	226.3	4.1%
<b>Total Non-aeronautical Revenue</b>	<b>3,104.3</b>	<b>100.0%</b>	<b>4,261.4</b>	<b>100.0%</b>	<b>5,531.5</b>	<b>100%</b>

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

The following table sets forth other information about our passengers and revenues for the years indicated:

	2016	Year ended December 31, 2017(1)		2018(2)	Change(3)
	Amount	(millions of Mexican pesos)		Amount	
	Amount	Amount	Amount		
<b>Other Information:</b>					
Total terminal passengers(4)	28.4	37.6	52.2		39.0%
Change in non-aeronautical revenue	612.4	1,157.0	1,270.1		9.8%
Non-aeronautical revenue per terminal passenger(5)	109.3	113.3	105.9		(6.5%)

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

(3) As compared to previous year.

(4) In millions. Excludes transit and general aviation passengers.

(5) Revenue per passenger amounts are expressed in Mexican pesos (not millions of Mexican pesos).

Our commercial revenues consist primarily of revenues from duty-free shops, food and beverage establishments, retail stores, advertising revenues, parking lots, car rental companies, banking and currency exchange services, teleservices and ground transportation.



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The following table sets forth our revenue from commercial activities for the years indicated.

	2016	Year ended December 31,		2018(2)	Change
	Amount	2017(1)	Amount		
(millions of Mexican pesos)					
<b>Commercial Revenues:</b>					
Duty-Free Shops	640.8	881.7	1,861.1		111.1%
Food and Beverage	439.1	609.3	738.4		21.2%
Retail Stores	904.5	1,194.7	621.8		(47.9)%
Advertising Revenues	122.9	139.5	161.2		15.6%
Parking Lots	83.5	184.0	298.5		62.2%
Car Rental Companies	221.1	379.2	611.8		61.3%
Banking and Currency Exchange Services	86.8	97.3	119.9		23.2%
Teleservices	10.9	13.0	14.1		8.8%
Ground Transportation and Access Fees	45.5	53.5	134.0		150.5%
Other Services	217.5	325.3	539.0		65.7%
<b>Total</b>	<b>2,772.6</b>	<b>3,877.5</b>	<b>5,100.0</b>		<b>31.5%</b>

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

The Mexican Ministry of Communications and Transportation does not classify certain of these revenues as commercial revenues. Accordingly, the following table sets forth the reconciliation between commercial revenues classified according to the requirements of the Ministry of Communications and Transportation and commercial revenues classified according to IFRS for the years indicated.

	2016	Year ended December 31,	2018
		2017	
(millions of Mexican pesos)			
<b>Non-aeronautical services(1)</b>			
Commercial	2,673.0	3,693.5	4,778.9
<b>Commercial revenues(2)</b>			
Parking lots	83.5	184.0	298.5
Other services	16.1		22.5
<b>Total</b>	<b>2,772.6</b>	<b>3,877.5</b>	<b>5,100.0</b>

(1) Classified according to the requirements of the Ministry of Communications and Transportation.

(2) Classified according to IFRS.

*Construction Services Revenue*

Under IFRS, an operator of a service concession that is required to make capital improvements to concessioned assets, such as us, is deemed to provide construction or upgrade services. Revenues from construction services are recognized in accordance with the methods prescribed (input method) for measuring progress towards completion of each project, as approved by the grantor. Revenues from construction services are not subject to regulation under our dual-till price regulation system in Mexico, Colombia and Puerto Rico.

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The operating costs at our airports are influenced principally by two factors: fixed costs and variable costs. Fixed costs are the costs of operating an airport, such as most of our depreciation and amortization, administrative expenses, maintenance, safety, security and insurance, utilities and employee costs, which are primarily dependent on the size of the airport and do not vary with the number of passengers. Variable costs are dependent on passenger traffic, or, in the case of our technical assistance and concession fees, on financial results that are primarily determined by passenger traffic. We do not believe that there are material differences in these factors among the airports that we operate, other than differences relating to passenger traffic volume (at busier airports, fixed costs may be spread among a greater number of passengers).

The following table sets forth our operating costs and certain other related information for the years indicated.

**Operating Costs**

	Year ended December 31,			% Change
	2016	2017(1)	2018(2)	
	Amount	Amount	Amount	
<b>Operating Costs:</b>				
Cost of services:				
Employee costs	374.8	654.8	807.1	23.3%
Maintenance	228.9	400.7	807.2	101.4%
Safety, security and insurance	172.6	292.2	508.3	74.0%
Utilities	118.9	251.5	486.3	93.4%
Other	441.2	710.4	933.8	31.4%
Total cost of services	1,336.4	2,309.6	3,542.7	53.4%
Costs of construction	2,117.0	1,898.5	935.8	(50.7)%
Administrative expenses	204.8	204.4	235.3	15.1%
Technical assistance fee	288.1	346.5	386.2	11.5%
Government concession fee	344.9	468.7	898.3	91.7%
Depreciation and amortization:				
Depreciation(3)	332.0	869.7	1,563.1	79.7%
Amortization	197.7	296.4	197.6	(33.3)%
Goodwill impairment		4,719.1		
Total depreciation and amortization	529.7	5,885.2	1,760.7	(70.1)%
<b>Total operating costs</b>	<b>4,820.9</b>	<b>11,113.0</b>	<b>7,765.9</b>	<b>(30.1)%</b>
<b>Other Information:</b>				
Total workload units(4)	29,010.7	31,709.5	33,936.8	7.0%
Cost of services per workload unit(5)	46.1	48.1	50.8	5.6%
Cost of services margin(6)	13.7%	14.4%	16.6%	15.3%

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

(3) Reflects depreciation of fixed assets.

- (4) In thousands. Under the regulation applicable to our aeronautical revenues at our Mexican airports, a workload unit is equivalent to one terminal passenger or 100 kilograms (220 pounds) of cargo. Our Colombian and Puerto Rican airports are not regulated by workload unit.
- (5) Cost of services per workload unit at our Mexican airports are expressed in Mexican pesos (not millions of Mexican pesos). Our Colombian and Puerto Rican airports are not regulated by workload unit.
- (6) Cost of services divided by total revenues, expressed as a percentage.

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***Cost of Services***

Our cost of services consists primarily of employee, maintenance, safety, security and insurance costs, as well as utilities (a portion of which we recover from our tenants) and other miscellaneous expenses.

***Employee Statutory Profit Sharing***

***Employee Profit Sharing in Mexico***

We are subject to the mandatory employee statutory profit sharing regime established by Mexican federal labor laws ( PTU ). Under this regime, 10.0% of a company's unconsolidated annual profits, as calculated for tax purposes, must be distributed among employees in Mexico other than the chief executive officer. The PTU is only applicable within Mexico. We committed, as part of our 2008 personnel reorganization, to pay each of our unionized employees a minimum payment of Ps.17,500 per year for continued service. These amounts are paid and expensed at the end of each year, and are included in our cost of services. In 2016, 2017 and 2018, we calculated our obligations in respect of employee statutory profit sharing amount to be Ps.6.1 million, Ps.6.4 million and Ps.8.1 million, respectively. This amount is included in the Ps.17,500 to be paid to each unionized employee for the year ended December 31, 2018, and is recorded as a cost of service.

***Employee Profit Sharing in Puerto Rico***

The LMM Airport is not subject to an employee profit sharing regime.

***Employee Profit Sharing in Colombia***

We are not subject to an employee profit sharing regime in Colombia.

***Technical Assistance Fee***

Under a technical assistance agreement in Mexico, ITA provides management and consulting services and transfers technical assistance, technological and industry knowledge, as well as experience to us for a fee. Our results of operations reflect the accrual of the technical assistance fee to ITA under the technical assistance agreement. The technical assistance fee is equal to the greater of U.S.\$2.0 million, adjusted for U.S. inflation, or 5.0% of our consolidated earnings before comprehensive financing costs, income taxes and depreciation and amortization

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(calculated prior to deducting the technical assistance fee). When calculating our technical assistance fee, we only consider earnings from our Mexican airports.

### *Government Concession Fee*

### *Mexican Concession Fee*

We are subject to the Mexican Federal Duties Law, which requires each of our Mexican airports to pay a concession fee to the Mexican government, which is currently equal to 5.0% of the gross annual revenues (regulated and non-regulated) of each Mexican concession holder

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obtained from the use of public domain assets pursuant to the terms of its concession. The concession fee may vary on an annual basis as determined solely by the Mexican federal congress, and there can be no assurance that this fee may not increase in the future. If the Mexican federal congress increases the concession fee, we are entitled to request an increase in our maximum rates from the Ministry of Communications and Transportation; however, there can be no assurance that the Ministry of Communications and Transportation would honor our request.

*Puerto Rican Concession Fee*

Our subsidiary Aerostar is required to make annual revenue-sharing payments to the Puerto Rico Ports Authority according to the terms of its Lease Agreement for the LMM Airport. The Lease Agreement was signed on February 27, 2013 and has an initial term of 40 years. Aerostar is required to make fixed payments of U.S.\$2.5 million per year for the first five years, 5.0% of gross airport revenues for the sixth through thirtieth years and 10% of gross airport revenues for the thirty-first through fortieth years.

*Colombian Concession Fee*

With respect to our Colombian airports, our subsidiary Airplan is required to pay a concession fee to the National Infrastructure Agency pursuant to the terms of its concession agreement. The concession fee is a fixed fee equal to 19% of regulated and non-regulated revenues invoiced or received by the concession holder. The Colombian government cannot modify the concession fee.

***Depreciation and Amortization***

*Mexican Assets*

Our depreciation and amortization expenses in Mexico primarily reflect the amortization of the investments realized in our nine Mexican airports under our master development plans. Our current master development plans went into effect as of January 1, 2019 and expire December 31, 2023.

*Puerto Rican Assets*

Our depreciation and amortization expenses in Puerto Rico primarily reflect the amortization of the investments realized in LMM Airport under the concession agreement. The concession agreement is recognized as a service concession because Aerostar does not have the right to control the use of LMM Airport facilities and does not control or receive all the production from the airport's facilities.

*Colombian Assets*

Our depreciation and amortization expenses in Colombia primarily reflect the amortization of the investments in the Antonio Roldán Betancourt, El Caraño, José María Córdova, Las Brujas and Los Garzones and Enrique Olaya Herrera Airports. The useful life for the amortization was determined according to the duration of the Colombian concession, and the



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amortization rate is calculated based on the percentage of regulated revenue obtained during the period with respect to the total expected income in the Company's financial model.

***Goodwill Impairment***

As a result of Hurricane Maria, which struck Puerto Rico on September 20, 2017, we carried out a deterioration test of long-term assets. After conducting this test, we recognized a Ps.4,719.1 million impairment in the valuation of long-term assets.

***Costs of Construction***

*Mexican and Puerto Rican Costs of Construction*

Costs of construction at our Mexican airports and LMM Airport reflect the cost of improvements to our concessioned assets. In our case, because we hire third parties to provide construction and upgrade services, and we do not recognize a premium on the cost of services, our expenses for those services are equal to our revenues.

*Colombian Costs of Construction*

Costs of construction at our Colombian airports reflect the cost of improvements to our concessioned assets. In our case, because we hire third parties to provide construction and upgrade services, and we recognize a premium on the cost of services, our expenses for those services are not equal to our revenues.

**Participation in the Results of Joint Ventures**

We own a 60.0% joint venture interest in Aerostar, which holds a 40 year concession to operate the LMM Airport. We have consolidated Aerostar's financial results into our financial statements. Prior to June 1, 2017, when we acquired a controlling interest in Aerostar, we accounted for our interest in this investment through the equity method. During these prior periods, we held a 50% interest in Aerostar. For more information on our joint venture interest and the LMM Airport investment, see Item 4. Information on the Company History and Development of the Company Investment in Luis Muñoz Marín International Airport.

**Taxation**

*Taxation in Mexico*

Our provision for taxes consists of two separate taxes: an income tax (*Impuesto Sobre la Renta*, or ISR) and an asset tax.

Until December 31, 2007, Mexican companies were generally required to pay the greater of their income tax liability (determined at a tax rate of 29.0% in 2007) or their asset tax liability (determined at a tax rate of 1.25% of the average tax value of virtually all of their assets, less the average tax value of certain liabilities (basically liabilities owed to Mexican residents excluding those with financial institutions or their intermediaries)). As a result of changes in the Mexican tax law which went into effect on January 1, 2008, the favorable asset tax balance may be

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recovered through rebates over the following 10 years of up to 10.0% each year of the total asset tax carry-forward at December 31, 2007, provided that this amount does not exceed the difference between the income tax paid in the year and the lowest amount of asset tax paid during each of the three previous years. The asset tax carry-forward may be adjusted for changes in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), or NCPI.

Aeropuerto de Cancún, S.A. de C.V., Aeropuerto de Oaxaca, S.A. de C.V. and Aeropuerto de Mérida, S.A. de C.V. have paid income tax since 2012. Aeropuerto de Villahermosa, S.A. de C.V. and Aeropuerto de Veracruz, S.A. de C.V. have paid income tax since 2013. We have recognized deferred income tax for these subsidiaries and, based on our financial and tax projections, we have estimated that these subsidiaries will continue paying income tax in the future. Following the repeal of the IETU, we have cancelled the deferred IETU for the following subsidiaries: Aeropuerto de Cozumel, S.A. de C.V., Aeropuerto de Tapachula, S.A. de C.V., Aeropuerto de Veracruz, S.A. de C.V., Aeropuerto de Villahermosa, S.A. de C.V., Servicios Aeroportuarios del Sureste, S.A. de C.V., RH Asur, S.A. de C.V. and Caribbean Logistic, S.A. de C.V. Servicios Aeroportuarios del Sureste, S.A. de C.V., RH Asur, S.A. de C.V. and Caribbean Logistic, S.A. de C.V. currently pay income tax.

***Taxation in Puerto Rico***

Pursuant to our agreement with the Treasury Department of Puerto Rico and the Public Private Partnership Law, our operations at the LMM Airport are subject to a 10.0% income tax. Earnings distributions and profits derived from the LMM Airport that are covered by the Lease Agreement are also subject to a 10.0% tax.

***Taxation in Colombia***

Our provision for taxes in Colombia consists of two levels of income taxes. We are subject to a 33.0% income tax in Colombia, as well as a 4.0% surcharge that applies to entities with a taxable base greater than COP\$800,000. Our applicable tax rate in Colombia for 2018 was 33.0%, plus the 4.0% surcharge. Note that the income tax rate will gradually reduce to 33.0% in 2019, 32.0% in 2020, 31.0% in 2021 and 30.0% in 2022 and thereafter.

The Company's overall tax provisions for 2016, 2017 and 2018 are as follows:

**Tax Provisions**

	2016	Year ended December 31, 2017(1) (millions of Mexican pesos)	2018(2)
Income Tax			
Current Income Tax	1,503.0	1,928.2	1,746.0
Deferred Income Tax	(101.8)	(292.8)	50.0
Total Income Tax	1,401.2	1,635.4	1,796.0
Current Asset Tax	0.9	0.9	0.9

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Total Asset Tax	0.9	0.9	0.9
<b>Total Tax Provision</b>	<b>1,402.1</b>	<b>1,636.3</b>	<b>1,796.9</b>

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- (1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.
- (2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

The determination of which taxes are payable and the appropriate tax rate to use therein for the deferred taxes associated with these tax regimes is determined on an individual airport-by-airport basis since we do not file a consolidated income tax return.

In 2018, the VAT tax rate applicable in Mexico was 16.0 % (subject to certain extensions), and calculated generally on a monthly cash flow basis. Companies that engage in the business of selling, rendering services, leasing, importing or exporting goods are subject to VAT.

The VAT effectively paid on purchases of goods and services received in Mexico can be credited against the VAT effectively collected. In the case that the VAT paid exceeds the VAT collected in a given period, companies may request a rebate of the favorable VAT balance from the tax authorities or offset the VAT favorable balance against other federal taxes or withheld taxes.

In 2018, the general VAT tax rate applicable in Colombia was 19.0% and calculated and paid on a bimonthly basis. Companies that engage in the business of selling goods, rendering services, leasing, importing or exporting goods are subject to VAT (subject to certain exemptions and exclusions).

The VAT accrued on purchases of goods and services used in income generating activities in Colombia can be credited against the VAT invoiced in sales to clients. VAT accrued on purchases of goods and services used in income generating activities that are not subject to VAT becomes a higher cost to the company. In the case that the VAT paid exceeds the VAT collected in a given period, companies may offset the VAT favorable balance against future VAT collected from sales to clients.

Taxes on dividends in Colombia vary depending on the year in which the profits to be distributed were generated and the recipient of the dividend. Dividends paid out of profits generated from 2017 forward and distributed in 2018 or earlier to foreign resident companies were taxed at a rate of 5%. Dividends paid out of profits generated from 2017 forward and that will be distributed in 2019 or subsequent years to foreign resident companies are taxed at a special rate of 7.5%.

In addition to the abovementioned taxes, where a company resident in Colombia has not paid income tax on the profits being distributed due to applicable exemptions, differences in depreciation/amortization rates or the offsetting of tax losses from previous fiscal years, among other reasons, dividends distributed to foreign partners or shareholders may be subject to tax in Colombia at the corporate income tax rate (33% in 2019, 32% in 2020, 31% in 2021 and 30% in 2022). Until 2018, the corporate income tax rate was 35%. After the application of the relevant corporate income tax rate, the abovementioned dividend tax rates of either 7.5% or 5% is levied on the remainder of the dividend.



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Dividends paid out of profits generated in 2016 or earlier years are not subject to either the 7.5% or the 5% dividend tax rate. However, where a company resident in Colombia has not paid income tax on the profits being distributed, dividends distributed to foreign partners or shareholders may be subject to tax in Colombia at a 35% rate.

The Double Taxation Treaty in effect between Colombia and Mexico eliminates the aforementioned dividends tax when the recipient of the dividends is a Mexican resident and those dividends are not attributable to a permanent establishment of the recipient in Colombia. However, when the dividends are paid out of profits that were not subject to income tax at the level of the Colombian entity distributing them, they may still be subject to the aforementioned income tax at a rate of 33% (or lower, as permitted by Colombian laws).

**Effects of Inflation and Economic Changes**

The following table sets forth, for the periods indicated:

- the Mexican inflation rate;
- the Colombian inflation rate;
- the U.S. inflation rate;
- the percentage that the Mexican gross domestic product, or GDP, changed as compared to the previous period; and
- the percentage that the Colombian GDP changed as compared to the previous period.

	2016	Year ended December 31,		
		2017		2018
Mexican inflation rate(1)	3.4%	6.8%		4.8%
Colombian inflation rate	7.5%	4.3%		3.2%
U.S. inflation rate(2)	2.1%	2.1%		1.9%
Increase in Mexican GDP(3)	2.8%	2.3%		2.0%
Increase in Colombian GDP	2.0%	1.7%		2.8%

- (1) Based on changes in the Mexican consumer price index from the previous period, as reported by the Banco de Mexico. The Mexican consumer price index at year end was 98.3 in 2017 and 103.0 in 2018.
- (2) As reported by the U.S. Department of Labor, Bureau of Statistics.
- (3) In real terms, as reported by the National Institute of Statistics and Geography (INEGI) as of April 11, 2019.

The general condition of the Mexican economy, inflation and high interest rates have in the past adversely affected, and may in the future adversely affect our business and operating results. For a detailed description of the risks associated with changes to the economy, inflation and interest rates, see Item 3. Key Information Risk Factors Risks Related to Our Operations.

#### **Effects of Fluctuation**

The following table sets forth, for the periods indicated, the percentage that the Mexican peso depreciated or appreciated against the U.S. dollar.



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	Year ended December 31,		
	2016	2017	2018
Depreciation (appreciation) of the Mexican peso as compared to the U.S. dollar(1)	19.9%	(4.7)%	(0.1)%

(1) Based on changes in the rates for calculating foreign exchange liabilities, as reported by Banco de Mexico, the Mexican Central Bank, at the end of each period, which were as follows: Ps.20.617 per U.S.\$1.00 as of December 30, 2016, Ps.19.640 per U.S.\$1.00 as of December 29, 2017 and Ps. 19.635 as of December 31, 2018.

Changes in the value of the Mexican peso as compared to the dollar have in the past adversely affected, and may in the future adversely affect, our:

- Passenger charges.* Passenger charges for international passengers are currently denominated in dollars, while passenger charges for Mexican domestic passengers are denominated in Mexican pesos. Therefore, our revenues from passenger charges at our Mexican airports (a substantial portion of our business), which are stated herein in Mexican pesos, will be affected by a depreciation or appreciation in the value of the peso as compared as to the dollar. Passenger charges at our Colombian airports are also affected by changes in the value of the Colombian peso. Passenger charges for international and domestic passengers at our Colombian airports are denominated in U.S. dollars and Colombian pesos, respectively.
- Contracts with commercial service providers.* Many of our contracts with commercial services providers in Mexico are denominated in U.S. dollars, but are collected or converted into Mexican pesos at the time of payment. Therefore, a depreciation in the peso as against the dollar results in us collecting more pesos for dollar-denominated contracts than before the depreciation, whereas an appreciation of the peso results in us collecting fewer pesos for dollar-denominated contracts. As a result, if the peso depreciates, and our peso-denominated cost of services does not increase at the same rate as the depreciation of the peso, our commercial revenues increase, whereas an appreciation of the peso or an increase in the peso-denominated cost of our services leads to a decrease in our commercial revenues. Our contracts with commercial service providers in Colombia are denominated and collected in Colombian pesos. Our contracts with commercial service providers in Puerto Rico are denominated in and collected in U.S. dollars.
- Comprehensive financing result.* Our comprehensive financing reflects gains or losses from foreign exchange, and gains and losses from interest earned or expensed. A portion of our indebtedness is denominated in U.S. dollars. Given that a substantial portion of our revenues are collected or converted into Mexican pesos, a depreciation in the peso as against the dollar would result in us having to spend more pesos for payment of dollar-denominated indebtedness, whereas an appreciation of the peso would result in us spending fewer pesos for dollar-denominated indebtedness payments.
- Maximum rates in pesos.* Our tariffs for the services we provide to international flights or international

passengers in our Mexican airports are denominated in U.S. dollars, but are generally paid in Mexican pesos based on the average exchange rate for the month prior to each flight. With respect to our Mexican airports, we generally

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collect passenger charges from airlines 30 to 115 days following the date of each flight. We intend to charge prices that are as close as possible to the maximum rates that we can charge. Since we are usually only entitled to adjust our specific prices once every six months (or earlier upon a cumulative increase of 5.0% in the Mexican producer price index, excluding petroleum), a depreciation of the peso as compared to the dollar, particularly late in the year, could cause us to exceed the maximum rates at one or more of our Mexican airports, possibly leading to the termination of one of our Mexican concessions. In the event that any one of our Mexican concessions is terminated, our other Mexican concessions may also be terminated. In addition, if the peso appreciates as compared to the dollar we may underestimate the specific prices we can charge for regulated services and be unable to adjust our prices upwards to maximize our regulated revenues.

For a detailed description of the risks associated with fluctuations in the value of the Mexican peso as compared to the U.S. dollar, see Item 3. Key Information Risk Factors Risks Related to Mexico Appreciation, depreciation or fluctuation of the peso relative to the U.S. dollar could adversely affect our results of operations and financial condition.

## Operating Results by Airport

The following table sets forth our results of operations for the periods indicated.

	<b>Operating Results</b>					
	2016		Year Ended December 31, 2017(1)		2018(2)	
	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(3)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)
<b>Cancún(4):</b>						
Revenues before solidarity agreement(5):						
Aeronautical services	3,341.9	154.0	3,963.3	165.6	4,428.5	173.7
Non-aeronautical services	2,823.2	130.1	3,401.2	142.2	3,831.3	150.2
Construction services	1,896.3	87.4	1,421.9	59.4	205.8	8.1
Total revenues before solidarity agreement	8,061.4	371.5	8,786.4	367.2	8,465.6	332.0
Expenses before solidarity agreement	(3,998.3)	(184.3)	(3,838.4)	(160.4)	(3,037.0)	(119.1)
<b>Net operating income before solidarity agreement</b>	<b>4,063.1</b>	<b>187.2</b>	<b>4,948.0</b>	<b>206.8</b>	<b>5,428.6</b>	<b>212.9</b>
Solidarity agreement revenues						
Solidarity agreement expenses	(280.7)	(12.9)	(224.7)	(9.4)	(221.7)	(8.7)
<b>Net operating income after solidarity agreement</b>	<b>3,782.4</b>	<b>174.3</b>	<b>4,723.3</b>	<b>197.4</b>	<b>5,206.9</b>	<b>204.2</b>
<b>Mérida:</b>						
Revenues before solidarity agreement:						
Aeronautical services	334.2	156.0	394.5	167.4	469.9	174.0
Non-aeronautical services	85.1	39.7	97.6	41.4	117.2	43.4
Construction services	98.7	46.1	46.1	19.6	4.8	1.8
	518.0	241.8	538.2	228.4	591.9	219.2

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Total revenues before solidarity agreement						
Expenses before solidarity agreement	(313.5)	(146.4)	(283.7)	(120.4)	(276.6)	(102.5)
<b>Net operating income before solidarity agreement</b>	<b>204.5</b>	<b>95.4</b>	<b>254.5</b>	<b>108.0</b>	<b>315.3</b>	<b>116.7</b>
Solidarity agreement revenues			9.5	4.1		
Solidarity agreement expenses	(45.8)	(21.4)			(17.9)	(6.6)

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	2016		Year Ended December 31, 2017(1)		2018(2)	
	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2) (Mexican pesos)	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(3) (Mexican pesos)	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2) (Mexican pesos)
<b>Net operating income after solidarity agreement</b>	<b>158.7</b>	<b>74.0</b>	<b>264.0</b>	<b>112.1</b>	<b>297.4</b>	<b>110.1</b>
<b>Villahermosa:</b>						
Revenues before solidarity agreement:						
Aeronautical services	181.1	140.8	195.6	149.8	201.5	155.0
Non-aeronautical services	62.3	48.5	61.8	47.3	59.7	45.9
Construction services	44.9	34.9	6.3	4.8	15.6	12.0
Total revenues before solidarity agreement	288.3	224.2	263.7	201.9	276.8	212.9
Expenses before solidarity agreement	(166.0)	(129.1)	(136.2)	(104.3)	(155.8)	(119.9)
<b>Net operating income before solidarity agreement</b>	<b>122.3</b>	<b>95.1</b>	<b>127.5</b>	<b>97.6</b>	<b>121.0</b>	<b>93.0</b>
Solidarity agreement revenues						
Solidarity agreement expenses	(13.0)	(10.1)	(7.8)	(6.0)	(8.1)	(6.2)
<b>Net operating income after solidarity agreement</b>	<b>109.3</b>	<b>85.0</b>	<b>119.7</b>	<b>91.6</b>	<b>112.3</b>	<b>86.8</b>
<b>Other Mexican Airports(6):</b>						
Revenues before solidarity agreement:						
Aeronautical services	675.0	173.6	766.1	185.9	865.6	196.7
Non-aeronautical services	133.7	34.4	149.2	36.2	162.1	36.8
Construction services	77.1	19.8	106.7	25.9	37.2	8.5
Total revenues before solidarity agreement	885.8	227.8	1,021.9	248.0	1,064.9	242.0
Expenses before solidarity agreement	(556.2)	(143.1)	(620.2)	(150.5)	(602.9)	(137.0)
<b>Net operating income (loss) before solidarity agreement</b>	<b>329.6</b>	<b>84.7</b>	<b>401.7</b>	<b>97.5</b>	<b>462.0</b>	<b>105.0</b>
Solidarity agreement revenues						
Solidarity agreement expenses	(7.4)	(1.9)	(24.5)	(5.9)	(29.5)	(6.7)
<b>Net operating (loss) income after solidarity agreement</b>	<b>322.2</b>	<b>82.8</b>	<b>377.2</b>	<b>91.6</b>	<b>432.5</b>	<b>98.3</b>
<b>San Juan:</b>						
Revenues:						
Aeronautical services	N/A	N/A	939.0	N/A	1,700.9	N/A
Non-aeronautical services	N/A	N/A	482.6	N/A	964.4	N/A
Construction services	N/A	N/A	75.9	N/A	360.0	N/A
Total revenues	N/A	N/A	1,497.5	N/A	3,025.3	N/A
Expenses	N/A	N/A	(1,186.0)	N/A	(2,277.5)	N/A
<b>Net operating income</b>	<b>N/A</b>	<b>N/A</b>	<b>311.5</b>	<b>N/A</b>	<b>882.4</b>	<b>N/A</b>
<b>Colombia Airports(7):</b>						
Revenues:						
Aeronautical services	N/A	N/A	225.7	N/A	1,276.5	N/A
Non-aeronautical services	N/A	N/A	69.1	N/A	396.8	N/A
Construction services	N/A	N/A	187.3	N/A	312.4	N/A
Total revenues	N/A	N/A	482.1	N/A	1,985.7	N/A
Expenses	N/A	N/A	(481.3)	N/A	(1,745.8)	N/A
<b>Net operating income</b>	<b>N/A</b>	<b>N/A</b>	<b>0.8</b>	<b>N/A</b>	<b>239.9</b>	<b>N/A</b>
<b>Holding &amp; Service Companies(8):</b>						
Revenues before solidarity agreement:						
Other(9)	1,108.6	N/A	1,244.9	N/A	1,407.1	N/A
Total revenues before solidarity agreement	1,108.6	N/A	1,244.9	N/A	1,407.1	N/A

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Expenses before solidarity agreement	(895.5)	N/A	(994.3)	N/A	(1,077.7)	N/A
<b>Net operating income before solidarity agreement</b>	<b>213.1</b>	<b>N/A</b>	<b>250.6</b>	<b>N/A</b>	<b>329.4</b>	<b>N/A</b>
Solidarity agreement revenues	346.9	N/A	247.4	N/A	277.1	N/A
Solidarity agreement expenses		N/A		N/A		

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	2016		Year Ended December 31, 2017(1)		2018(2)	
	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(3)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)
<b>Net non after solidarity agreement</b>	<b>560.0</b>	<b>N/A</b>	<b>498.0</b>	<b>N/A</b>	<b>606.5</b>	<b>N/A</b>
<b>Consolidation Adjustment(10):</b>						
Total Revenues	(1,455.5)	N/A	(1,501.8)	N/A	(1,684.6)	N/A
Expenses	1,455.5	N/A	6,319.5	N/A	1,684.6	N/A
<b>Total:</b>						
Revenues:						
Aeronautical services	4,532.2	156.3	6,484.2	N/A	8,942.9	N/A
Non-aeronautical services	3,104.3	107.0	4,261.4	N/A	5,531.5	N/A
Construction services	2,117.0	73.0	1,844.2	N/A	935.8	N/A
Total revenues	9,753.5	336.3	12,589.8	N/A	15,410.2	N/A
Expenses	(4,820.9)	(166.2)	(11,113.0)(11)	N/A	(7,765.9)	N/A
<b>Net operating income</b>	<b>4,932.6</b>	<b>170.1</b>	<b>1,476.8</b>	<b>N/A</b>	<b>7,778.9</b>	<b>N/A</b>

(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

(2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.

(3) Under the regulation applicable to our aeronautical revenues, a workload unit is equivalent to one terminal passenger or 100 kilograms (220 pounds) of cargo.

(4) Reflects the results of operations of our Cancún airport and two Cancún airport services subsidiaries on a consolidated basis.

(5) We and only our Mexican subsidiaries have entered into intercompany agreements that affect the revenues, operating costs and income at our individual subsidiaries but not on a consolidated basis. One of these agreements is the Solidarity Agreement, pursuant to which each of our Mexican subsidiaries pays a fee to Grupo Aeroportuario del Sureste, S.A.B. de C.V., or GAS, our parent company, in exchange for which GAS guarantees the ongoing viability of that Mexican subsidiary's concession, including, in the case of certain Mexican subsidiaries, by making payments to those subsidiaries to ensure that they have the resources to comply with their master development plans and other regulatory obligations. Revenues, expenses and income related to the Solidarity Agreement apply only to our Mexican operations.

(6) Reflects the results of operations of our airports located in Veracruz, Minatitlán, Oaxaca, Huatulco, Tapachula and Cozumel.

(7) Reflects the results of operations of our airports located in Medellín, Rionegro, Montería, Carepa, Quibdó and Corozal.

(8) Reflects the results of operations of our parent holding company and our services subsidiaries. Because none of these entities hold the concessions for our Mexican airports, we do not report workload unit data for these entities.

(9) Reflects revenues under intercompany agreements (other than the solidarity agreement) which are eliminated in the consolidation adjustment.

(10) The consolidation adjustment affects our consolidated net income by eliminating both revenues and expenses from intercompany transactions from all segments.

(11) Reflects a Ps.4,719.1 million impairment, which was determined while carrying out a deterioration test of long-term assets as a result of the effects of Hurricane Maria in Puerto Rico.

We and our Mexican subsidiaries have entered into intercompany agreements that affect the revenues, operating costs and income at our individual subsidiaries but not on a consolidated basis. Under the intercompany agreements, our holding company Grupo Aeroportuario del Sureste, S.A.B. de C.V., or GAS, and our administrative services companies provide certain services and guarantees to the Mexican airport operating subsidiaries (which may include payments to certain of our Mexican airport operating subsidiaries), in exchange for which the Mexican airport operating subsidiaries make payments to GAS and the service companies. One of these agreements is the Solidarity Agreement, pursuant to which each of our Mexican subsidiaries pays a fee to our parent company, in exchange for which the parent company guarantees the ongoing viability of that Mexican subsidiary's concession, including, in the case of certain Mexican subsidiaries, by making payments to those subsidiaries to ensure that they have the resources to comply with their master development plans and other regulatory obligations. The intercompany agreements also include agreements to provide other routine services, including negotiating regulated tariffs and interfacing with regulators, leasing of commercial real estate, trademark license royalties, marketing services and employee costs. The



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costs of these services and guarantees, including the Solidarity Agreement, are actual costs that are charged to individual airports. In the presentation of our consolidated results, the revenues and expenses generated by these transactions are eliminated because they are intercompany transactions.

**Summary Historical Results of Operations**

As a result of our acquisition of a controlling stake in both Aerostar and Airplan, our summary consolidated financial and operating information for the fiscal year ended December 31, 2017 includes the consolidation of the LMM Airport and our Colombian airports from June 1, 2017 and October 19, 2017, respectively. Therefore, financial and operating information for the fiscal years ended December 31, 2017 and December 31, 2018 may not be directly comparable with financial and operating information for prior years.

The following table sets forth our consolidated results of operations for the periods indicated. The financial information included in the table below is derived from our audited consolidated financial statements.

**Consolidated Operating Results**

	2016	Year Ended December 31, 2017(1)	2018(2)
	(thousands of Mexican pesos)		
<b>Revenues:</b>			
Aeronautical services	Ps. 4,532,194	Ps. 6,484,219	Ps. 8,942,910
Non-aeronautical services	3,104,343	4,261,383	5,531,557
Construction services	2,116,954	1,844,216	935,774
Total revenues	9,753,491	12,589,818	15,410,241
<b>Operating Expenses:</b>			
Cost of services	(1,336,385)	(2,309,625)	(3,542,792)
Administrative expenses	(204,843)	(204,418)	(235,264)
Costs of construction	(2,116,954)	(1,898,550)	(935,774)
Technical assistance fee(3)	(288,111)	(346,487)	(386,249)
Government concession fee(4)	(344,939)	(468,695)	(898,253)
Depreciation and amortization	(529,660)	(1,166,114)	(1,760,741)
Goodwill impairment		(4,719,096)	
Total operating expenses	(4,820,892)	(11,112,985)	(7,765,909)
Other income(5)			134,637
Operating profit	4,932,599	1,476,833	7,778,969
<b>Comprehensive Financing Result:</b>			
Interest income, net	58,383	(373,044)	(950,028)
Exchange gains (losses), net	(103,852)	141,210	87,758
Gain (loss) on valuation of financial instruments			
Net comprehensive financing income result	(45,469)	(231,834)	(862,270)
Participation in the results of joint ventures(6)	144,248	112,345	
Gain from business combination		7,029,200	
Income before taxes	5,031,378	8,386,544	6,916,699
Provisions for taxes	(1,402,116)	(1,636,379)	(1,796,893)
Net income	3,629,262	6,750,165	5,119,806
<b>Other Operating Data:</b>			

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Operating margin(7)	50.6%	11.7%	50.5%
Net margin(8)	37.2%	53.6%	33.2%

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(1) Includes information for the LMM Airport for the period from June 1 to December 31, 2017, and for our Colombia airports for the period from October 19 to December 31, 2017.

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- (2) Includes information for the LMM Airport and for our Colombia airports for the full fiscal year.
- (3) We are required to pay ITA a technical assistance fee based on the technical assistance agreement. This fee is described in Item 5. Operating and Financial Review and Prospects Operating Costs Technical Assistance Fee.
- (4) Each of our Mexican subsidiary concession holders is required to pay a concession fee to the Mexican government under the Mexican Federal Duties Law. The concession fee is currently 5.0% of each concession holder's gross annual regulated revenues from the use of public domain assets pursuant to the terms of its concession. Our subsidiary Airplan is required to pay a concession fee to the National Infrastructure Agency with respect to concessions for our Colombian airports. The concession fee is a fixed fee equal to 19.0% of regulated revenues and non-regulated revenues invoiced or received by the concession holder. Our subsidiary Aerostar is required to make fixed payments to the Puerto Rico Ports Authority of U.S.\$2.5 million per year for the first five years, 5.0% of gross airport revenues for the sixth through thirtieth years and 10% of gross airport revenues for the thirty-first through fortieth years. These fees are described in Item 5. Operating and Financial Review and Prospects Operating Costs Government Concession Fee.
- (5) Reflects insurance recovery during 2018 in connection with damage to airport infrastructure caused by Hurricane Maria.
- (6) For the periods prior to June 1, 2017, reflects our equity participation in the net income (loss) of our subsidiary Aerostar, the operator of the LMM Airport. The conversion effect due to fluctuation of the investment in Aerostar shares is presented in stockholders' equity for the periods prior to June 1, 2017, and not in the income statement.
- (7) Operating income divided by total revenues, expressed as a percentage.
- (8) Net income divided by total revenues, expressed as a percentage.

**Results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017**

***Revenues***

Total consolidated revenues for 2018 were Ps.15,410.2 million, 22.4% higher than the Ps. 12,589.8 million recorded in 2017. The increase in total revenues resulted from increases of 37.9% in aeronautical revenues and 29.8% in non-aeronautical revenues, primarily resulting from the full-year consolidation of the results of our San Juan and Colombian airports, partially offset by a 49.3% decrease in construction revenues at our Mexican airports as a result of lower capital expenditures and other investment in concessioned assets. Total Mexican revenues per workload unit decreased 8.3% from Ps.334.7 in 2017 to Ps.306.8 in 2018, due mainly to the 84.4% decrease in revenues for construction services per workload unit, which are based on capital improvements to concessioned assets and are not directly related to passenger traffic, and therefore workload units, in a given year.

Our consolidated revenues from aeronautical services increased 37.9% from Ps.6,484.2 million in 2017 to Ps.8,942.9 million in 2018, due primarily to the full-year consolidation of the results of our San Juan and Colombian airports. Revenues from passenger charges increased 33.4% to Ps. 6,547.7 million in 2018 (73.2% of our aeronautical revenues during the period) from Ps.4,908.7 million in 2017 (75.7.0% of our aeronautical revenues during the period), reflecting the increase in passenger traffic. Mexican aeronautical revenues per workload unit increased 4.9% from Ps.167.8 in 2017 to Ps.176.0 in 2018.

Revenues from non-aeronautical services increased 29.8% to Ps.5,531.6 million in 2018 from Ps.4,261.4 million in 2017. The primary factor influencing the change in non-aeronautical revenue from 2017 to 2018 was the full-year consolidation of the results of our San Juan and Colombian airports. These factors led to a 23.4% increase in revenues from retail stores and an 14.4% increase in revenues from duty-free shops, and an 83.5% increase in other income, which consisted principally of revenue from tourism services and hotel reservation providers. Increases of 61.3% in revenues from car rental companies, 23.2% in revenues from banking and currency exchange services, 21.2% in revenues from food and beverages, 15.5% in advertising revenues, 62.2% in parking lot revenues, 42.4% in revenues from ground transportation and 8.5% in teleservices revenues also contributed to the increase in revenues from non-aeronautical services.

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Mexican non-aeronautical revenue per workload unit increased 5.1%, from Ps.117.0 per workload unit in 2017 to Ps.123.0 per workload unit in 2018.

Revenues from construction services decreased 49.3% to Ps.935.8 million in 2018 from Ps.1,844.2 million in 2017, mostly due to lower levels of capital improvements and other investments in concessioned assets at our Mexican airports.

Our revenues from regulated sources in 2018 were Ps.9,222.6 million, a 36.8% increase compared to Ps.6,743.8 million in 2017, mainly due to the increase in total passenger traffic, the full-year consolidation of the results of our San Juan and Colombian airports and the annual increase in our regulated rates. During 2018, Ps.5,251.8 million of our revenues was derived from non-regulated sources, a 31.2% increase from the Ps.4,001.8 million of revenues derived from non-regulated sources in 2017. This increase was primarily due to the 31.5% increase in commercial revenues described above, from Ps.3,877.5 million in 2017 to Ps.5,099.9 million in 2018.

*Revenues by Airport*

Aeronautical revenues increased by 11.7% from Ps.3,963.3 million in 2017 to Ps.4,428.5 million in 2018 at the Cancún Airport, mainly due to the increase of 6.8% in passenger traffic at that airport, as well as a 7.5% increase in passenger charges and a 24.7% increase in airport security charges. Non-aeronautical revenues increased at Cancún Airport by 12.6% from Ps.3,401.2 million in 2017 to Ps. 3,831.3 million in 2018, due principally to the increase in passenger traffic in 2018, the increase in retail stores, mostly due to the opening of Terminal 4 in the fourth quarter of 2017. Construction services revenues at the Cancún Airport decreased to Ps.205.8 million in 2018 from Ps.1,421.9 million in 2017, due to lower levels of capital improvements and investments in concessioned assets at that airport. Total revenues decreased by 3.7% from Ps.8,786.4 million in 2017 to Ps.8,465.6 million in 2018 at the Cancún Airport, largely due to the decrease in construction services because of lower levels of capital improvements and investments in concessioned assets compensated to the increase in passenger traffic and improved contractual terms for certain commercial agreements in place. Revenues per workload unit at the Cancún Airport decreased by 9.6% from Ps.367.2 in 2017 to Ps.332.0 in 2018, primarily because of the decrease in revenues from construction services, as mentioned above.

Aeronautical revenues increased by 19.1% from Ps.394.5 million in 2017 to Ps.469.9 million in 2018 at the Mérida Airport, due to an 14.1% increase in passenger traffic at that airport. Non-aeronautical revenues increased at Mérida Airport by 20.1% from Ps.97.6 million in 2017 to Ps.117.2 million in 2018, due principally to the increase of 18.9% in commercial revenues because of increased passenger traffic. Construction services revenues decreased from Ps.46.1 million in 2017 to Ps.4.8 million in 2018. Revenues overall increased by 10.0% from Ps.538.2 million in 2017 to Ps.591.9 million in 2018 at the Mérida Airport, due to a significant increase in aeronautical revenues from 2017 to 2018. Revenues per workload unit at the Mérida Airport decreased by 4.0% from Ps.228.4 in 2017 to Ps.219.2 in 2018, principally due to the decrease in construction services revenues.



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Aeronautical revenues increased by 3.0% from Ps.195.6 million in 2017 to Ps. 201.5 million in 2018 at the Villahermosa Airport, due to an 2.3% increase in passenger charges and a 11.1% increase in airport security charges at that airport. Non-aeronautical revenues decreased at Villahermosa Airport by 3.4% from Ps.61.8 million in 2017 to Ps.59.7 million in 2018, due principally to the decrease of 2.7% in commercial revenues. Construction services revenues increased from Ps.6.3 million in 2017 to Ps.15.6 million in 2018. Revenues increase by 5.0% from Ps.263.7 million in 2017 to Ps.276.8 million in 2018 at the Villahermosa Airport, largely due to an increase in construction services. Revenues per workload unit at the Villahermosa Airport increased by 5.4% from Ps.201.9 in 2017 to Ps.212.9 in 2018, primarily due to an increase in construction services revenues.

Aeronautical revenues at our other six Mexican airports increased by 13.0% from Ps.766.1 million in 2017 to Ps.865.6 million in 2018, due to the 8.0% increase in passenger traffic at those airports. Non-aeronautical revenues increased by 8.7% from Ps.149.1 million in 2017 to Ps.162.1 million in 2018, due to the opening of new retail outlets and increased passenger traffic. Construction services revenues decreased to Ps.37.2 million in 2018 from Ps.106.7 million in 2017. Revenues increased by 4.2% from Ps.1,021.9 million in 2017 to Ps.1,064.9 million in 2018 at the other six Mexican airports, due primarily to the increase in aeronautical revenues. Revenues per workload unit at our other six Mexican airports decreased by 2.4% from Ps.248.0 in 2017 to Ps.242.0 in 2018, principally due to the decrease in revenues from construction services.

Aeronautical revenues at the LMM Airport increased from Ps.939.0 million for the period June 1 through December 31, 2017 to Ps.1,700.9 million in 2018. Non-aeronautical revenues at the LMM Airport increased from Ps.482.6 million for the period from June 1 through December 31, 2017 to Ps.964.4 million in 2018. Construction services revenues at the LMM Airport increased from Ps.75.9 million for the period from June 1 through December 31, 2017 to Ps.360.0 million in 2018.

Aeronautical revenues at our six Colombian airports increased from Ps.225.7 million for the period October 19 through December 31, 2017 to Ps.1,276.5 million in 2018. Non-aeronautical revenues at our Colombian airports increased from Ps.69.1 million for the period October 19 through December 31, 2017 to Ps.396.8 million in 2018. Construction services revenues at our Colombian airports increased from Ps.187.3 million for the period October 19 through December 31, 2017 to Ps.312.4 million in 2018.

Revenues from our parent holding company and our administrative services companies increased by 13.0% from Ps.1,244.9 million in 2017 to Ps.1,407.1 million in 2018, due to the increase in payments by our operating subsidiaries under intercompany agreements related to administrative services. These revenues are intercompany and are therefore eliminated in consolidation.

*Operating Expenses*

Total operating expenses were Ps.7,765.9 million in 2018, a 30.1% decrease from the Ps.11,113.0 million recorded in 2017, primarily as a result of higher costs attributable to Aerostar in 2017 due to an impairment in the valuation of long-term assets because of Hurricane Maria in



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2017. As a percentage of total revenues, operating expenses represented 50.4% of total revenues in 2018 as compared to 88.3% of total revenues in 2017. Mexican operating costs per workload unit decreased 24.3%, from Ps.145.9 per workload unit in 2017 to Ps.110.4 per workload unit in 2018, primarily because of the decrease in construction services.

Cost of services increased 53.4% to Ps.3,542.7 million in 2018 from Ps.2,309.6 million in 2017. The increase was principally due to a 101.4% increase in maintenance costs, from Ps.400.7 million in 2017 to Ps.807.2 million in 2018, as well as costs related to the opening of Terminal 4 at Cancún airport and from the recognition in Colombia of Ps.194.0 million in costs attributable to future improvements to the concessioned asset. The higher cost of sales from convenience stores directly opened by us, a 74.0% increase in safety and security costs and a 93.4% increase in utilities (such as energy, telephone service and fuel) also contributed to the increase in cost of services. All of these higher costs, however, were primarily caused by the full-year consolidation of the results of our San Juan and Colombian airports. Our Mexican cost of services per workload unit increased 5.6% from Ps.48.1 in 2017 to Ps. 50.8 in 2018 because of an increase of 6.8% in the passenger traffic.

Administrative expenses increased 15.1% to Ps.235.3 million in 2018 from Ps.204.4 million in 2017. This increase was primarily attributable to increases in professional fees.

Technical assistance fees increased by 11.5% to Ps.386.2 million in 2018 from Ps.346.5 million in 2017, and government concession fees increased by 91.7% to Ps.898.3 million in 2018 from Ps.468.7 million in 2017. The technical assistance fees increased in 2018 due to an increase in aeronautical and commercial revenues, as a consequence of the increase in passengers. The increase in government concession fees was primarily the result of higher fees paid to the Mexican government, as well as the consolidation of concession fees paid with respect to our Colombian airports and LMM Airport.

Construction costs were Ps. 935.8 million in 2018 and Ps.1,898.5 million in 2017. Because we hired a third party to provide all of our construction and upgrade services, our revenues in Mexico and Puerto Rico relating to construction or upgrade services are equal to our expenses in Mexico and Puerto Rico for those services; however, with respect to our Colombian airports, construction revenues were recognized by the method of the degree of realization used in a given period, which is measured by reference to the proportion of the costs incurred for each construction project and thus there may be differences between the revenues and costs for those services.

Depreciation and amortization costs increased to Ps.1,760.7 million in 2018 from Ps.1,166.1 million in 2017. This increase was principally due to the inclusion of depreciation for our Colombian and LMM airports for the full calendar year in 2018. We began to consolidate the results of our Colombian airports as of October 19, 2017, and we began to consolidate the results of LMM Airport as of June 1, 2017. Additionally, per IFRS 3, in 2018, our Colombian



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and LMM airports recognized Ps.100.5 million and Ps.179.2 million in amortization expenses, respectively, of the intangible assets resulting from our investments in Airplan and Aerostar.

*Operating Expenses by Airport*

Operating expenses for Cancún Airport were Ps. 3,258.7 million in 2018, a 19.8% decrease from the Ps.4,063.1 million recorded in 2017, primarily as a result of a 85.5% decrease in construction costs from Ps.1,421.9 million in 2017 to Ps. 205.8 million in 2018, offset by increases of 72.1%, 51.5% and 28.8% in energy, materials and supplies and safety and security costs, respectively resulting from the opening of Terminal 4 in October, 2018. Operating expenses per workload unit for Cancún Airport were Ps.127.8 in 2018, a 24.7% decrease from the Ps.169.8 recorded in 2017.

Operating expenses for Mérida Airport were Ps.294.5 million in 2018, a 7.4% increase from the Ps.274.2 million recorded in 2017, principally as a result of 89.5% decrease in construction costs from Ps.46.1 million in 2017 to Ps.4.8 million in 2018, offset by increases of 35.6% and 31.8% in utilities and supplies and safety and security costs, respectively. Operating expenses per workload unit for Mérida Airport were Ps.109.1 in 2018, a 9.4% decrease from the Ps.120.4 recorded in 2017.

Operating expenses for Villahermosa Airport were Ps.163.9 million in 2018, a 13.8% increase from the Ps.144.0 million recorded in 2017, primarily as a result of a 147.6% increase in construction costs from Ps.6.3 million in 2017 to Ps.15.6 million in 2018. Operating expenses per workload unit for Villahermosa Airport were Ps.126.1 in 2018, an 14.3% increase from the Ps.110.3 recorded in 2017.

Operating expenses for our six other Mexican airports were Ps.632.4 million in 2018, a 1.9% decrease from the Ps.644.7 million recorded in 2017, principally as a result of a 65.2% decrease in construction costs from Ps.106.7 million in 2017 to Ps.37.1 million in 2018, which offset a 21.1% increase in professional fees from Ps.33.7 million in 2017 to Ps.40.8 million in 2018. Operating expenses per workload unit for our other six Mexican airports were Ps.143.7 in 2018, a 8.1% decrease from the Ps.156.4 recorded in 2017.

Operating expenses for the LMM Airport were Ps.2,277.5 million in 2018, compared to Ps.6,003.9 million for the period from June 1 through December 31, 2017.

Operating expenses for our Colombian airports were Ps.1,745.8 million in 2018, compared to Ps.481.3 million for the period from October 19 through December 31, 2017.

Operating expenses for our parent holding company and our administrative services companies were Ps.1,077.7 million in 2018, an 8.4% increase from the Ps.994.3 million recorded in 2017, principally due to an increase in solidarity agreement expenses.

*Operating Income*

Operating income increased 426.7% to Ps.7,778.9 million in 2018 from Ps.1,476.8 million in 2017. This increase in operating income was primarily a result of the foregoing factors.

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*Operating Income by Airport*

Operating income for Cancún Airport increased by 10.2% to Ps.5,206.9 million in 2018 from Ps.4,723.3 million in 2017, primarily due to the 11.7% increase in aeronautical revenues. Operating income per workload unit at Cancún Airport increased 3.4% from Ps.197.4 in 2017 to Ps.204.2 in 2018.

Operating income for Mérida Airport increased by 12.7% to Ps.297.4 million in 2018 from Ps.264.0 million in 2017, mainly because of the 19.1% increase in aeronautical revenues due to higher passenger traffic and the increase in operating costs. Operating income per workload unit at Mérida Airport decreased 1.8% from Ps.112.1 in 2017 to Ps.110.1 in 2018.

Operating income for Villahermosa Airport decreased by 5.7% to Ps.112.9 million in 2018 from Ps.119.7 million in 2017, primarily because of the 3.4% decrease in non-aeronautical revenues due to lower passenger traffic and the increase in operating costs. Operating income per workload unit at Villahermosa Airport decreased 5.2% from Ps.91.6 in 2017 to Ps.86.8 in 2018.

Operating income for our six other Mexican airports increased by 14.7% to Ps.432.5 million in 2018 from Ps.377.2 million in 2017, principally due to a 13.0% increase in aeronautical revenues and an 8.7% increase in non-aeronautical revenues. Operating income per workload unit at the other six Mexican airports increased 7.3% from Ps.91.6 in 2017 to Ps.98.3 in 2018.

Operating income for the LMM Airport increased by 183.3% from Ps.311.5 million for the period June 1 to December 2017 to Ps.882.4 million in 2018 due to the US\$240.0 million impairment of goodwill derived from the valuation of our investment in Aerostar in 2017 as well as a US\$10.4 million impairment in long-term assets as a result of the impact of Hurricane Maria in 2017.

Operating income for our six Colombian airports was Ps.239.9 million in 2018, compared to Ps.0.8 million for the period from October 19 through December 31, 2017.

Operating income for our parent holding company and our administrative services companies increased by 21.8% to Ps.606.5 million in 2018 from Ps.498.0 million in 2017 primarily because of the increase in payments by our operating subsidiaries under intercompany agreements.

**Comprehensive Financing Result**

Our net comprehensive financing result was a loss of Ps.862.3 million in 2018 as compared to a loss of Ps.231.8 million in 2017. This increase in net comprehensive financing loss is primarily due to an 98.9% increase in interest expenses, from Ps.681.8 million in 2017 to Ps.1,230.7 million in 2018, mainly reflecting a higher loan balance resulting from the consolidation of Aerostar and Airplan. This was compounded by the decrease in foreign exchange gain from Ps.141.2 million in 2017 to Ps.87.8 million in 2018. The decrease in the foreign exchange gain in 2018 compared to 2017 is mainly due to our switch from a foreign

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currency net liability position in 2017 to a foreign currency net asset position in 2018 and to the exchange rate effect between periods.

**Goodwill Impairment**

As a result of Hurricane Maria, which struck Puerto Rico on September 20, 2017, we carried out a deterioration test of long-term assets. After conducting this test, we recognized a Ps.4,719.1 million impairment in the valuation of long-term assets as of the year ended December 31, 2017.

**Taxes**

In 2018, our current income tax provision decreased 9.4%, from Ps.1,928.2 million in 2017 to Ps.1,746.0 million in 2018, primarily due to less taxable income in Mexico resulting from a change in the tax amortization rate of concessioned assets in Mexico, along with an income tax decrease in Colombia derived from changes in tax legislation according to Law 1819 of 2016 and Regulatory Decree 2235 published on December 27, 2017.

Our deferred income tax provision decreased from a deferred income tax gain of Ps.292.8 million in 2017 to a gain of Ps.50.0 million in 2018, mainly due to the impact from higher construction revenues from complementary works completed in Colombia in 2018, changes in the tax amortization rate of concessioned assets in Mexico and the decrease in inflation in Mexico from 6.8% in 2017 to 4.8% in 2018.

Our asset tax provision in 2018 was Ps.0.9 million and was also Ps.0.9 million in 2017.

Our overall effective tax rate in 2018 increased from 19.3% to 28.0%, primarily as a result of the full-year consolidation of the results of our San Juan and Colombian airports as well as the decrease in inflation in Mexico from 6.8% in 2017 to 4.8% in 2018.

**Net Income**

Net income decreased 24.2% to Ps.5,119.8 million in 2018 from Ps.6,750.2 million in 2017. This decrease was mainly as a result of the foregoing factors.

**Results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2016**

*Revenues*

Total consolidated revenues for 2017 were Ps.12,589.8 million, 29.1% higher than the Ps.9,753.5 million recorded in 2016. The increase in total revenues resulted from increases of 43.1% in aeronautical revenues and 37.3% in non-aeronautical revenues, primarily resulting from an increase in passenger traffic at our Mexican airports and the consolidation of revenues from our San Juan and Colombian airports at May 26, 2017 and October 19, 2017, respectively, partially offset by a 16.5% decrease in construction revenues at our Mexican airports as a result of lower capital expenditures and other investments in concessioned assets. Total Mexican revenues per workload unit decreased 0.5% from Ps.336.3 in 2016 to Ps.334.7 in 2017, due



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mainly to the 31.6% decrease in revenues from construction services per workload unit, which are based on capital improvements to concessioned assets and are not directly related to passenger traffic, and therefore workload units, in a given year.

Our consolidated revenues from aeronautical services increased 43.1% to Ps.6,484.2 million in 2017 from Ps.4,532.2 million in 2016, due primarily to an increase in passenger traffic at our Mexican airports and an increase in revenues from aeronautical services at our Mexican airports, in addition to the benefits of aeronautical revenues from our Colombian airports and LMM Airport. Revenues from passenger charges increased 36.8% to Ps.4,908.7 million in 2017 (83.0% of our aeronautical revenues during the period) from Ps.3,589.2 million in 2016 (79.2% of our aeronautical revenues during the period), reflecting the increase in passenger traffic and the annual increase in our regulated rates. Mexican aeronautical revenues per workload unit increased 7.4% from Ps.156.3 in 2016 to Ps.167.8 in 2017.

Revenues from non-aeronautical services increased 37.3% to Ps.4,261.4 million in 2017 from Ps.3,104.3 million in 2016. The primary factors influencing the change in non-aeronautical revenue from 2016 to 2017 were an increase in commercial revenues because of higher passenger traffic during 2017 and improved contractual terms for certain commercial agreements in place. These factors led to a 32.1% increase in revenues from retail stores and a 37.6% increase in revenues from duty-free shops, mainly reflecting the opening of Terminal 4 at Cancún airport in the fourth quarter of 2017 and the consolidation of the results of our San Juan and Colombian airports, and a 49.5% increase in other income, which consisted principally of revenue from tourism services and hotel reservation providers. Increases of 71.5% in revenues from car rental companies, 12.1% in revenues from banking and currency exchange services, 38.8% in revenues from food and beverages, 13.5% in advertising revenues, 120.4% in parking lot revenues, 19.3% in revenues from ground transportation and 19.3% in teleservices revenues also contributed to the increase in revenues from non-aeronautical services. Mexican non-aeronautical revenue per workload unit increased 9.3%, from Ps.107.0 per workload unit in 2016 to Ps.117.0 per workload unit in 2017.

Revenues from construction services decreased 12.9% to Ps.1,844.2 million in 2017 from Ps.2,117.0 million in 2016, mostly due to lower levels of capital improvements and other investments in concessioned assets at our Mexican airports.

Our revenues from regulated sources in 2017 were Ps.6,743.8 million, a 41.6% increase compared to Ps.4,762.5 million in 2016, mainly due to the increase in total passenger traffic, the consolidation of the results of our San Juan and Colombian airports, and the annual increase in our regulated rates. During 2017, Ps.4,001.8 million of our revenues was derived from non-regulated sources, a 39.2% increase from the Ps.2,874.0 million of revenues derived from non-regulated sources in 2016. This increase was primarily due to the 39.9% increase in commercial revenues described above, from Ps.2,772.6 million in 2016 to Ps.3,877.5 million in 2017.

*Revenues by Airport*

Aeronautical revenues increased by 18.6% from Ps.3,341.9 million in 2016 to Ps.3,963.3 million in 2017 at the Cancún Airport, mainly due to the increase of 10.0% in passenger traffic at

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that airport, as well as a 25.0% increase in passenger charges and a 6.8% increase in airport security charges. Non-aeronautical revenues increased at Cancún Airport by 20.5% from Ps.2,823.2 million in 2016 to Ps.3,401.2 million in 2017, due principally to the increase in passenger traffic in 2017, the increase in retail stores, mostly due to the opening of Terminal 4 in the fourth quarter of 2017. Construction services revenues at the Cancún Airport decreased to Ps.1,421.9 million in 2017 from Ps.1,896.3 million in 2016, due to lower levels of capital improvements and investments in concessioned assets at that airport. Total revenues increased by 9.0% from Ps.8,061.4 million in 2016 to Ps.8,786.4 million in 2017 at the Cancún Airport, largely due to the increase in passenger traffic and improved contractual terms for certain commercial agreements in place. Revenues per workload unit at the Cancún Airport decreased by 1.2% from Ps.371.5 in 2016 to Ps.367.2 in 2017, primarily because of the decrease in revenues from construction services, as mentioned above.

Aeronautical revenues increased by 18.0% from Ps.334.2 million in 2016 to Ps.394.5 million in 2017 at the Mérida Airport, due to a 10.3% increase in passenger traffic at that airport. Non-aeronautical revenues increased at Mérida Airport by 14.7% from Ps.85.1 million in 2016 to Ps.97.6 million in 2017, due principally to the increase of 17.9% in commercial revenues because of increased passenger traffic. Construction services revenues decreased from Ps.98.7 million in 2016 to Ps.46.1 million in 2017. Revenues overall increased by 3.9% from Ps.518.0 million in 2016 to Ps.538.2 million in 2017 at the Mérida Airport, due to a significant increase in aeronautical revenues from 2016 to 2017. Revenues per workload unit at the Mérida Airport decreased by 5.5% from Ps.241.8 in 2016 to Ps.228.4 in 2017, principally due to the decrease in construction services revenues.

Aeronautical revenues increased by 8.0% from Ps.181.1 million in 2016 to Ps.195.6 million in 2017 at the Villahermosa Airport, due to a 1.6% increase in passenger traffic at that airport. Non-aeronautical revenues decreased at Villahermosa Airport by 0.6% from Ps.62.3 million in 2016 to Ps.61.9 million in 2017, due principally to the decrease of 4.1% in commercial revenues. Construction services revenues decreased from Ps.44.9 million in 2016 to Ps.6.3 million in 2017. Revenues decreased by 8.5% from Ps.288.3 million in 2016 to Ps.263.7 million in 2017 at the Villahermosa Airport, largely due to a decrease in construction services. Revenues per workload unit at the Villahermosa Airport decreased by 9.9% from Ps.224.2 in 2016 to Ps.201.9 in 2017, primarily due to decrease in construction services revenues.

Aeronautical revenues at our other six Mexican airports increased by 13.5% from Ps.675.0 million in 2016 to Ps.766.1 million in 2017, due to the 6.1% increase in passenger traffic at those airports. Non-aeronautical revenues increased by 11.5% from Ps.133.7 million in 2016 to Ps.149.1 million in 2017, due to the opening of new retail outlets and increased passenger traffic. Construction services revenues increased to Ps.106.7 million in 2017 from Ps.77.1 million in 2016, due primarily to investment contracts made pursuant to the Master Development Program in Mexico. Revenues increased by 15.4% from Ps.885.8 million in 2016 to Ps.1,021.9 million in 2017 at the other six Mexican airports, due primarily to the increase in construction services revenues. Revenues per workload unit at our other six Mexican airports increased by 8.9% from Ps.227.8 in 2016 to Ps.248.0 in 2017, principally due to the increase in revenues from construction services.



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Aeronautical revenues at the LMM Airport were Ps.939.0 million for the period from June 1 through December 31, 2017. Non-aeronautical revenues at the LMM Airport were Ps.482.6 million for the period from June 1 through December 31, 2017. Construction services revenues at the LMM Airport were Ps.75.9 million for the period from June 1 through December 31, 2017. We recognized the provision for Ps.40.6 million in maintenance costs for future improvements of the concessioned asset for the period from June 1 through December 31, 2017.

Aeronautical revenues at our six Colombian airports were Ps.225.7 million for the period from October 19 through December 31, 2017. Non-aeronautical revenues at our Colombian airports were Ps.69.1 million for the period from October 19 through December 31, 2017. Construction services revenues at our Colombian airports were Ps.187.3 million for the period from October 19 through December 31, 2017.

Revenues from our parent holding company and our administrative services companies increased by 12.3% from Ps.1,108.6 million in 2016 to Ps.1,244.9 million in 2017, due to the increase in payments by our operating subsidiaries under intercompany agreements related to administrative services. These revenues are intercompany and are therefore eliminated in consolidation.

*Operating Expenses*

Total operating expenses were Ps.11,113.0 million in 2017, a 130.5% increase from the Ps.4,820.9 million recorded in 2016, primarily as a result of higher costs attributable to Aerostar due to an impairment in the valuation of long-term assets because of Hurricane Maria. As a percentage of total revenues, operating expenses represented 88.3% of total revenues in 2017 as compared to 49.4% of total revenues in 2016. Mexican operating costs per workload unit decreased 12.2%, from Ps.166.2 per workload unit in 2016 to Ps.145.9 per workload unit in 2017, primarily because of the decrease in construction services.

Cost of services increased 72.8% to Ps.2,309.7 million in 2017 from Ps.1,336.4 million in 2016. The increase was principally due to a 75.1% increase in maintenance costs, from Ps.228.9 million in 2016 to Ps.400.7 million in 2017, as well as costs related to the opening of Terminal 4 at Cancún airport. The higher cost of sales from convenience stores directly opened by us, a 69.3% increase in safety and security costs and a 111.5% increase in utilities (such as energy, telephone service and fuel) also contributed to the increase in cost of services. Our Mexican cost of services per workload unit increased 4.3% from Ps.46.1 in 2016 to Ps.48.1 in 2017 because of an increase of 9.3% in the passenger traffic.

Administrative expenses decreased 0.2% to Ps.204.4 million in 2017 from Ps.204.8 million in 2016. This decrease was primarily attributable to decreases in professional fees.

Technical assistance fees increased by 20.3% to Ps.346.5 million in 2017 from Ps.288.1 million in 2016, and government concession fees increased by 35.9% to Ps.468.7 million in 2017 from Ps.344.9 million in 2016. The technical

assistance fees increased in 2017 due to an increase in aeronautical and commercial revenues, as a consequence of the increase in passengers. The increase in government concession fees was primarily the result of higher fees

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paid to the Mexican government, as well as the consolidation of concession fees paid with respect to our Colombian airports and LMM Airport.

Construction costs were Ps.1,898.5 million in 2017 and Ps.2,117.0 million in 2016. Because we hired a third party to provide all of our construction and upgrade services, our revenues in Mexico and Puerto Rico relating to construction or upgrade services are equal to our expenses in Mexico and Puerto Rico for those services; however, with respect to our Colombian airports, construction revenues were recognized by the method of the degree of realization used in a given period, which is measured by reference to the proportion of the costs incurred for each construction project and thus there may be differences between the revenues and costs for those services.

Depreciation and amortization costs increased to Ps.1,166.1 million in 2017 from Ps.529.7 million in 2016. This increase was principally due to the inclusion of depreciation for our Colombian airports starting in the fourth quarter of 2017 and the inclusion of depreciation for LMM Airport in the period from June 1 to December 31, 2017.

*Operating Expenses by Airport*

Operating expenses for Cancún Airport were Ps.4,063.1 million in 2017, a 5.0% decrease from the Ps.4,279.0 million recorded in 2016, primarily as a result of a 25.0% decrease in construction costs from Ps.1,896.3 million in 2016 to Ps.1,421.9 million in 2017, offset by increases of 15.9% and 17.9% in materials and supplies and safety and security costs, respectively. Operating expenses per workload unit for Cancún Airport were Ps.169.8 in 2017, a 13.9% decrease from the Ps.197.2 recorded in 2016.

Operating expenses for Mérida Airport were Ps.274.2 million in 2017, a 23.7% decrease from the Ps.359.3 million recorded in 2016, principally as a result of 53.2% decrease in construction costs from Ps.98.7 million in 2016 to Ps.46.1 million in 2017. Operating expenses per workload unit for Mérida Airport were Ps.120.4 in 2017, a 30.7% decrease from the Ps.167.8 recorded in 2016.

Operating expenses for Villahermosa Airport were Ps.144.0 million in 2017, a 19.6% decrease from the Ps.179.0 million recorded in 2016, primarily as a result of 85.9% decrease in construction costs from Ps.44.9 million in 2016 to Ps.6.3 million in 2017. Operating expenses per workload unit for Villahermosa Airport were Ps.110.3 in 2017, a 20.8% decrease from the Ps.139.2 recorded in 2016.

Operating expenses for our six other Mexican airports were Ps.644.7 million in 2017, a 14.4% increase from the Ps.563.6 million recorded in 2016, principally as a result of 38.4% increase in construction costs from 77.1 million in 2016 to 106.7 million in 2017 and 125.7% increase in professional fees from 14.9 million in 2016 to 33.7 million in 2017. Operating expenses per workload unit for our other six Mexican airports were Ps.156.4 in 2017, a 7.9% increase from

the Ps.145.0 recorded in 2016.

Operating expenses for the LMM Airport were Ps.6,003.9 million for the period from June 1 through December 31, 2017.



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Operating expenses for our Colombian airports were Ps.481.3 million for the period from October 19 through December 31, 2017.

Operating expenses for our parent holding company and our administrative services companies were Ps.994.3 million in 2017, an 11.0% increase from the Ps.895.5 million recorded in 2016, principally due to an increase in solidarity agreement expenses.

*Operating Income*

Operating income decreased 70.1% to Ps.1,476.8 million in 2017 from Ps.4,932.6 million in 2016. This decrease in operating income was primarily a result of the US\$240.0 million impairment of goodwill derived from the valuation of our investment in Aerostar, as well as a US\$10.4 million impairment in long-term assets as a result of the impact of Hurricane Maria in Puerto Rico. In addition, the recognition of Ps.98.8 million in amortization of the intangible asset resulting from the valuation of our investment in Aerostar contributed to the decrease in operating income.

*Operating Income by Airport*

Operating income for Cancún Airport increased by 24.9% to Ps.4,723.3 million in 2017 from Ps.3,782.4 million in 2016, primarily due to the 18.6% increase in aeronautical revenues. Operating income per workload unit at Cancún Airport increased 13.3% from Ps.174.3 in 2016 to Ps.197.4 in 2017.

Operating income for Mérida Airport increased by 66.4% to Ps.264.0 million in 2017 from Ps.158.7 million in 2016, mainly because of the 18.0% increase in aeronautical revenues due to higher passenger traffic and the decrease in operating costs. Operating income per workload unit at Mérida Airport increased 51.5% from Ps.74.0 in 2016 to Ps.112.1 in 2017.

Operating income for Villahermosa Airport increased by 9.5% to Ps.119.7 million in 2017 from Ps.109.3 million in 2016, primarily because of the 8.0% increase in aeronautical revenues due to higher passenger traffic and the decrease in operating costs. Operating income per workload unit at Villahermosa Airport increased 7.8% from Ps.85.0 in 2016 to Ps.91.6 in 2017.

Operating income for our six other Mexican airports increased by 17.1% to Ps.377.2 million in 2017 from Ps.322.2 million in 2016, principally due to a 13.5% increase in aeronautical revenues and an 11.5% increase in non-aeronautical revenues, which more than offset increased operating costs related to increased construction costs. Operating income per workload unit at the other six Mexican airports increased 10.6% from Ps.82.8 in 2016 to Ps.91.6 in 2017.

Operating income for the LMM Airport was Ps.311.5 million for the period from June 1 through December 31, 2017.

Operating income for our six Colombian airports was Ps.0.8 million for the period from October 19 through December 31, 2017.

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Operating income for our parent holding company and our administrative services companies decreased by 11.1% to Ps.498.0 million in 2017 from Ps.560.0 million in 2016 primarily because of the decrease in payments by our operating subsidiaries under intercompany agreements.

**Comprehensive Financing Result**

Our net comprehensive financing result was a loss of Ps.231.8 million in 2017 as compared to a loss of Ps.45.5 million in 2016. This increase in net comprehensive financing loss is primarily due to a 357.2% increase in interest expenses, from Ps.184.6 million in 2016 to Ps.618.8 million in 2017, mainly reflecting a higher loan balance resulting from the consolidation of Aerostar and Airplan. This was offset by the change from a foreign exchange loss of Ps.103.8 million in 2016 as compared to a foreign exchange gain of Ps.141.2 million in 2017. The increase in the foreign exchange gain in 2017 compared to 2016 is mainly due to our switch from a foreign currency net liability position in 2016 to a foreign currency net asset position in 2017.

**Goodwill Impairment**

As a result of Hurricane Maria, which struck Puerto Rico on September 20, 2017, we carried out a deterioration test of long-term assets. After conducting this test, we recognized a Ps.4,719.1 million impairment in the valuation of long-term assets.

**Taxes**

In 2017, our current income tax provision increased 28.3%, from Ps.1,503.0 million in 2016 to Ps.1,928.2 million in 2017, primarily due to a higher taxable income at Cancún Airport, as well as the consolidation of Aerostar and Airplan.

Our deferred income tax provision increased from a deferred income tax gain of Ps.101.8 million in 2016 to Ps.292.8 million in 2017, mainly due to recognition of the effects of inflation on the fiscal tax balance.

Our asset tax provision in 2017 was Ps.0.9 million and was Ps.0.9 million in 2016.

Our overall effective tax rate in 2017 decreased from 29.0% to 19.3%, primarily as a result of the recognition of the effects of the 6.8% increase in inflation during 2017 on our fiscal tax balance.

**Net Income**

Net income increased 86.0% to Ps.6,750.2 million in 2017 from Ps.3,629.3 million in 2016. This increase was mainly as a result of the net gain of the valuation of our investment in Aerostar recognized in the consolidation and the line-by-line consolidation of Aerostar and Airplan in the income statement.

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**Liquidity and Capital Resources**

*Sources of Liquidity*

Historically, our operations, financing and investing activities were funded through cash flow from operations, which has generally been used to cover operating expenses, to make dividend payments and to increase our cash balances. However, in 2016, 2017 and 2018, we incurred indebtedness to fund our investments in accordance with our Mexican Master Development Plans and to acquire interest in our Colombian airports and our additional interest in Aerostar. See **Indebtedness** Indebtedness in Mexico. In 2017, we used Ps.1,848.0 million to pay dividends. In 2018, we used Ps.2,034.0 million to pay dividends. As of December 31, 2017, we had Ps.4,677.5 million in cash and cash equivalents. As of December 31, 2018, we had Ps.4,584.5 million in cash and cash equivalents.

*Cash Flows for the year ended December 31, 2018 as compared to cash flows for the year ended December 31, 2017*

In 2018, we generated Ps.7,696.3 million in cash flow from operating activities, an increase of 27.6% from Ps.6,031.1 million in 2017, primarily due to an increase in trade accounts payable. As of December 31, 2018, income before income taxes was Ps.6,916.7 million, reflecting a 13.8% increase from 2017 and a 12.1% increase in the payment of income tax.

In 2018, cash flow used in financing activities was Ps.6,476.7 million, a decrease from the Ps.81.5 million cash flow generated in financing activities in 2017, mainly due to our repayment of Ps.3,090.1 million with respect to our loans and Ps.1,139.1 million with respect to interest, and our distribution of Ps.2,034.0 million paid in dividends in 2018, as compared to Ps.1,848.0 million paid in dividends and Ps.628.2 million of interest in 2017.

Cash flow used in investing activities in 2018 was Ps.1,311.9 million, principally as a result of new investments in concessioned assets of Ps.1,636.3 million in 2018, an 11.2% increase from 2017. This was partially offset by Ps.265.3 million collected from interest received.

*Cash Flows for the year ended December 31, 2017 as compared to cash flows for the year ended December 31, 2016*

In 2017, we generated Ps.6,031.1 million in cash flow from operating activities, an increase of 33.7% from Ps.4,509.4 million in 2016, primarily due to an increase in income before income taxes. As of December 31, 2017, income before income taxes excluding the gain from business combinations and goodwill impairment was Ps.6,076.4 million, reflecting a 20.8% increase from 2016 and an 18.4% increase in the payment of income tax.

In 2017, cash flow generated from financing activities was Ps.81.5 million, a decrease of 104.5% from Ps.1,789.9 million cash flow used from financing activities in 2016, mainly due to entering into Ps.8,000.0 million worth of new loan agreements. This decrease was partially offset by our repayment of Ps.5,442.2 million with respect to our loans and Ps.628.2 million with

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respect to interest, and our distribution of Ps.1,848.0 million paid in dividends in 2017, as compared to Ps.1,683.0 million paid in dividends and Ps.106.9 million of interest in 2016.

Cash flow used in investing activities in 2017 was Ps.4,961.1 million, principally as a result of new investments in Airplan of Ps.3,752.1 million and an additional net cash investment of Ps.183.4 million in Aerostar, as well as investments in concessioned assets of Ps.1,471.4 million in 2017, a 18.9% decrease from 2016. This was partially offset by Ps.275.4 million and Ps.259.7 million in loans collected from our joint venture and interest received, respectively.

***Indebtedness***

As of December 31, 2018, we had Ps.14,500.4 million in consolidated outstanding indebtedness. As of December 31, 2018, the company has no contracts for interest rate or foreign currency swaps.

***Indebtedness in Mexico***

In the fourth quarter of 2011, our Cancún airport subsidiary obtained authorization for two new bank loans from Banamex and BBVA Bancomer of U.S.\$300.0 million and Ps.1,500.0 million, respectively. These loans remain subject to certain conditions precedent, including the negotiation of definitive documentation for the loans. To date, ASUR has not yet made use of the authorized credit lines. Our Cancún airport subsidiary purchased its initial 92.42% interest in Airplan for an aggregate price of approximately U.S.\$201.6 million, subject to pricing adjustments and pursuant to a series of agreements with the shareholders of Airplan. We paid U.S.\$69.6 million of the purchase price with cash on hand, and obtained an unsecured loan of Ps.4,000.0 million from BBVA Bancomer in April 2017 to pay the balance of the purchase price. The loan had a term of one year and an interest rate calculated on the basis of the 28-day THIE plus 0.60% from July 31 to October 31, 2017; THIE plus 0.85% from October 31, 2017 to January 31, 2018; THIE plus 1.10% from January 31 to April 30, 2018 and THIE plus 1.60% from April 30 to July 31, 2018. This loan was paid on October 2017, and we, through our Cancún airport subsidiary, concurrently incurred two loans of Ps.2,000.0 million each, one with BBVA Bancomer and the other with Banco Santander. We have guaranteed our Cancún airport subsidiary's obligations under these loans. While the BBVA Bancomer and Banco Santander loans are outstanding, we and our subsidiaries are not permitted to create any liens upon any of our property, make any fundamental change to our corporate structure or sell any of our assets that exceed more than 10.0% of our consolidated total assets as of the most recent fiscal quarter prior to the sale. These loans require that we and our subsidiaries maintain a consolidated leverage ratio equal to or less than 3.50:1.00 and a consolidated interest coverage ratio equal to or greater than 3.00:1.00 as of the last day of each fiscal quarter. If we fail to comply with these covenants, the loans restrict our ability to pay dividends to our shareholders. As of the date of this report, we were in compliance with these covenants.

***Indebtedness in Puerto Rico***

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On February 15, 2013, our Cancún airport subsidiary executed bank loans with BBVA Bancomer and Merrill Lynch for a total of U.S.\$215.0 million. The credit agreement was



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amended on July 17, 2015 to increase the maximum amount of the loan commitments to U.S.\$300.0 million; however, no additional draws have been made and the principal balance of the loans remained at U.S.\$215.0 million as of December 31, 2017. The credit agreement was amended again on November 16, 2017 to reduce the unsecured term loan commitments to U.S.\$145.0 million (which reduction was made concurrently with a repayment of U.S.\$70.0 million of the term loans) and extend the maturity of the loans to 2022. Beginning from November 16, 2017 (the Closing Date), interest on the loans was payable every six months through the maturity date, the fifth anniversary of the Closing Date, upon which a final payment of the aggregate principal amount of the loans and any other amounts then outstanding would have been made. The loans were denominated in U.S. dollars and charged interest at a rate equal to the LIBOR rate determined for the interest period then in effect plus an applicable margin of 1.525% for one of the loans and 1.45% for the other. This facility was permitted to be used for general corporate purposes, and we used it to fund our capital contributions and other financial commitments to Aerostar in connection with the upfront payment due under the Lease of the LMM Airport. We guaranteed our Cancún airport subsidiary's obligations under this facility.

While the BBVA Bancomer and Merrill Lynch facility was outstanding, we and our subsidiaries were not permitted to create any liens upon any of our property, make any fundamental change to our corporate structure, or sell any of our assets that exceed more than 10.0% of our consolidated total assets as of the most recent fiscal quarter prior to the sale. Additionally, the credit facility required that we and our subsidiaries maintain a consolidated leverage ratio equal to or less than 3.50:1.00 and a consolidated interest coverage ratio equal to or greater than 3.00:1.00 as of the last day of each fiscal quarter. If we failed to comply with these covenants, this facility would have restricted our ability to pay dividends to our shareholders. Additionally, failure to comply with these covenants would have resulted in all amounts owed under the facility to become due and payable immediately. On May 16, 2018, U.S.\$72.5 million of the BBVA Bancomer and Merrill Lynch credit facility was paid and on November 16, 2018, the remaining U.S.\$72.5 million of this credit facility was paid.

On March 21, 2013, our subsidiary Aerostar entered into a U.S.\$50.0 million capital expenditure facility and a secured U.S.\$10.0 million revolving credit facility with RBC Royal Bank, UBS Financial Services and FirstBank Puerto Rico. Additionally, Aerostar issued 5.75% senior secured notes with an aggregate principal amount of U.S.\$350.0 million in a private placement. On June 24, 2015, Aerostar issued senior secured notes with an aggregate principal amount of U.S.\$50.0 million to refinance the aforementioned capital expenditure facility. Furthermore, on December 18, 2015, Aerostar entered into a secured U.S.\$10.0 million revolving credit facility with Banco Popular de Puerto Rico in order to refinance the March 2013 revolving credit facility and to finance operational working capital needs and general corporate purposes, including capital expenditure projects. As part of these debt financings, Aerostar was required to pledge its interest in the lease of the LMM Airport as collateral to a leasehold mortgagee assigned by the lenders. Our Cancún airport subsidiary and its joint venture partner PSP have pledged their share ownership in Aerostar as collateral for all of these facilities. Since June 1, 2017, we have consolidated Aerostar's assets and liabilities into our financial statements.

While the senior secured notes are outstanding, Aerostar is not permitted to create any liens other than permitted liens upon any of our property, make any fundamental change to our corporate structure, or sell more than U.S.\$5.0 million of our assets per year. In addition, the

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credit facility requires that we and our subsidiaries maintain a debt service coverage ratio of at least 1.50:1.00 through the stated maturity date of the notes. If we fail to comply with these covenants, this facility restricts our ability to pay dividends to our shareholders. Failure to comply with these covenants would result in all amounts owed under the facility to become due and payable immediately. As of the date of this report, we were in compliance with those covenants.

*Indebtedness in Colombia*

On June 1, 2015, our subsidiary Airplan entered into a 12-year syndicated credit agreement of COP\$440,000.0 million with Bancolombia S.A., Banco de Bogotá S.A., Banco Corpbanca Colombia S.A., Banco Davivienda S.A., Banco de Occidente S.A., Banco Popular S.A., Banco AV Villas S.A. and Servicios Financieros S.A. Serfinansa Compañía de Financiamiento. The terms include a grace period of three years, quarterly principal and rate payments, an interest rate based on the *Tasa de Redescuento*, or Rediscount Rate, plus 1.5% for one tranche and an interest rate based on the *Depósitos Termino Fijo*, or Fixed Term Deposits, plus 4% for a second tranche. Disbursement of funds was subject to certain conditions precedent, including the creation of a trust for the payment of the syndicated credit agreement through its subaccount, *Subcuenta de Deuda*, and the resources corresponding to the funds for capital and interest payment. The use of the proceeds of this syndicated credit agreement is limited to the payment of debt and the financing of necessary investments for the execution of the obligatory and complementary works under the concession agreement. In addition, the syndicated credit agreement requires Airplan to keep the concession agreement and the trust agreement in force and to make principal and interest payments on time. Failure to comply with these covenants would result in all amounts owed under the facility becoming due and payable immediately.

The syndicated credit agreement was amortized by Airplan during 2018. In this regard, the outstanding amount of the credit agreement as of December 31, 2018 was COP\$428,997.47 million.

Furthermore, in 2017 Airplan entered into two short-term loans with Bancolombia S.A. of COP\$5,000.0 million and COP\$10,000.0 million. The main terms of these short term loans included the issuance of a blank promissory note, an interest rate based on Colombia's banking reference index, the *Indicador Bancario de Referencia* ( IBR ), plus 2.75%, monthly interest payments and an annual principal payment on the due date. Additionally, in 2017 Airplan entered into a short-term loan with Banco de Bogotá of COP\$5,000.0 million. The terms of this short-term loan included the issuance of a blank promissory note, an interest rate based on the IBR plus 2.6%, monthly interest payments and an annual principal payment on the due date. These three short-term loans were fully repaid in 2018.

**Capital Expenditures**

Under the terms of our Mexican concessions, every five years our Mexican subsidiary concession holders must present a master development plan to the Ministry of Communications and Transportation for approval. Each master development plan includes concession holders investment commitments for the succeeding five-year period, including capital expenditures and

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improvements. Once approved by the Ministry of Communications and Transportation, these commitments become binding obligations under the terms of our concessions.

In June 2018, the Ministry of Communications and Transportation approved each of our master development plans. The current terms of the master development plans went into effect as of January 1, 2019 and will be in effect until December 31, 2023.

Our subsidiary Aerostar, as part of its Lease Agreement with the Puerto Rico Ports Authority, was required to fund and perform certain upgrades at its sole costs and expense, including landscaping improvement work, repair and replacement of jet bridges and repair and replacement of curbs and walkways, among others. Aerostar completed work on the required upgrades pursuant to the Lease Agreement by December 31, 2014. Under the Airport Use Agreement, Aerostar is also required to complete certain initial capital projects in order to bring the condition of the LMM Airport to high level consistent with certain standards set forth by Puerto Rican governmental authorities. For more information on Aerostar's capital expenditure requirements, see Item 4 Information on the Company Puerto Rican Regulatory Framework Capital Expenditures Required under the Lease Agreement and Airport Use Agreements.

In 2014 and 2016, our subsidiary Airplan reached an agreement with the Colombian government with respect to investment commitments for certain airports, including José María Córdova International Airport, Enrique Olaya Herrera Airport, Los Garzones Airport and El Caraño Airport. The 2014 and 2016 agreements have a term of three years and 33 months, respectively. Under the agreements, Airplan is required to carry out certain projects at our Colombian airports, including renovations of runways and improvements to passenger terminals. For 2018 and 2019, José María Córdova International Airport has committed investments of U.S.\$9.8 million and U.S.\$9.5 million, respectively. For 2018, El Caraño Airport has committed investments of U.S.\$0.78 million. Enrique Olaya Herrera Airport and Los Garzones Airport do not have any investment commitments with the Colombian government for 2018 and 2019. For additional information see Item 4 Information on the Company Colombian Regulatory Framework Committed Investments.

The following table sets forth our historical investments in Mexico, Puerto Rico and Colombia in the periods indicated.

<b>Year ended December 31,</b>	<b>(thousands of Mexican pesos)</b>
2016	1,902,275
2017	1,288,006
2018	1,099,606

In 2018, we spent Ps.367.8 million in Mexico on capital expenditures, mainly on projects at the Cancún Airport, which include: (i) purchase of land; (ii) project management and construction of finishes, masonry and terminal building facilities, baggage handling facilities and a tunnel in Terminal 4; (iii) automated border control kiosks to support the entry of Mexican citizens and international travelers who do not require a visa; (iv) road works on Terminal 4; (v) renewal of communications infrastructure equipment; and (vi) renewal of various licenses.



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In 2018, we also spent Ps.290.6 million in Colombia on capital expenditures on projects which include: (i) construction works on the terminal building and expansion of the national and international terminals at the José María Córdova International Airport in Rionegro; (ii) construction of control tower enclosures; (iii) purchases of land; (iv) platform expansions and track extensions; and (v) environmental management works. We also spent Ps.441.2 million in Puerto Rico on capital expenditures, including: (i) restoration efforts; (ii) improvements to the airport security network and security cameras; and (iii) new parking systems.

In 2017, we spent Ps.1,288.1 million in Mexico on capital expenditures, largely on projects at Cancún Airport, including: (i) improvements to the Terminal 3 building; (ii) the construction of the new Terminal 4 building; (iii) the supply and installation of passenger boarding bridges in Terminals 3 and 4; (iv) the expansion of Terminal 3's commercial platform; (v) the construction of earthfills and pavement for the Terminal 4 platform; and (vi) the construction of wheel treads, connectors and head rests.

In 2016, we spent Ps.1,902.3 million in Mexico on capital expenditures, largely to continue the projects of 2015, which concluded in August 2017. In 2015, we spent Ps.3,102.5 million on capital expenditures, largely to continue the projects of 2014, but also to initiate construction of Terminal 4 at Cancún Airport and to renovate runways at Mérida Airport. The amounts presented in the table above differ from those presented in the Consolidated Statement of Cash Flows because these amounts reflect the budgeted investments in accordance with the Master Development Plan.

We currently intend to fund the investments and working capital required by our business strategy through cash flow from operations and from the indebtedness described above. We may continue to incur debt to finance all or a portion of these investments in the future.

**Critical Accounting Policies**

The application of our accounting policies requires that we make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses generated during the reporting period. Estimates and assumptions are based on historical experience and other factors that we consider relevant. There can be no assurance that actual results will not differ from those estimates and assumptions. Critical accounting policies are defined as those that are both important to the portrayal of our financial condition and results of operations and which require us to exercise significant judgment. Our most critical accounting policies are described briefly below. For a detailed discussion of the application of these and other accounting policies, see Note 20 of our financial statements.

***Revenue Recognition***

Revenues are obtained from aeronautical services, which generally relate to the use of airport infrastructure by air carriers and passengers, non-aeronautical services and construction revenues.



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In 2018, we adopted IFRS 15, Revenue from Contracts with Customers. For additional information, see Note 3.1 to our consolidated financial statements.

Aeronautical services revenues consist of passenger charges for departing passengers (excluding diplomats, infants, and transfer and transit passengers), landing charges based on the average between the aircraft's maximum takeoff weight and the zero-fuel weight and hour of arrival, aircraft parking charges based on the time an aircraft is on the ground and hour of arrival, passenger walkway charges for the connection of aircraft to terminals, based on hour of arrival, and airport security charges for departing passengers. Aeronautical services revenue is recognized as passengers depart and as services are provided, as the case may be.

Non-aeronautical service revenues consist primarily of the leasing of space in airport terminals, access fees from third parties providing handling, catering and other services at the airports and miscellaneous other revenues such as those derived from parking facilities. The leasing of space to airlines and other commercial tenants currently represents the most significant source of non-aeronautical service revenues. Lease revenues are accrued monthly, and are determined by applying a percentage on real sales revenues of the lessors (equity) or a minimum agreed upon amount, both of which are set forth in the lease agreements.

Rental income is recognized on terminal space that is leased through operating leases. Such leases stipulate either: fixed monthly rental fees or fees based on the greater of a minimum monthly rental fee and a specified percentage of the lessee's monthly revenues or the number of departing passengers. Access fees and other service revenues are recognized as services are provided. All amounts are calculated and recognized on a monthly basis. Although some non-aeronautical service revenues are regulated under the price regulation system in Mexico, revenues from commercial activities (other than the lease of space to airlines and other service providers considered essential for an airport's operation) are not regulated.

An operator of a service concession that is required to make capital improvements to concessioned assets, such as us, is deemed to provide construction or upgrade services. As a result, we are required to account for the revenues and expenses relating to those services. In our case, because we hire a third party to provide construction and upgrade services, our revenues relating to construction or upgrade services are equal to our expenses for those services. Revenues related to construction and upgrade services are presented as Construction services and expenses related to construction and upgrade services are presented as Costs of construction. In accordance with IFRS 15, during the construction period of the infrastructure related to the concessions, such revenues must be included as contract assets in the statement of financial position. Revenues from construction services are recognized in accordance with the methods prescribed (input method) for measuring progress towards completion of each project, as approved by the grantor. Since we hire third party vendors to provide construction services, the revenue related to those services is equal to the fair value of the services received. We monitor and adjust our income on a regular basis so that we do not exceed the maximum rate limits for annual invoicing.

Under the Mexican Airport Law and its regulations, our revenues from our Mexican airports are classified as Airport Services, Complementary Services or Commercial Services. Airport Services consist primarily of the use of runways, taxiways and aprons for landings and

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departures, aircraft parking, the use of passenger walkways, security services, hangars, automobile parking facilities as well as the general use of terminal space and other infrastructure by aircraft, passengers and cargo, including the lease of space essential for the operation of airlines and complementary service providers. Complementary Services consist primarily of ramp and handling services, catering, maintenance and repair, as well as related activities to support air carriers. Revenues from access fees charged to third parties providing complementary services are classified as Airport Services. Commercial Services consist of services that are not considered essential to the operation of an airport, such as the lease of space to retailers, restaurants and banks.

Under Colombian laws and regulations, our revenues from aeronautical services at our Colombian airports are regulated and primarily derived from passenger charges for the use of terminals, takeoff, landing and aircraft movement charges, charges for boarding bridges and aircraft parking charges.

***Reserve for Doubtful Accounts***

We perform ongoing credit evaluations of our customers and adjust credit limits based upon the customer's payment history and current creditworthiness. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. Even though these credit losses have historically been within our expectations and we have an established allowance to provide for losses, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our accounts receivable are concentrated in the hands of a few large customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collection of our accounts receivables and our future operating results.

We conduct a sensitivity analysis to determine the degree to which possible changes to the assumptions used in determining whether or not the amount calculated of the reserve would be significantly affected. We have concluded that percentage used to determine the reserve is the most sensitive assumption and therefore, if said percentage were to show an increase or decrease of 15%, it would have no significant effect.

As required by IFRS 9, we conduct a sensitivity analysis by client in order to determine the level of possible expected losses for the following twelve-month period, or the amount representing the entire cash flow not expected to be received during the entire lifetime of the financial instrument related to possible events of default over the following twelve months as from the reporting date and evaluation of significant increases in credit risk, which involves identifying possible events of noncompliance. Such possible events include those that can be directly related to the account receivable from the client, or to macroeconomic variables not related to a group of assets, such as market indicators.



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*Useful Life of the Airplan Concession*

The useful life for the amortization was determined according to the duration of the Colombian concession held by Airplan, and the amortization rate is calculated based on the percentage of regulated revenue obtained during the period with respect to the total expected income in the Company's financial model. The concession will have a useful life until the year 2032. The term of the Colombian concession agreement began with the date of signing the act of commencement of the execution in March 2008, and ends when any of the following events occur: regulated revenues generated are equal to the expected regulated revenues set forth under the concession agreement, provided that at least 15 years have elapsed since the beginning of the concession; and 25 years have elapsed since the date of the execution start certificate. Pursuant to the concession agreement, the expected regulated revenues will increase after voluntary or mandatory complementary works are delivered to the grantor of the concession.

We conduct a sensitivity analysis to determine the level of possible changes in the assumptions used to determine the useful life of the concession. We have concluded that the percentage used to determine the growth of income is the most sensitive assumption and therefore, any 3% increase or decrease in that percentage would modify the useful life of the concession either increasing or decreasing it in two years.

*Deferred Income Tax*

The Company recognizes deferred tax assets and liabilities based on the differences between the financial statement and tax values of assets and liabilities. In order to determine the basis of deferred income tax, taxable income projections are prepared to evaluate whether the legal entity will be subject to ISR. The determination of the income tax provision requires calculations and interpretation and the application of complex tax laws. Those calculations are used to assess the period and method of recovery of favorable tax balances. Company management has determined deferred taxes based on approved tax rates that are in line with its expectation of the application of such approvals.

Deferred income tax assets and liabilities from the temporary differences arising from investments in subsidiaries and joint businesses are recognized, except when ASUR controls the reversal period for such temporary differences and it is likely that the temporary differences will not be reverted in the near future.

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*Evaluation of Impairment of Goodwill*

We evaluate goodwill for impairment annually whenever events or changes in circumstances indicate that there is impairment in the book value of appreciation. Such circumstances may include changes in tourist preferences, the economic situation or security levels in the countries in which we operate or other factors affecting passengers making use of our airports. In order to determine whether there is impairment in the value of goodwill, we evaluate the cash generating unit to which goodwill has been assigned using present value techniques. When applying that valuation technique, the Company employs a series of factors which include historical income, business plans, forecasts and market data. Discount rates used in the impairment determination are subject to sensitivity analyses that may require the recognition of a higher or lower level of impairment.

*Application of New and Revised International Financing Reporting Standards*

As of January 1, 2018 we adopted IFRS 9 and IFRS 15. The Board of Directors approves our accounting policies, taking into consideration the advice of the Audit Committee. For additional information, see Note 18.1 to our consolidated financial statements.

*Recently Issued Accounting Standards*

The following is a list of the new standards and amendments that have been issued by the IASB and applicable to financial periods beginning after January 1, 2017 and subsequent periods. The Company is still in the process of evaluating the new standards. For additional information, see Note 18.1 to our consolidated financial statements.

- **IFRS 16, Leases**

In January 2016, the IASB issued IFRS 16 as the new standard for lease accounting. This standard replaced IAS 17. IFRS 16 eliminates the classification of leases as either financial or operating and requires the recognition of a liability reflecting future payments and of an asset derived from the right to use in most leases. The IASB has included certain exceptions for short-term and low-value assets leases. The foregoing modifications are applicable to the lessee's accounting for leases while rules for the lessor remain similar to those currently in effect.

The Company intends to apply the simplified transition approach beginning January 1, 2019 and will not restate the comparative amounts for the prior year. All other right to use assets will be valued at their corresponding leasing liability amounts upon adoption of the new rules (adjusted for any leasing expenses accumulated or paid in advance). As concerns short-term and low-value assets leases, the Company will opt for the practical solution of excluding them from the analysis and recognizing them by the straight-line depreciation method as expenses in the statement of comprehensive income.

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The Company has determined that the effect will be minimum, since it holds only one operating lease contract, as detailed in Note 16(a) of the consolidated financial statements. The foregoing will not affect the statement of financial position.

- IFRIC 23, Uncertainty over Income Tax Treatments

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IFRC 23 establishes how to record and measure current and deferred tax assets and liabilities when there is uncertainty concerning their tax treatment. In particular, it explains:

- How to determine the appropriate account unit and that each uncertain tax treatment should be considered separately or jointly as a group, depending on the focus that best predicts resolution of the uncertainty;
- That the entity must assume that the tax authorities will examine the uncertain tax treatment and will have full knowledge of all related information, such as the entity ignoring the risk of detection;
- That the entity must reflect the effect of the uncertainty in the accounting records for income tax when the tax authorities are unlikely to approve the treatment;
- That the impact of the uncertainty should be measured using the most likely figure or the expected value method, whichever best predicts resolution of the uncertainty; and
- That judgment and estimations must be freshly evaluated every time circumstances have changed or there is new information affecting resolutions.

Although there are no new disclosure requirements, entities are reminded of the general requirement to provide information on judgments and estimations applied when preparing their financial statements. The Company has evaluated the provisions of this standard and considers that it will not impact its financial figures. There are no other standards that have not yet gone into effect that could be expected to significantly impact the Company in the current or future reporting periods or in foreseeable future transactions.

**Off-balance sheet arrangements**

We are not currently, nor have we been, involved in any off-balance sheet arrangement that has or is reasonably likely to have had a current or future effect on our financial statements, changes in liquidity, capital expenditures or capital resources that are material to investors.

Table of Contents**Tabular disclosure of contractual obligations**

The following table summarizes our material contractual obligations as of December 31, 2018.

	Total	Payments due by period (millions of Mexican pesos)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
<b>Mexican Contractual Obligations</b>					
Mexican Master Development Plans(1)	2,173.8	2,173.8			
Technical Assistance Agreement(2)	334.3	96.6	118.8	118.8	
Operating Leases	7.1	5.3	1.8		
<b>Colombian Contractual Obligations</b>					
Purchase Obligations	2,968.0	532.3	705.4	652.2	1,078.1
Operating Leases					
<b>Puerto Rican Contractual Obligations</b>					
Purchase Obligations					
Operating Leases	143.2	43.0	85.9	14.3	
<b>Total</b>	<b>5,626.4</b>	<b>2,851.0</b>	<b>911.9</b>	<b>785.3</b>	<b>1,078.1</b>

	Total	Payments due by period (millions of Mexican pesos)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
<b>Financial Liabilities</b>					
Bank Loans and Interest	7,218.1	175.5	213.0	6,829.6	
Long-Term Debt	7,282.3	324.6	208.0	6,749.7	
Suppliers	313.6	313.6			
Accounts payable and accrued expenses	1,557.8	1,557.8			
<b>Total</b>	<b>16,371.8</b>	<b>2,371.5</b>	<b>421.0</b>	<b>13,579.3</b>	

(1) As of December 31, 2018, based on the Mexican Construction Price Index. The master development plans, which contain the investment commitments for our airports have been approved for each year through December 31, 2023. The plans also contain indicative investments for calendar years 2023 through 2033, but these amounts are not binding on us.

(2) Reflects fixed minimum amount due under the Technical Assistance Agreement. Actual amount to be paid in any year may be higher because technical assistance fees are calculated as the greater of U.S.\$2.0 million adjusted annually for inflation against the U.S. consumer price index (subject to certain adjustments) and 5.0% of our annual consolidated earnings before comprehensive financing cost, income taxes and depreciation and amortization (determined in accordance with IFRS and calculated prior to deducting the technical assistance fee).

**Item 6. Directors, Senior Management and Employees**

**Directors**

Our Board of Directors is responsible for the management of our business. Pursuant to our bylaws, the Board of Directors must consist of an uneven number of directors determined at an ordinary general meeting of stockholders and is required to have at least seven, but not more than twenty-one, members. Currently, the Board of Directors consists of nine directors, each of whom is elected or ratified at the annual stockholders meeting for a term of one year or until a successor has been appointed.

Our bylaws provide that the holders of Series BB shares are entitled to elect two members and their alternates to the Board of Directors. Our remaining directors are elected by the holders of our Series B shares. Under our bylaws, each stockholder or group of stockholders owning at least 10.0% of our capital stock in the form of Series B shares is entitled to elect one

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member to the Board of Directors for each 10.0% interest that it owns. The other directors to be elected by the holders of our Series B shares are elected by majority vote of all holders of Series B shares present at the stockholders meeting (including stockholders that individually or as part of a group elected a director as a result of their 10.0% stake).

The following table lists our directors as of the date of this annual report, their title and date of appointment:

Name	Title	Director Since
Fernando Chico Pardo(1)	Chairman	April 28, 2005
Ricardo Guajardo Touché(3)	Director	February 28, 2001
Francisco Garza Zambrano(3)	Director	February 28, 2001
Guillermo Ortiz Martínez(3)	Director	April 26, 2010
Roberto Servitje Sendra(3)	Director	April 25, 2008
José Antonio Pérez Antón(2)(5)(*)	Director	April 26, 2012
Aurelio Pérez Alonso(4)(*)	Director	April 26, 2012
Rasmus Christiansen(3)	Director	April 26, 2007
Luis Chico Pardo(4)	Director	April 25, 2008

(1) Elected by ITA as holder of Series BB shares, with Federico Chávez Peón Mijares as Alternate. Fernando Chico Pardo is the direct or indirect owner of 50.0% of the shares of ITA and 37,746,297 Series B shares (12.6% of our outstanding shares) as of April 15, 2019.

(2) Elected by ITA as holder of Series BB shares, with Luis Fernando Lozano Bonfil as Alternate.

(3) Independent Director

(4) On April 26, 2012, Aurelio Perez Antón and Luis Chico Pardo were elected as members of the Board of Directors, representing the Series B shares.

(5) On April 26, 2012, José Antonio Perez Antón was elected as a member of the Board of Directors, representing the Series BB Shares.

(\*) Owner of less than 1.0% of our outstanding shares as of December 31, 2018.

**Fernando Chico Pardo.** Mr. Chico Pardo has been a member of our Board of Directors and Chairman of the Board since April 28, 2005. He was our Chief Executive Officer from January 19, 2007 until June 1, 2011. He is the founder and President of Promecap, S.C. established in 1997. Previously, Mr. Chico Pardo was the Partner and Chief Executive Officer of Grupo Financiero Inbursa, S.A. de C.V., Partner and Chief Executive Officer of Acciones e Inversora Bursatil S.A. de C.V. Casa de Bolsa, founder and Chairman of Acciones y Asesoría Bursatil, S.A. de C.V. Casa de Bolsa, Director of Metals Procurement at Salomon Brothers (New York), Latin America Representative for Mocatta Metals Corporation, Mexico Representative for Standard Chartered Bank (London) and consultant to BBVA Bancomer. Mr. Chico Pardo has also been on the boards of directors of, among others, Grupo Financiero Inbursa, Condumex, Grupo Carso, Sanborns Hermanos, Sears Roebuck de México, BBVA Bancomer, Cultiba and Grupo Posadas de México. He is 67 years old. Mr. Chico Pardo was appointed by ITA.

**Ricardo Guajardo Touché.** Mr. Guajardo is a member of our Board of Directors and President of our Audit and Corporate Practices Committee. He was President of Grupo Financiero BBVA Bancomer, S.A. from 2000 to 2004, a President and Chief Executive Officer of Grupo Financiero BBVA Bancomer, S.A. from 1991 to 2000 and Chief Executive Officer of Grupo Vamsa since 1989. He has served on the Board of Directors of Grupo Bimbo, Almacenes Coppel, Instituto Tecnológico y de Estudios Superiores de Monterrey ( ITESM ), Fomento Económico Mexicano ( FEMSA ), Coca-Cola FEMSA, Transportación Marítima Mexicana ( TMM ), Alfa and El Puerto de Liverpool. He is 70 years old. Mr. Guajardo is an independent director.



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**Francisco Garza Zambrano.** Mr. Garza is a member of our Board of Directors and he has served as President of Cementos Mexicanos of North America and Trading, as President of Cementos Mexicanos Mexico, as President of Cementos Mexicanos Panama, as President of Cementos Mexicanos Venezuela and as President of Cementos Mexicanos U.S.A. He was formerly on the Board of Directors of Control Administrativo Mexicano S.A. de C.V., Vitro Plano, S.A. de C.V., Universidad de Monterrey, Cámara Nacional del Cemento, Club Industrial, A.C. and Fundación Mexicana para la Salud. He is 63 years old. Mr. Garza is an independent director.

**Guillermo Ortiz Martínez.** Mr. Ortiz is a member of our Board of Directors and Financial Expert of the Audit Committee. He has served as the Chairman of the Board of Directors of Grupo Financiero Banorte. Previously, he was Governor of the Bank of Mexico for two terms, from 1998 to 2003, and from 2004 to 2009. From 1994 to 1997, he was Mexico's Public Finance Minister. Mr. Ortiz was the Deputy Public Finance Minister from 1988 to 1994. Prior to that, between 1984 and 1988, he occupied the post of Executive Director of the International Monetary Fund (IMF). From 1977 to 1984, he occupied positions as Economist, Deputy Manager and Manager at the Bank of Mexico's Department of Economic Research. Mr. Ortiz entered public service with the federal government as an Economist at the Planning and Budgeting Ministry. During 2009 he was employed as Chairman of the Bank for International Settlements based in Basel, Switzerland. He is 70 years old. Mr. Ortiz is an independent director.

**Roberto Servitje Sendra.** Mr. Servitje is a member of our Board of Directors. He has been the Deputy Chief Executive Officer of Grupo Bimbo (1969), as well as the company's Chief Executive Officer (1978) Executive President (1990) and Chairman of the Board of Directors (1994-2012). He has also been a member of the advisory boards of Chrysler Mexico, Grupo Altex, the School of Banking and Commerce and the Hermann International Memorial. He is 91 years old. Mr. Servitje is an independent director.

**Luis Chico Pardo.** Mr. Chico Pardo is a member of our Board of Directors. He has held positions as an Economist at the Bank of Mexico, as the Manager of the International Division of the Bank of Mexico, as the General Coordinator of the Credit Department at the Mexican Ministry of Finance and Public Credit, as Chief Executive Officer of Banco Mexicano, as Executive Vice-President of Banco Mexicano Somex, and as Chief Executive Officer of Banco B.C.H. He is currently a member of the Board of Directors of the venture capital investment firm Promecap. Mr. Chico Pardo is 78 years old.

**Rasmus Christiansen.** Mr. Christiansen previously served as the Chief Executive Officer of Copenhagen Airports International A/S, responsible for management and advisory services for CPH's international investments. Before joining Copenhagen Airports, Mr. Christiansen was the director and owner of an import/export company in Hungary (1993-1999). Prior to this, he was Vice President of Dolce International, Hotels and Conference centers. He joined Copenhagen Airports A/S in 1999 as the Development and Acquisitions Director. In 2005 he became the Vice President and in 2007 CEO of Copenhagen Airports International. He is also a board member of CPH International A/S and Newcastle International Airport Ltd. as well as Chairman of the Danish Schou Foundation. Mr. Christiansen is 67 years old and was born in Denmark.



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**José Antonio Pérez Antón.** Mr. Pérez Antón has been Chief Executive Officer of Grupo ADO since 2006 and a member of the Board of Directors of Grupo ADO since 2005. He has worked for ADO since 1996. Mr. Pérez Antón is also currently the Vice President of the *Cámara Nacional del Autotransporte de Pasaje y Turismo* (the Mexican National Chamber of Intercity and Tourism Transportation, or CANAPAT), and is a Counselor at ITI (the Intermodal Transportation Institute, based in Denver). He is 46 years old.

**Aurelio Pérez Alonso.** Mr. Pérez Alonso has been Deputy Chief Executive Officer of Grupo ADO since 2006 and a member of the Board of Directors of Grupo ADO since 2005. Before joining the Group in 1998, Mr. Pérez Alonso was a consultant for Arthur Andersen and he is currently a member of the Board of Directors of CANAPAT. He is 47 years old.

**Senior Management**

Pursuant to our bylaws, the holders of Series BB shares are entitled to present the Board of Directors the name or names of the candidates for appointment as chief executive officer, to remove our chief executive officer and to appoint and remove one half of the executive officers. Currently, four executive officers report directly to the chief executive officer, one of whom was appointed by ITA as holder of the BB shares.

The following table lists our executive officers, their current position and year of appointment as an executive officer:

Name	Principal Occupation	Executive Officer Since
Adolfo Castro Rivas(1)	Chief Executive Officer; Director of Finance (Chief Financial and Strategic Planning Officer)	June 1, 2011
Carlos Trueba Coll	Director of Cancún Airport	March 1, 2010
Héctor Navarrete Muñoz	Director of Regional Airports	January 15, 2003
Claudio Góngora Morales	Chief Legal Counsel	April 19, 1999
Manuel Gutiérrez Sola	Chief Commercial Officer	August 7, 2003
Alejandro Pantoja López	Chief Infrastructure and Compliance Officer	August 15, 2013

(1) Elected by ITA as holder of Series BB shares.

**Adolfo Castro Rivas.** Mr. Castro was appointed as our Chief Executive Officer in June 2011. Mr. Castro has been our Director of Finance (Chief Financial Officer) since January 2000. Prior to joining ASUR, Mr. Castro was Director of Finance and Administration of Ferrocarril del Sureste S.A. de C.V. Mr. Castro was also Chief Financial Officer of Netcapital, S.A. de C.V., Director of Finance of Grupo Mexicano de Desarrollo, S.A. de C.V., Finance Manager of Grupo ICA S.A.B. de C.V. and an auditor and consultant with Coopers & Lybrand. Mr. Castro is also member of the Board of Directors of Red de Carreteras de Occidente, S.A.B. de C.V. He is 54 years old.

**Carlos Trueba Coll.** Mr. Trueba has been the Director of Cancún International Airport since March 1, 2010. Previously, Mr. Trueba has held a series of administrative positions at Cancún Airport, including Deputy Director of Operations (November 2004). He was Department and Regional Head at the company Aeropuertos y Servicios Auxiliares. He is 55 years old.

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**Héctor Navarrete Muñoz.** Mr. Navarrete is the Director of Regional Airports. Previously, Mr. Navarrete was the Administrator of the Mérida International Airport, Director of the Board of Culture and Tourism of the state of Yucatán, Coordinator of the Mayan Cultural Project in San Antonio, Texas, and President of the International Council of Latin American and Caribbean Airports for Airports Council International, and is an expert in international civil aviation security. He is 62 years old.

**Claudio Góngora Morales.** Mr. Góngora has been General Counsel since 1999. He is Legal Director of ASUR (from 2001). Mr. Góngora also served as Legal Director of Azufrera Panamericana, S.A. de C.V., alternating as Legal Advisor for Compañía Exploradora del Istmo, S.A. de C.V. He has been Deputy Legal Director of Comisión de Fomento Minero, as well as Chief Legal Consultant for Grafito de Mexico, S.A. de C.V., Terrenos para Industrias, S.A. de C.V., Terrenos de Jaltipan, S.A. de C.V., Macocozac, S.A. de C.V., Pasco Terminals, Inc. and Pasco International, Ltd. He is 67 years old.

**Manuel Gutiérrez Sola.** Mr. Gutiérrez has been our Chief Commercial Officer since August 7, 2003. Previously, from October 31, 2002, Mr. Gutiérrez was our Acting Chief Commercial Officer, in charge of the negotiations of the commercial contracts for our airports and the implementation of the second stage of ASUR's commercial strategy. Before that, he was our Concessions Manager since December 2000. Prior to joining ASUR, Mr. Gutiérrez was Chief Operations Officer of G. Acción S.A. de C.V. and Machinery and Equipment Manager of Gutsa Construcciones, S.A. de C.V. He is 55 years old.

**Alejandro Pantoja López.** Mr. Pantoja was appointed as our Chief Infrastructure and Compliance Officer in August 2013. Previously, he held a series of positions in ASUR, including Administrator of Veracruz International Airport (from 2001 to 2013). He has also held executive posts in the companies Internacional de Contenedores de Veracruz and Ferrocarril del Sureste. He is 57 years old.

**Agustín Arellano Rodríguez** ceased to be our Chief International Affairs Officer and CEO of Aerostar, effective February 13, 2019.

**Share Ownership of Directors and Senior Management**

With the exception of Fernando Chico Pardo (see Item 7. Major Shareholders and Related Party Transactions Major Shareholders ), directors and senior management do not own shares of ASUR. There are no compensation arrangements under which employees may acquire capital stock of ASUR.

**Compensation of Directors and Senior Management**

Members of our Board of Directors and the members of our committees received Ps.8.7 million in aggregate compensation for the year ended December 31, 2018. We paid an aggregate amount of approximately Ps.119.2 million in 2018 for the services of our executive officers.

No amount has been set aside by ASUR or its subsidiaries for pension, retirement or similar benefits.

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**Committees**

Our bylaws provide for four committees to assist the Board of Directors with the management of our business: an Operating Committee, an Audit and Corporate Practices Committee, an Acquisitions and Contracts Committee and a Nominations and Compensation Committee.

The Operating Committee, which is composed of four members, is responsible for proposing and approving certain plans and policies relating to our business, investments and administration, including approval of the master development plans of our subsidiary concession holders, our dividend policy and investments of less than U.S.\$2.0 million that are not provided for in our annual budget. The Board of Directors appoints all the members of the Operating Committee. Board members elected by the holders of Series BB shares have the right to appoint two of the committee members and to appoint the chairman, who has a deciding vote in the case of a tie. The consent of the Series BB directors is also required to select the members of the Operating Committee that are not members of our board or officers of our company. The current members of the Operating Committee are Fernando Chico Pardo (President), Rasmus Christiansen, Ricardo Guajardo Touché and José Antonio Pérez Antón. A secretary has also been appointed who is not a member of the committee.

The Audit and Corporate Practices Committee must be composed of at least three members, all of whom must be independent, and is responsible for supervising the management and conduct of our business, monitoring the activities of our Board of Directors, our officers and the officers of our subsidiaries for compliance with the bylaws and applicable law, as well as coordinating internal auditing activities. With respect to financial reporting and auditing matters, the Audit and Corporate Practices Committee reviews financial data, ensures compliance with the professional code of conduct and has oversight of our internal auditing and controls system, as well as the performance of our external auditors. The Audit and Corporate Practices Committee is also responsible for monitoring transactions with affiliates, including ITA and its stockholders. In addition to the specific duties and authorities set forth under our bylaws and the Securities Market Law for the Audit and Corporate Practices Committee, the Audit and Corporate Practices Committee also has the authority and duties of the Corporate Practices Committee under the Securities Market Law. Our bylaws provide that the Board of Directors shall determine the number of members of the Audit and Corporate Practices Committee, which is required to comprise solely independent directors. All members of the Audit and Corporate Practices Committee must meet the applicable independence criteria set forth under the Sarbanes-Oxley Act of 2002 and the rules issued thereunder by the U.S. Securities and Exchange Commission. The president of the Audit and Corporate Practices Committee is elected by a vote at the shareholders meeting, as is a secretary, who is not required to be a committee member. The committee also appoints among its members a special delegate who may not be a person appointed by the holders of Series BB shares nor be related to the committee members. The special delegate is charged with ensuring that ITA complies with its obligations under the technical assistance agreement it has with us. The current members of the Audit and Corporate Practices Committee are Ricardo Guajardo Touché (President), Francisco Garza Zambrano and Guillermo Ortiz Martínez (Financial Expert of the Audit Committee). A secretary has also been appointed who is not a member of the committee.

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The Acquisitions and Contracts Committee, composed of three members, is responsible for ensuring compliance with our procurement policies set forth in our bylaws. Among other things, these policies require that the Acquisitions and Contracts Committee approve any transaction or series of related transactions between us and a third party involving consideration in excess of U.S.\$400,000 and that any contract between us, on the one hand, and ITA or any of its related persons, on the other hand, be awarded pursuant to a bidding process involving at least three other bidders. Our bylaws provide that a stockholders' meeting will determine the number (which must be an odd number) of members of the Acquisitions and Contracts Committee, which is required to be composed primarily of members of the Board of Directors. The members of the Board of Directors elected by the holders of Series BB shares are entitled to appoint one member to the committee. The current members of the Acquisitions and Contracts Committee are Fernando Chico Pardo (President), Rasmus Christiansen and Aurelio Pérez Alonso. A secretary has also been appointed who is not a member of the committee.

The Nominations and Compensation Committee was formed on October 12, 1999. The duties of the committee include the proposal to the general shareholders' meeting of candidates for election to the Board of Directors and proposal to the Board of Directors of candidates for appointment as executive officers, as well as proposals to the general shareholders' meeting regarding the removal and compensation of directors and officers. Our bylaws provide that a stockholders' meeting will determine the number (which must be an odd number) of members of the committee. The holders of the Series B and Series BB shares, acting as a class, are each entitled to name one member of the Nominations and Compensation Committee. The remaining members of the committee are to be named by these two initial members. Members of the committee each have a term of one year. At each annual stockholders' meeting after a public offering of our shares, the Nominations and Compensation Committee is required to present a list of at least seven candidates for election as directors for the vote of the Series B stockholders. At an ordinary stockholders' meeting held February 28, 2001, our stockholders resolved that the Nominations and Compensation Committee be comprised of three members. The current members of the Nominations and Compensation Committee are Fernando Chico Pardo (President), José Antonio Pérez Antón and Roberto Servitje Sendra.

**Employees**

The following table sets forth the number of employees in various positions as of the end of 2016, 2017 and 2018.

	2016	As of December 31, 2017	2018
<b>Administrative Employees(1)</b>			
Servicios Aeroportuarios del Sureste, S.A. de C.V. Mexico	140	136	143
Cancún Airport	234	281	294
Cozumel Airport	27	27	26
Huatulco Airport	23	21	22
Mérida Airport	55	57	60
Minatitlán Airport	19	20	21
Oaxaca Airport	23	24	25
Tapachula Airport	23	23	24
Veracruz Airport	34	34	34



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	2016	As of December 31, 2017	2018
Villahermosa Airport	32	34	34
<b>Total Mexico</b>	<b>610</b>	<b>657</b>	<b>683</b>
Colombia			
Airplan (Corporate Office)		70	92
Carepa Airport		26	26
Corozal Airport		20	19
Medellín Airport (Enrique Olaya Herrera)		53	55
Rionegro Airport (José María Córdova)		137	133
Montería Airport		54	47
Quibdó Airport		29	26
<b>Total Colombia</b>		<b>389</b>	<b>398</b>
San Juan Airport		88	97
<b>Total Administrative Employees</b>	<b>610</b>	<b>1,134</b>	<b>1,178</b>
<b>Unionized Employees(2)</b>			
Mexico			
Cancún Airport	131	141	155
Cozumel Airport	36	34	35
Huatulco Airport	20	20	20
Mérida Airport	44	45	45
Minatitlán Airport	16	17	16
Oaxaca Airport	22	23	23
Tapachula Airport	24	24	24
Veracruz Airport	26	27	27
Villahermosa Airport	29	29	29
<b>Total Mexico</b>	<b>348</b>	<b>360</b>	<b>374</b>
Colombia			
Carepa Airport			
Corozal Airport			
Medellín Airport (Enrique Olaya Herrera)			
Rionegro Airport (José María Córdova)			
Montería Airport			
Quibdó Airport			
<b>Total Colombia</b>			
San Juan Airport			
<b>Total Union Employees</b>	<b>348</b>	<b>360</b>	<b>374</b>

(1) In April 2008, we transferred all of the non-unionized administrative employees employed by our airport operating subsidiaries to Servicios Aeroportuarios del Sureste, S.A. de C.V., a wholly-owned subsidiary.

(2) In April 2008, we transferred all of our unionized personnel from our airport operating subsidiaries to RH Asur, S.A. de C.V., a wholly-owned subsidiary.

As of December 31, 2016, 2017 and 2018, we had 958, 1,494 and 1,552 total employees (administrative and unionized), respectively.

37.4% of our employees on December 31, 2018 were members of labor unions.

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All of our Mexican unionized airport personnel are employed by RH Asur, S.A. de C.V, and all of our Mexican non-unionized airport employees are employed by Servicios Aeroportuarios del Sureste, S.A. de C.V. RH ASUR, S.A. de C.V. and Servicios Aeroportuarios del Sureste, S.A. de C.V. are wholly-owned subsidiaries that provide us with administrative and personnel services.

All of our Mexican unionized employees are members of local chapters of the Mexican National Union of Airport Workers. As of April 2008, the labor relations with our Mexican

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employees in our airport operating subsidiaries are governed by one collective labor agreement that is negotiated by the local chapter of the union. Under applicable Mexican labor law, wages are renegotiated every year, while other terms and conditions of employment are renegotiated every two years. The last agreement was entered into in 2018. We believe that our relations with our Mexican employees are good.

Table of Contents**Item 7. Major Shareholders and Related Party Transactions****MAJOR SHAREHOLDERS***Capital Stock Structure*

The following table sets forth the current ownership of outstanding shares as of April 12, 2019, to the extent of our knowledge.

Identity of stockholder	Number of Shares		Percentage of total share capital	
	B Shares	BB Shares	B Shares	BB Shares
Agrupación Aeroportuaria Internacional III, S.A. de C.V.(1)(2)(4)	16,378,297		5.46%	
ITA, through Bancomext (1)(2)(3)(4)(7)		22,950,000		7.65%
Servicios Estrategia Patrimonial, S.A. de C.V.(1)(2)(3)(4)(5)	21,368,000		7.12%	
Aberdeen Asset Management(1)(6)	32,945,080		10.98%	
Inversiones Productivas Kierke, S.A. de C.V.(7)	36,918,290		12.31%	
Other Public(1)	169,440,333		56.48%	

(1) Pursuant to the Share Registry Book of ASUR, the shareholders that formally appear registered as such are (a) Indeval, as depositary of 255,000,000 Series B shares, (b) Bancomext, as holder of 22,050,000 Series B shares, and (c) Bancomext, as holder of 22,950,000 Series BB shares.

(2) Our Chairman of the Board of Directors Fernando Chico Pardo owns, directly or indirectly, (a) 50.0% of ITA, (b) 100.0% of Servicios de Estrategia Patrimonial, S.A. de C.V. (formerly known as, Agrupación Aeroportuaria Internacional, S.A. de C.V.), and (c) 100.0% of Agrupación Aeroportuaria Internacional III, S.A. de C.V (the successor in interest to Agrupación Aeroportuaria Internacional II, S.A. de C.V).

(3) On June 18, 2007, Bancomext, as trustee of the trust created under Trust Agreement dated December 18, 1998 and holder of 45,000,000 Series BB shares, informed ASUR of its decision to convert 22,050,000 Series BB shares into 22,050,000 Series B shares.

(4) On July 25, 2007, ITA, as beneficiary of the trust created under Trust Agreement dated December 18, 1998 and holder of 45,000,000 Series BB shares, instructed Bancomext to release from the trust and physically deliver to Agrupación Aeroportuaria Internacional, S.A. de C.V. (following a name change, now known as Servicios de Estrategia Patrimonial, S.A. de C.V.) 22,050,000 Series B shares.

(5) Based on information contained in public reports, from June 2, 2008 until July 3, 2008, Agrupación Aeroportuaria Internacional II, S.A. de C.V., a company indirectly controlled and owned by Fernando Chico Pardo purchased 2,973,052 Series B shares, which represent 0.99% of our outstanding capital stock.

- (6) Shares with voting rights and delegated voting rights as of February 12, 2019.
- (7) Grupo ADO, S.A. de C.V. indirectly owns 50.0% of ITA through its subsidiary, Inversiones Kierke, which in turn owns, directly or indirectly, 36,918,290 of our Series B shares.

#### **ITA Trust**

The rules governing the sale of our Series BB shares to ITA required that ITA place all of its Series BB shares in trust in order to guarantee ITA's performance of its obligations under the technical assistance agreement and ITA's commitment to maintain its interest in ASUR for a specified period. Accordingly, ITA has placed its shares in trust with Bancomext. This trust, as amended in connection with the conversion of 22,050,000 Series BB shares described above, provides that ITA may instruct Bancomext with respect to the voting of the shares held in trust that currently represent 7.65% of our capital stock, regarding all matters other than capital reductions, payment of dividends, amortization of shares and similar distributions to our shareholders, which are voted by the trustee in accordance with the vote of the majority of the Series B shares.

The term of the trust will be extended for an additional 15 years if, at the end of the initial 15-year term, ITA holds shares representing more than 10.0% of our capital stock. ITA may terminate the trust before the second 15-year term begins if: (i) ITA holds less than 10.0% of our

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capital stock at the end of the initial term and (ii) the technical services agreement has been terminated. ITA is required to deposit in the trust any additional shares of our capital stock that it acquires.

Table of Contents**RELATED PARTY TRANSACTIONS****General**

As of December 31, 2016, 2017 and 2018, the accounts pending payment with related parties are as follows:

	2016	At December 31, 2017 (millions of Mexican pesos)	2018
<b>Accounts Payable:</b>			
Inversiones y Técnicas Aeroportuarias, S.A.P.I. de C.V.(2)	71.4	82.8	96.6
Sociedad Operadora Airplan S.A.(2)		4.1	
Lava Tap de Chiapas, S. A. de C. V.(1)	0.3	1.0	0.7
<b>Total Accounts Payable</b>	<b>71.7</b>	<b>87.9</b>	<b>97.3</b>

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(1) Affiliate of key management personnel

(2) Shareholder

As of December 31, 2016, 2017 and 2018, the accounts pending receipt with related parties are as follows:

	2016	At December 31, 2017 (millions of Mexican pesos)	2018
<b>Accounts Receivable:</b>			
Aerostar Airport Holdings, LLC	1,886.5		
Autobuses de Oriente ADO, S. A. de C. V.(1)		0.0	0.5
Autobuses Golfo Pacifico, S. A. de C. V.(1)		0.4	0.3
<b>Total Accounts Receivable</b>	<b>1,886.5</b>	<b>0.4</b>	<b>0.8</b>

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(1) Shareholder

During the years ending December 31, 2016, 2017 and 2018, the following transactions with related parties were carried out:

	2016	Year Ended December 31, 2017 (millions of Mexican pesos)	2018
Commercial revenues	Ps. 15.7	Ps. 18.3	Ps. 21.6

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Interest income	83.5	69.2	
Technical assistance	(288.1)	(346.5)	(386.3)
Administrative services			
Leases	(4.8)	(5.0)	(5.2)
Cleaning services	(9.5)	(10.2)	(10.9)
Investment (transport equipment)			
Others	(2.5)	0.6	

**Arrangements with ITA**

The rules for the sale of the Series BB shares required ITA, ASUR and the Ministry of Communications and Transportation to enter into a participation agreement, which established the framework for the option agreement, the Technical Assistance Agreement and the Banco



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Nacional de Comercio Exterior, S.N.C., or Bancomext, Trust Agreement. The participation agreement expired on December 17, 2013.

Pursuant to the Technical Assistance Agreement, ITA and its stockholders agreed to provide management and consulting services and transfer industry know-how related to the operation of airports to us. Although Copenhagen Airports ceased to be a shareholder in October 2010, and after the consummation of the sale of a company that owns 49.0% of ITA to Grupo ADO, the Technical Assistance Agreement continues in force and will remain in force. The Technical Assistance Agreement entitles ITA to propose to our board a candidate to be our Chief Executive Officer, to appoint half our other executive officers and two members of our Board of Directors. The agreement also grants us a perpetual and exclusive license in Mexico to use all technical assistance and know-how transferred to us by ITA or its stockholders during the term of the agreement. The agreement had an initial 15-year term which expired in 2013, and was automatically renewed for a successive five-year term on the same conditions on December 18, 2013. We are required under this agreement to pay ITA an annual fee equal to the greater of U.S.\$2.0 million, adjusted for U.S. inflation, or 5.0% of our annual consolidated earnings before comprehensive financing cost, income taxes and depreciation and amortization (determined in accordance with financial reporting standards applicable in Mexico and calculated prior to deducting the technical assistance fee under this agreement). The fixed dollar amount decreases during the initial five years of the agreement in order to create an incentive for ITA to increase our earnings before comprehensive financing cost, income taxes and depreciation and amortization. ITA is also entitled to reimbursement for the out-of-pocket expenses it incurs in its provision of services under the agreement. The agreement allows ITA, its stockholders and their affiliates to render additional services to us only if our Acquisitions and Contracts Committee determines that these related persons have submitted the most favorable bid in a bidding process. This process is described in Item 6. Directors, Senior Management and Employees Committees. In 2015, 2016 and 2017, we recognized expenses of U.S.\$10.5 million, U.S.\$13.5 million and U.S.\$15.5 million, respectively, pursuant to the technical assistance agreement plus additional expenses owed to ITA of approximately U.S.\$0.008 million in 2016. We did not owe ITA additional expenses in 2017 and 2018.

**Arrangements with Entities Controlled by Fernando Chico Pardo**

We rent our executive offices in Mexico City from Gafapa, S.A. de C.V., another entity controlled by Fernando Chico Pardo.

**Compensation to Directors and Officers**

In 2016, we provided Ps.40.0 million in compensation to key management personnel and Ps.4.8 million in compensation to the Board of Directors and the committees of the Board of Directors. In 2017, we provided Ps.84.6 million in compensation to key management personnel and Ps.4.9 million in compensation to the Board of Directors and the committees of the Board of Directors. In 2018, we provided Ps.119.2 million in compensation to key management personnel and Ps.8.7 million in compensation to the Board of Directors and the committees of the Board of Directors.

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**Item 8. Financial Information**

See Item 18. Financial Statements beginning on page F-1.

**Legal Proceedings**

We are involved in legal proceedings from time to time that are incidental to the normal conduct of our business.

We are currently involved in a legal proceeding in connection with the cargo facilities at our Mérida Airport, as described in more detail in Item 4. Information on the Company Business Overview Our Airports Mérida International Airport.

At present, a number of labor-law claims have been filed against us mainly relating to involuntary terminations. Should those claims result in a negative ruling, they would not have significant effects. We are currently pursuing judicial remedies and no ruling has been handed down at the date of this report. The total amount of these claims is approximately Ps.20.0 million. As of December 31, 2018, we have not established a provision for this item.

In addition, our Cancún airport subsidiary is appealing a decision from the Ministry of Finance and Public Credit concerning a tax issue relating to the amortization of its concession for tax purposes. See Item 5. Operating and Financial Review and Prospects Recent Developments We participated in a tax amnesty program implemented by the Mexican federal government.

We do not believe that liabilities related to any of these claims and proceedings against us are reasonably likely to have, individually or in the aggregate, a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

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**DIVIDENDS**

The declaration, amount and payment of dividends are determined by a majority vote of the stockholders present at a stockholders' meeting and generally, but not necessarily, on the recommendation of the Board of Directors. So long as the Series BB shares represent at least 7.65% of our capital stock, the declaration and payment of dividends will require the approval of the holders of a majority of the Series BB shares. Figures included in this subsection are stated in Mexican pesos.

Mexican law requires that at least 5.0% of a company's net income (on a non-consolidated basis) each year (after profit sharing and other deductions required by Mexican law) be allocated to a legal reserve fund until such fund reaches an amount equal to at least 20.0% of its capital stock (without adjustment for inflation).

Mexican companies may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) and only after such allocation to the legal reserve fund. The reserve fund is required to be funded on a stand-alone basis for each company, rather than on a consolidated basis. The level of earnings available for the payment of dividends is determined under IFRS. The legal reserve of our holding company, Grupo Aeroportuario del Sureste, S.A.B. de C.V., is Ps.1,366.9 million (which includes the required allocation corresponding to year 2017 net income). Our subsidiaries are required to allocate earnings to their respective legal reserve funds prior to paying dividends to Grupo Aeroportuario del Sureste, S.A.B. de C.V.

Currently, dividends paid to non-resident holders with respect to our Series B shares and ADSs are subject to Mexican withholding tax at the rate of 10.0% on the gross amount of the dividend distributed. Dividends paid against the net tax profits accrued on or before December 31, 2013, are not subject to Mexican withholding tax. Dividends that are paid from a company's distributable earnings that have not been subject to corporate income tax will be subject to a corporate-level dividend tax (payable by us) calculated on a gross-up basis by applying a factor of 1.4286 thereafter. Corporate tax rates of 30.0% in 2016, 2017 and 2018 are applied to the result. This corporate-level dividend income tax on the distribution of earnings may be applied as a credit against Mexican corporate income tax corresponding to the fiscal year in which the dividend was paid or against the Mexican corporate income tax of the two fiscal years following the date in which the dividend was paid. In the case of dividends paid in 2018, the credit would be applicable against the Mexican corporate income tax of the following three fiscal years. Dividends paid from a company's distributable earnings that have been subject to corporate income tax are not subject to this corporate-level dividend income tax.

As of December 31, 2018, we had Ps.3,000.0 million of distributable earnings and Ps.11,382.5 million of earnings which were not subject to corporate income tax.

At the general stockholders' meeting on April 24, 2014, our stockholders approved an increase in the legal reserve of the Company by Ps.100.9 million from the accumulated net profits for the year ended December 31, 2013. In that same meeting, our stockholders also approved the amount of Ps.1.9 billion from the accumulated net profits for the year ended



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December 31, 2013 as the maximum amount that may be used by the Company to repurchase its own shares during the 2014 fiscal year.

At the general stockholders meeting on April 23, 2015, our stockholders approved an increase in the legal reserve of the Company by Ps.128.7 million from the accumulated net profits for the year ended December 31, 2014. In that same meeting, our stockholders also approved the payment of an ordinary cash dividend from accumulated retained earnings in the amount of Ps.1.53 billion or Ps.5.10 per share for each outstanding Series B or BB share. This dividend was payable as of May 4, 2015. Our stockholders also approved the amount of Ps.914.5 million from the accumulated net profits for the year ended December 31, 2014 as the maximum amount that may be used by the Company to repurchase its own shares during the 2015 fiscal year.

At the general stockholders meeting on April 26, 2016, our stockholders approved an increase in the legal reserve of the Company by Ps.146.1 million from the accumulated net profits for the year ended December 31, 2015. In that same meeting, our stockholders also approved the payment of an ordinary cash dividend from accumulated retained earnings in the amount of Ps.1.68 billion or Ps.5.61 per share for each outstanding Series B or BB share. This dividend was payable as of June 15, 2016. Our stockholders also approved the amount of Ps.1.092 billion from the accumulated net profits for the year ended December 31, 2015 as the maximum amount that may be used by the Company to repurchase its own shares during the 2016 fiscal year.

At the general stockholders meeting on April 26, 2017, our stockholders approved an increase in the legal reserve of the Company by Ps.181.9 million from the accumulated net profits for the year ended December 31, 2016. In that same meeting, our stockholders also approved the payment of an ordinary cash dividend from accumulated retained earnings in the amount of Ps.1.85 billion or Ps.6.16 per share for each outstanding Series B or BB share. This dividend was payable as of June 15, 2017. Our stockholders also approved the amount of Ps.1.607 billion from the accumulated net profits for the year ended December 31, 2016 as the maximum amount that may be used by the Company to repurchase its own shares during the 2017 fiscal year.

At the general stockholders meeting on April 26, 2018, our stockholders approved an increase in the legal reserve of the Company of 5% of the accumulated net profits for the year ended December 31, 2017. In that same meeting, our stockholders also approved the payment of an ordinary cash dividend from accumulated retained earnings in the amount of Ps.2.03 billion or Ps.6.78 per share for each outstanding Series B or BB share. This dividend was payable as of June 18, 2018. Our stockholders also approved setting aside all remaining accumulated net profits for the year ended December 31, 2017 for the Company to repurchase its own shares during the 2018 fiscal year.

In the absence of attractive investment opportunities, we intend to continue paying yearly dividends out of our annual net retained earnings. We do not currently intend to implement a stock repurchase program.

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We will declare any future dividends in Mexican pesos. In the case of Series B shares represented by ADSs, cash dividends are paid to the depository and, subject to the terms of the Deposit Agreement, converted into and paid in U.S. dollars at the prevailing exchange rate, net of conversion expenses of the depository. Fluctuations in exchange rates affect the amount of dividends that ADS holders receive. For a more detailed discussion, see Item 10. Additional Information.

**Item 9. The Offer and Listing**

**TRADING MARKETS**

Our publicly traded share capital consists of our Series B common shares without par value, which are publicly traded in Mexico on the Bolsa Mexicana de Valores, S.A.B. de C.V. ( Mexican Stock Exchange ) under the ticker symbol ASUR B. The Bolsa Institucional de Valores, or the Institutional Stock Exchange, launched operations on July 25, 2018. The Institutional Stock Exchange competes with the Mexican Stock Exchange for trades, and all shares traded on the Mexican Stock Exchange, including our Series B common shares, are now trading on the Institutional Stock Exchange, as well. Both stock exchanges operate a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Series B common shares represented by common ADSs that are directly or indirectly quoted on a stock exchange outside of Mexico. Most securities traded on the Mexican Stock Exchange and on the Institutional Stock Exchange, including our Series B common shares, are on deposit with Indeval, a privately owned securities depository that acts as a clearinghouse, depository, custodian and registrar for transactions on the Mexican Stock Exchange and on the Institutional Stock Exchange.

Our common ADSs, each representing 10 Series B common shares of our capital stock, are traded on the NYSE under the ticker symbol ASR. The Bank of New York Mellon serves as the depository for our common ADSs. On April 15, 2019, there were 10,574,897 common ADSs outstanding, representing 35.2% of our total share capital.

**Item 10. Additional Information**

**Bylaws**

This section summarizes certain provisions of Mexican law and our *estatutos sociales* (bylaws).

At our Extraordinary Stockholders Meeting held on April 27, 2007, our shareholders approved certain amendments to conform our bylaws to the provisions of the Mexican Securities Market Law and the Mexican Business Associations Law (*Ley General de Sociedades Mercantiles*), as well as to clarify and adjust certain provisions thereof.

**Purposes**

The purposes of our company include the following:

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- to acquire shares, ownership or other interests in companies engaged in the management, operation, including providing airport, complementary and commercial services, construction and/or use of civil aerodromes and in accordance with the Mexican Airport Law and its regulations, as well as to hold capital stock in companies that provide any other type of services and to vote the shares of any such companies; to sell, transfer or dispose of any such shares or ownership interests or other securities allowed by law;
- to receive and to provide the services as required to carry out our corporate purposes, including, without limitation, technical consulting services in the industrial, administrative, accounting, marketing or finance fields, in connection with the management, operation, construction and/or utilization of airports;
- to request and obtain concessions and permits for the management, operation, construction and/or utilization of airports, as well as for providing any other services necessary for the use of such airports and for carrying out any activity which supports and is related with such purpose;
- to obtain, acquire, use, license or dispose of all types of patents, certificates of invention, registered trademarks, trade names, copyright or rights with regard thereto, whether in Mexico or abroad;
- to obtain all types of loans or credits, with or without specific guarantee, and to grant loans, in each case, in the ordinary course of business of the Company;
- to grant any kind of guaranty and security on issued negotiable instruments or obligations assumed by the Company or by companies in which the Company may hold ownership interests, in each case, in the ordinary course of business of the Company;
- to issue any unsubscribed shares of our capital stock to be kept in our treasury in order to be delivered upon subscription thereof, as well as to execute option agreements that grant to third parties the right to subscribe and pay for our shares;
- to hold, possess, sell, transfer, dispose of or lease any assets, or real or personal property that may be necessary or convenient to carry out our corporate purposes; and
- generally, to carry out and perform all actions, agreements and related, incidental or ancillary transactions in furtherance of the above-mentioned purposes.



**Directors**

Our bylaws provide that our Board of Directors will have such odd number of members as determined by the shareholders' meeting, which number shall not be less than seven and shall be subject to the maximum limit set forth by the Mexican Securities Market Law.

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Each person (or group of persons acting together) holding 10.0% of our capital stock in the form of Series B shares is entitled to elect one director. The shareholders of Series BB shares will have the right to appoint two members and their respective alternates. The remaining positions on the Board of Directors will be filled based on the vote of all holders of Series B shares, including those Series B holders that were entitled to elect a director by virtue of their owning 10.0% of our capital stock. The candidates to be considered for election as directors by the Series B stockholders will be proposed to the stockholders meeting by the Nominations and Compensation Committee. All directors are elected based on a simple majority of the votes cast at the relevant stockholders meeting. Our bylaws do not currently require mandatory retirement of directors after they reach a certain age. The compensation of our directors is proposed by the Nominations and Compensation Committee to all of our stockholders at stockholders meetings for their approval.

The number of directors to be elected by the holders of Series B shares is to be determined based on the number of directors elected by persons holding Series B shares representing 10% (individually or as a group) of our capital stock and by the holders of the Series BB shares. If less than seven directors are elected by 10.0% stockholders exercising their right to elect one director and by the holders of the Series BB shares, the total number of directors to be elected by the Series B holders will be such number as is required to reach seven. If seven directors are elected by 10.0% stockholders exercising their right to elect one director and by the holders of the Series BB shares, the Series B stockholders will be entitled to elect two directors in addition to those elected by 10.0% stockholders. If more than seven directors are elected by 10.0% stockholders exercising their right to elect one director and the holders of the Series BB shares, the Series B stockholders will be entitled to elect one or two directors in addition to the directors elected by 10.0% stockholders (individually or as a group) (depending on which number will result in an odd number of directors).

*Authority of the Board of Directors*

The powers of the board include, without limitation, the power:

- to participate in our strategic planning decisions;
- to authorize changes in our policies regarding financial structure, products, market development and organization;
- to oversee compliance with general corporate practices, our bylaws and the minority rights set forth thereunder;
- to call for stockholders meetings and act on their resolutions;
- to create special committees and grant them the powers and authority it sees fit, provided that said committees will not be vested with the authorities which by law or under our bylaws are expressly reserved for the stockholders or the Board of Directors;

- to determine how to vote the shares held by us in our subsidiaries;

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- to appoint our chief executive officer from among the candidates proposed by the members of the Board of Directors appointed by the Series BB shareholders, and to appoint those officers other than those designated by the Series BB directors or the Operating Committee; and
- to approve, upon proposal by the Operating Committee: (i) our annual budget and that of our subsidiaries; and (ii) the master development plan and any amendments thereto for each of the airports to be submitted to the Ministry of Communications and Transportation.

Meetings of the Board of Directors will be validly convened and held if a majority of its members are present. Resolutions at said meetings will be valid if approved by a majority of the members of the Board of Directors, unless our bylaws require a higher number. The chairman has a tie-breaking vote.

Resolutions at board meetings with respect to any of the issues listed below will be valid only if approved by the members of the Board of Directors elected by the holders of the Series BB shares:

- approval of our financial statements and those of our subsidiaries and their submission to the stockholders meeting;
- approval of the five-year master development plans for each of the airports operated by our subsidiaries;
- annual approval of the business plan and the investment budget;
- approval of capital investments not considered in the approved annual budget for each fiscal year;
- approval of any sale of assets having, individually or jointly, a value exceeding the lower of (i) U.S.\$5.0 million, or (ii) 5.0% of the consolidated assets of the Company, but which does not exceed 20.0% of the consolidated assets of the Company;
- incurrence of any indebtedness, whether by means of direct loans or financial leases, in an amount greater than the lower of (i) U.S.\$5.0 million, or (ii) 5.0% of the consolidated assets of the Company, but which does not exceed 20.0% of the consolidated assets of the Company;

- determine the manner in which the Company shall vote its shares at the shareholders meeting of its subsidiaries, taking into consideration the proposal of the Operating Committee;
- proposal to increase our capital or that of our subsidiaries;
- approval of any sale of shares of the capital stock of our subsidiaries;

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- approval of any purchase or sale of shares or interests in any company, except for: (a) the acquisition of shares and/or securities issued by investment companies, and (b) the acquisition of securities through investment companies (mutual funds);
- approval or amendment of our management structure;
- creation of new committees, delegation of powers to the same and changes to the powers of any existing committee;
- approval of our dividend policy and the application of the Company's profits and its submission to the stockholders' meeting; and
- appointment of the chief executive officer from among the candidates proposed by the members of the Board of Directors appointed by the Series BB shareholders.

*Powers of Series BB Directors*

The Series BB directors are entitled to:

- present to the Board of Directors the name or names of candidates for appointment as chief executive officer,
- remove the chief executive officer,
- appoint and remove half of our executive officers,
- appoint two members of the Operating Committee and their substitutes, and at least one member of the Acquisitions and Contracts Committee and his or her substitute, and

- determine the composition of the Operating Committee.

**Our Capital Stock**

The following table sets forth our authorized capital stock and our issued and outstanding capital stock as of April 15, 2019:

**Capital Stock**

	Authorized	Issued and outstanding
<b>Fixed capital stock:</b>		
Series B shares	277,050,000*	277,050,000*
Series BB shares	22,950,000*	22,950,000*
<b>Variable capital stock:</b>		
Series B shares		
Series BB shares		

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\*After giving effect to the conversion by ITA of 22,050,000 Series BB shares into 22,050,000 Series B shares in June 2007.

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All ordinary shares confer equal rights and obligations to holders within each series. The Series BB shares have the voting and other rights described below.

Our bylaws provide that our shares have the following characteristics:

- *Series B.* Series B shares currently represent 92.35% of our capital. Series B shares may be held by any Mexican or foreign natural person, company or entity.
- *Series BB.* Series BB shares currently represent 7.65% of our capital. Series BB shares may be held by any Mexican or foreign natural person, company or entity.

Under the Mexican Airport Law and the Mexican Foreign Investments Law, foreign persons may not directly or indirectly own more than 49.0% of the capital stock of a holder of an airport concession unless an authorization from the Mexican Commission of Foreign Investments is obtained. We obtained this authorization in 1999 and as a consequence these restrictions do not apply to our Series B or Series BB shares.

**Voting Rights and Stockholders Meetings**

Each Series B share and Series BB share entitles the holder to one vote at any general meeting of our stockholders. Holders of Series BB shares are entitled to elect two members of our Board of Directors and holders of Series B shares are entitled to name the remaining members of the Board of Directors. Our bylaws provide that our Board of Directors will have such odd number of members as determined by the stockholders meeting, which number shall not be less than seven and shall be subject to the maximum limit set forth by the Mexican *Ley del Mercado de Valores* (Mexican Securities Market Law). Currently, our Board of Directors consists of nine members.

Under Mexican law and our bylaws, we may hold three types of stockholders meetings: ordinary, extraordinary and special. Ordinary stockholders meetings are those called to discuss any issue not reserved for extraordinary stockholders meeting. An annual ordinary stockholders meeting must be convened and held within the first four months following the end of each fiscal year to discuss, among other things, the report prepared by the Board on our financial statements, the appointment of members of the Board and the determination of compensation for members of the Board. In addition, the ordinary stockholders meeting shall meet for the approval of any transaction representing the equivalent of 20.0% or more of the consolidated assets of the Company.

Extraordinary stockholders meetings are those called to consider any of the following matters:

- extension of a company's duration or voluntary dissolution,



- an increase or decrease in a company's minimum fixed capital,
- change in corporate purpose or nationality,
- any transformation, merger or spin-off involving the company,

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- any stock redemption or issuance of preferred stock or bonds,
- the cancellation of the listing of our shares with the National Registry of Securities or on any stock exchange,
- amendments to a company's bylaws, and
- any other matters for which applicable Mexican law or the bylaws specifically require an extraordinary meeting.

Special stockholders' meetings are those called and held by stockholders of the same series or class to consider any matter particularly affecting the relevant series or class of shares.

Stockholders' meetings are required to be held in our corporate domicile, which is Mexico City. Calls for stockholders' meetings must be made by the Chairman, the Secretary or any two members of the Board of Directors. Any stockholder or group of stockholders representing at least 10.0% of our capital stock has the right to request that the Board of Directors call a stockholders' meeting to discuss the matters indicated in the relevant request. If the Board of Directors fails to call a meeting within 15 calendar days following receipt of the request, the stockholder or group of stockholders representing at least 10.0% of our capital stock may request that the call be made by a competent court.

Calls for stockholders' meetings must be published in the official gazette of the federation or in one newspaper of general circulation in Mexico at least 15 calendar days prior to the date of the meeting. Each call must set forth the place, date and time of the meeting and the matters to be addressed. Calls must be signed by whomever makes them, provided that calls made by the Board of Directors must be signed by the Chairman, the Secretary or a special delegate appointed by the Board of Directors for that purpose. Stockholders' meetings will be validly held and convened without the need of a prior call or publication whenever all the shares representing our capital are duly represented.

To be admitted to any stockholders' meeting, stockholders must: (i) be registered in our share registry; and (ii) at least one business day prior to the commencement of the meeting submit (a) an admission ticket issued by us for that purpose, and (b) a certificate of deposit of the relevant stock certificates issued by the Secretary or by a securities deposit institution, a Mexican or foreign bank or securities dealer in accordance with the Mexican Securities Market Law. The share registry will be closed three days prior to the date of the meeting. Stockholders may be represented at any stockholders' meeting by one or more attorneys-in-fact who may not be directors of ASUR. Representation at stockholders' meetings may be substantiated pursuant to general or special powers of attorney or by a proxy executed before two witnesses.

Promptly following the publication of any call for a stockholders' meeting, we will provide copies of the publication to the depositary for distribution to the holders of ADSs. Holders of ADSs are entitled to instruct the depositary as to the exercise of voting rights pertaining to the Series B shares.



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*Quorums*

Ordinary meetings are regarded as legally convened pursuant to a first call when at least 50.0% of the shares representing our capital are present or duly represented. Resolutions at ordinary meetings of stockholders are valid when approved by a majority of the shares present at the meeting. Any number of shares represented at an ordinary meeting of stockholders convened pursuant to a second or subsequent call constitutes a quorum. Resolutions at ordinary meetings of stockholders convened in this manner are valid when approved by a majority of the shares present at the meeting.

Extraordinary stockholders' meetings are regarded as legally convened pursuant to a first call when at least 75.0% of the shares representing our capital are present or duly represented. Resolutions at an extraordinary meeting of stockholders pursuant to a first call are valid if taken by the favorable vote of shares representing at least 50.0% of our capital. Extraordinary stockholders' meetings are regarded as legally convened pursuant to a second or subsequent call when at least 50.0% of the shares representing our capital are present or duly represented. Resolutions at an extraordinary meeting of stockholders pursuant to a second or subsequent call are valid if taken by the favorable vote of shares representing at least 50.0% of our capital.

Notwithstanding the foregoing, resolutions at extraordinary meetings of stockholders called to discuss any of the issues listed below are valid only if approved by a vote of shares representing at least 75.0% of our capital:

- any amendment to our bylaws which: (i) changes or eliminates the authorities of our committees or (ii) changes or eliminates the rights of minority stockholders;
  
- any actions resulting in the cancellation of the concessions granted to us or our subsidiaries by the Mexican government or any assignment of rights arising therefrom;
  
- a merger by us with an entity the business of which is not related to the business of us or our subsidiaries;  
and
  
- a spin-off, dissolution or liquidation of ASUR.

Our bylaws also establish the following voting requirements:

- the amendment of the restrictions on ownership of shares of our capital stock requires the vote of holders of 85.0% of our capital stock;

- a delisting of our shares requires the vote of holders of 95.0% of our capital stock; and
- the amendment of the provisions in our bylaws requiring that a stockholder seeking to obtain control carry out a tender offer requires the vote of holders of 85.0% of our capital stock.

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***Right of Withdrawal***

Any stockholder having voted against a resolution validly adopted at a meeting of our stockholders with respect to (i) a change in our corporate purpose or nationality, (ii) a change of corporate form, (iii) a merger involving us in which we are not the surviving entity or the dilution of its capital stock by more than 10.0%, or (iv) a spin-off, may request redemption of its shares, provided that the relevant request is filed with us within 15 days following the holding of the relevant stockholders' meeting. The redemption of the stockholders' shares will be effected at the lower of (a) 95.0% of the average trading price determined on the closing prices of our shares over the last thirty days on which trading in our shares took place prior to the date on which the relevant resolution becomes effective, during a period not longer than six months (provided that in the event the number of days on which shares have been traded in the six month period is less than thirty, all days on which the shares were traded shall be taken into consideration in such determination), or (b) the book value of the shares in accordance with our most recent audited financial statements approved by our stockholders' meeting. Pursuant to the Mexican Securities Market Law and our bylaws, our stockholders have waived the right to redeem their variable capital contributions as provided in the Mexican *Ley General de Sociedades Mercantiles* (General Law of Business Corporations).

***Special Voting Rights of BB Shares***

Our Series BB shares are held by ITA, our strategic partner. In addition to the right to elect two members of our Board of Directors, Series BB shares are entitled to certain special voting rights. For example, pursuant to our bylaws, ITA is entitled to present the Board of Directors with the name or names of the candidates for appointment as chief executive officer, to remove our chief executive officer and to appoint and remove one half of the executive officers, and to elect two members of our Board of Directors. Our bylaws also provide ITA veto rights with respect to certain corporate actions (including some requiring approval of our stockholders) so long as its Series BB shares represent at least 7.65% of our capital stock. For additional information, see "Additional Information - Voting Rights and Stockholders' Meetings" in our most recent annual report on Form 20-F incorporated herein by reference.

**Dividends and Distributions**

Each Series B and Series BB share entitles its holder to equal rights with respect to dividends and distributions. At our annual ordinary general stockholders' meeting, the Board of Directors submits to the stockholders for their approval our financial statements for the preceding fiscal year. Five percent of our net income (after statutory employee profit sharing and other deductions required by Mexican law) must be allocated to a legal reserve fund until the legal reserve fund reaches an amount equal to at least 20.0% of our capital stock (without adjustment for inflation). Additional amounts may be allocated to other reserve funds as the stockholders may from time to time determine, including a reserve to repurchase shares. The remaining balance, if any, of net earnings may be distributed as dividends on both Series B shares and Series BB shares. A full discussion of our dividend policy may be found in "Item 8. Financial Information - Dividends."

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**Registration and Transfer**

Our shares are registered with the *Registro Nacional de Valores* (Mexican Securities Registry), as required under the Mexican *Ley del Mercado de Valores* (Securities Market Law) and regulations issued by the Mexican *Comisión Nacional Bancaria y de Valores* (Banking and Securities Commission, or CNBV). In the event that the registration of our shares with the Mexican Securities Registry is cancelled, we will be required to make a public offer to purchase all outstanding shares prior to such cancellation. Unless the CNBV authorizes otherwise, the public offer price shall be the higher of the weighted average trading price (based on volume) for our shares for the most recent thirty days on which the price of the shares has been quoted during the six months prior to the commencement of the public offer; provided that in the event the number of days on which shares have been quoted during such six-month period is less than thirty, the days on which the shares were quoted shall be taken into consideration; or if no shares traded during such period, the book value (*valor contable*) of the shares as calculated in accordance with the most recent quarterly report submitted to the CNBV, the Mexican Stock Exchange and the Institutional Stock Exchange. Notwithstanding the foregoing, we may be exempted from making the public offer if (i) at least 95.0% of stockholders express their consent, (ii) the aggregate amount of the public offer is lower than 300,000 investment units (*unidades de inversión* or UDIs), and (iii) sufficient resources are transferred to a trust with a minimum term of six months specifically created for purposes of purchasing, at the same price of the offer, the shares of the stockholders that do not tender their shares. Any amendments to the foregoing provisions included in our bylaws require the prior approval of the CNBV and approval by a resolution of an extraordinary stockholders' meeting adopted by shares representing at least 95.0% of our outstanding capital stock.

Any offering that is undertaken in Mexico by us or any selling stockholder must either (i) comply with the public offering requirements set forth in the Mexican Securities Market Law and applicable rules and regulations issued by the CNBV or (ii) be carried out as a private placement pursuant to Article 8 of the Mexican Securities Market Law.

***Transfer and Conversion of Series BB Shares***

Series BB shares may only be transferred after conversion into Series B shares, and are subject to the following rules:

- Except with the prior authorization by the Mexican Ministry of Communications and Transportation, ITA was required to retain its interest in the Series BB shares through December 18, 2008.
- From December 18, 2008 to December 17, 2013, ITA could sell in any year up to 20.0% of its interest in the Series BB shares.
- After December 18, 2013, ITA may sell any percentage of its interest in the Series BB shares.

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- If ITA owns Series BB shares that represent less than 7.65% of our capital stock after December 18, 2013, those remaining Series BB shares must be converted into freely transferable Series B shares.
- If ITA owns Series BB shares representing at least 7.65% of our capital stock after December 18, 2013, those Series BB shares may be converted into Series B shares, provided the holders of at least 51.0% of Series B shares (other than shares held by ITA and any of its related persons ) approve such conversion and vote against renewal of the technical assistance agreement.

**Stockholder Ownership Restrictions and Antitakeover Protection**

*Ownership Restrictions*

Holders of our shares are subject to the following restrictions:

- subject to the tender offer procedures described below, holders of Series B shares, either individually or together with their related persons, will have no ownership limitation whatsoever with regard to the shares representing such series;
- Series BB shares may represent no more than 15.0% of our outstanding capital stock; and
- subject to the tender offer procedures described below, holders of Series BB shares, either individually or together with their related persons, may also own Series B shares without limitation.

Any amendment to the above provisions requires the vote of shares representing 85.0% of our capital stock.

- no more than 5.0% of our outstanding capital stock may be owned by air carriers; and
- foreign governments acting in a sovereign capacity may not directly or indirectly own any portion of our capital stock.



Air carriers and their subsidiaries and affiliates are not permitted, directly or indirectly, to control ASUR or any of our subsidiary concession holders.

*Change of Control and Tender Offer Procedures*

Under our bylaws and applicable Mexican law, any person or group that intends to acquire, directly or indirectly, ownership of 30.0% or more of our ordinary shares through one or more transactions must make the acquisition through a public offer in accordance with applicable law and the following provisions of our bylaws:

- The offer must include both of our series of shares, and the consideration offered per share must be the same, regardless of the class or type of share.

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- If the offeror intends to obtain control of the company, the offer must be for 100.0% of our capital stock, and if the offer does not imply obtaining control, then the offer must be for at least 10.0% of our capital stock.
- The offer must indicate the maximum number of shares it covers and, if applicable, the minimum number of shares on which the offer is conditioned.
- The offer may not provide any consideration that implies a bonus or higher price to the amount of the offer in favor of any person or group of persons related to the offeree (not including agreements that have been approved by our Board of Directors of the company, taking into account the opinion of our Auditing Committee, and have been disclosed to the investing public).

Such public offers will require prior approval from the majority of the members of our Board of Directors appointed for each one of the series of shares of our capital stock. In case the offeror intends to acquire control of the company, the provisions of the Securities Market Law relative to shareholders meetings and shareholders rights, insofar as they do not conflict with the provisions of this section, will apply.

For the purposes of the above, the following rules and procedures will apply under Mexican law and our bylaws:

- The offeror must inform us, through the Board of Directors, of the terms and conditions of the offer it intends to make by sending a notice to our Board of Directors.
- Immediately after it receives the notice, our Board of Directors must provide to the Mexican Stock Exchange a notice of applicable legal provisions, and make it available to all our shareholders.
- Our Board of Directors must prepare, considering the opinion of the Audit and Corporate Practices Committee, its opinion with regard to the price or consideration offered, any other terms and conditions of the offer and conflicts of interest, if any, that each member of the Board of Directors may have with respect to the offer. This opinion may include the opinion of an independent expert retained by our board.
- Our Board of Directors will provide this opinion to the investing public through the Mexican Stock Exchange within three months after receipt of the offer notice, at the latest.

- The members of our Board of Directors and our chief executive officer of the company must disclose to the investing public, along with the opinions mentioned above, as applicable, the decision they will take in connection with their own shares.

- If our board approves the terms and conditions of any offer, the offeror must obtain prior authorization from the Ministry of Communications and Transportation for the change of control prior to the commencing the public offer. See Item 4.

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Information on the Company Mexican Regulatory Framework Reporting, Information and Consent Requirements.

- For purposes of the preceding item exclusively, and in accordance with the provisions of Article 23 of the Mexican Airport Law, a person or group of persons shall be deemed to have control when it owns 35.0% or more of the capital stock of the company, has control of the general shareholders meetings, or is able to appoint the majority of the members in charge of management or otherwise control the company.
- If the holders of the Series BB shares express their interest in accepting an offer (which does not imply any obligation on their part to participate in such offer), the launching of the offer shall be conditioned upon obtaining prior authorizations from the Ministry of Communications and Transportation, including those relating to the transfer of the Series BB shares and the replacement of ITA in its capacity as strategic partner under the technical assistance agreement.
- If our board approves the terms and conditions of an offer, the offeror must complete the other acts that are necessary for the purpose of carrying out the offer. That includes, among other things, obtaining the authorization of the Ministry of Communications and Transportation, as well as providing the notifications required by applicable law.

**Changes in Capital Stock**

Increases and reductions of our minimum fixed capital must be approved at an extraordinary stockholders meeting, subject to the provisions of our bylaws and the Mexican General Law of Business Corporations. Increases or reductions of the variable capital must be approved at an ordinary stockholders meeting in compliance with the voting requirements of our bylaws.

We may issue unsubscribed shares that will be kept in the treasury, to be subsequently subscribed by the investing public, provided that (i) the general extraordinary stockholders meeting approves the maximum amount of the capital increase and the conditions on which the corresponding placement of shares shall be made, (ii) the subscription of issued shares is made through a public offer after registration in the Mexican National Securities Registry, complying, in either case, with the provisions of the Mexican Securities Market Law and other applicable law and (iii) the amount of the subscribed and paid-in capital of the company is announced when the company makes the authorized capital increase public. The preferential subscription right provided under Article 132 of the Mexican General Law of Business Corporations is not applicable to capital increases through public offers of unsubscribed shares issued pursuant to Article 53 of the Mexican Securities Market Law or repurchased shares issued pursuant to Article 56 of the Mexican Securities Market Law.

The stockholders will have a preferential right to subscribe shares in the event of a capital increase, in proportion to the number of shares held by each at the time the increase is approved pursuant to the provisions of Article 132 of the General Law of Business Corporations, as



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established hereinafter, unless the subscription offer is made under the provisions of Article 53 or Article 56 of the Mexican Securities Market Law, or in the case of an issuance of shares kept in the Treasury for conversion of debentures in terms of Article 210 of the Mexican *Ley General de Títulos y Operaciones de Crédito* (General Law of Negotiable Instruments and Credit Transactions).

Our capital stock may be reduced by resolution of a stockholders' meeting taken pursuant to the rules applicable to capital increases. Our capital stock may also be reduced by repurchase of our own stock in accordance with the Mexican Securities Market Law. Shares of our capital stock belonging to us may not be represented or voted in stockholders' meetings, nor may corporate or economic rights of any kind be exercised, nor will the shares be considered as outstanding for the purpose of determining the quorum and the votes in stockholders' meetings.

***Ownership of Capital Stock by Subsidiaries***

Our subsidiaries may not, directly or indirectly, invest in our shares or shares of any parent company of ASUR, unless such subsidiaries acquired our shares to comply with employee stock option or stock sale plans that are established, granted or designed in favor of the employees or officers of such subsidiaries or through investment companies (*sociedades de inversión*). The number of shares acquired for such purpose may not exceed 15.0% of our outstanding capital stock.

**Liquidation**

Upon our dissolution, one or more liquidators must be appointed at an extraordinary stockholders' meeting to wind up our affairs. All fully paid and outstanding shares will be entitled to participate equally in any distribution upon liquidation. Partially paid shares participate in any distribution in the same proportion that such shares have been paid at the time of the distribution.

**Other Provisions**

***Liabilities of the Members of the Board of Directors***

As with any other Mexican corporation, under the provisions of the Mexican Securities Market Law, we or any stockholder or group of stockholders holding at least 5.0% of our capital stock may directly file a civil liability action under Mexican law against the members of the Board of Directors.

The Mexican Securities Market Law expressly sets forth the concept of "duty of care" for the members of the Board of Directors; that is, they must act in good faith and in the company's best interest. From a practical point of view, this means that the members of the Board of Directors must request and review information, require the presence of relevant managers and external advisors in board meetings, postpone board meetings as a result of incomplete information, attend board meetings regularly and disclose relevant information to the board and/or the committees.



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The Mexican Securities Market Law expressly sets forth the concept of duty of loyalty for the members of the Board of Directors, that is, that they must maintain confidentiality, avoid conflicts of interest and not favor their own interest or the interests of certain groups. From a practical point of view, the members of the Board of Directors must abstain from voting on issues in which they have a conflict of interest, follow guidelines for the approval of transactions with related parties, refrain from using or taking advantage of the assets of the company or its subsidiaries and refrain from using privileged information and from taking advantage of business opportunities. A lack of loyalty may result in criminal penalties of up to 12 years of imprisonment.

In accordance with the provisions of the Securities Market Law, the responsibility to indemnify for the damages and losses caused to the Company due to any lack of diligence of the members of the Board of Directors, or its Secretary or Alternate Secretary, regarding any actions or decisions of the Board of Directors or any failure of the Board to act or make a decision because the Board could not legally meet, and in general for any lack of diligence, shall not, individually or in the aggregate, exceed the amount equivalent to the total of net fees received by such individuals from the Company during the prior 12 months. Notwithstanding the foregoing, the limitation on the indemnification amount as set forth in this paragraph shall not be applicable in the event of fraud, willful misconduct, or illegal acts under the Securities Market Law and other laws.

The Company, in any case, is required to indemnify and hold the relevant officers, members of the Board of Directors and the Secretary and Alternate Secretary harmless from any liability that they may incur with respect to third parties in the performance of their duties, which shall include (a) the indemnity amount to be paid for the damages caused by their acts to third parties and, (b) the expenses they may incur (including, without limitation, legal and advisory fees) in connection with item (a) of this paragraph, provided that such expenses are reasonable and duly documented, except in cases of fraud, willful misconduct, or illegal acts under the Securities Market Law and other laws.

*Information to Stockholders*

The Mexican Securities Market Law establishes that our Board of Directors must present the following reports at the annual stockholders meeting:

- the report prepared by the Audit and Corporate Practices Committee;
- the report prepared by our Chief Executive Officer pursuant to the Mexican General Law on Business Corporations which includes (i) a report of the directors on the operations of the company during the preceding year, as well as on the policies followed by the directors and on the principal existing projects, (ii) a statement of the financial condition of the company at the end of the fiscal year, (iii) a statement showing the results of operations of the company during the preceding year, as well as changes in the company's financial condition and capital stock during the preceding year, and (iv) notes which are required to complete or clarify the above mentioned information;



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- the Board's opinion on the report prepared by our Chief Executive Officer as set forth above; and
- a report explaining the principal accounting and information policies and criteria followed in the preparation of the financial information.

In addition to the foregoing, our bylaws provide that the Board of Directors must also prepare the information referred to above with respect to any subsidiary that represents at least 20.0% of our net worth (based on the financial statements most recently available).

***Duration***

The duration of our corporate existence is indefinite.

***Stockholders' Conflict of Interest***

Under Mexican law, any stockholder that has a conflict of interest with respect to any transaction must abstain from voting on such a transaction at the relevant stockholders' meeting. A stockholder that votes on a transaction in which its interest conflicts with that of ASUR may be liable for damages in the event the relevant transaction would not have been approved without such stockholder's vote as provided under the Mexican Securities Market Law.

***Directors' Conflict of Interest***

Under Mexican law, any director who has a conflict of interest with ASUR in any transaction must disclose the conflict to the other directors and abstain from voting. Any director who violates such provision will be liable to us for any resulting damages or losses. Additionally, our directors may not represent stockholders in the stockholders' meetings.

**MATERIAL CONTRACTS**

Our subsidiaries are parties to the Mexican airport concessions granted by the Ministry of Communications and Transportation under which we are required to construct, operate, maintain and develop the airports in exchange for certain benefits. See Mexican Sources of Regulation and Scope of Concessions and General Obligations of Concession Holders under Item 4. Information on the Company Mexican Regulatory Framework.

We have entered into a technical assistance agreement with ITA providing for management and consulting services. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Arrangements with ITA.

We, through our Cancún subsidiary, have entered into a series of agreements with the shareholders of Airplan and Oriente, entities that hold concessions to operate several airports in Colombia. In October 2017, we received the necessary approvals from the Colombian regulatory authorities to conclude the acquisition of the stake in Airplan. We terminated our agreement to purchase Oriente in 2018. See Recent Developments under Item 5. Operating and Financial Review and Prospects.

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We, through our subsidiary Airplan, are subject to the Colombian airport concession agreement granted by Aerocivil and the Olaya Herrera Airport Public Authority, under which we are required to perform the administration, operation, commercial development, remodeling, maintenance and modernization the airports in exchange for certain benefits. See Scope of Colombian Concessions and General Obligations under Item 4. Information on the Company Colombian Regulatory Framework.

We, through our subsidiary Aerostar, are subject to a lease agreement granted by the Puerto Rico Ports Authority, under which we are required to operate, manage, maintain, improve, enhance, develop and rehabilitate the LMM Airport to provide general, ancillary and complementary airport services to members of the general public in exchange for certain benefits. See Scope of Lease Agreement and General Obligations of Aerostar under Item 4. Information on the Company Puerto Rican Regulatory Framework.

### EXCHANGE CONTROLS

Mexico has had free market for foreign exchange since 1991 and the government has allowed the Mexican peso to float freely against the U.S. dollar since December 1994. There can be no assurance that the government will maintain its current foreign exchange policies.

### TAXATION

The following summary contains a description of the material anticipated U.S. and Mexican federal income tax consequences of the purchase, ownership and disposition of our Series B shares or ADSs by a beneficial holder that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income tax on a net income basis in respect of our Series B shares or ADSs (a U.S. holder ) and the Mexican tax consequences of the purchase, ownership and disposition of our Series B Shares or ADSs by a non-Mexican holder (as defined below), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or sell our Series B shares or ADSs. In particular, the summary deals only with U.S. holders that are initial purchasers of the Series B shares or ADSs and that will hold our Series B shares or ADSs as capital assets, and does not address the tax treatment of special classes of U.S. holders such as dealers in securities or currencies, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, financial institutions, insurance companies, partnerships or other pass-through entities, persons who own or are deemed to own 10.0% or more of our stock by vote or value, U.S. holders liable for the alternative minimum tax, securities traders who elect to account for their investment in Series B shares or ADSs on a mark-to-market basis and persons holding Series B shares or ADSs in a hedging transaction or as part of a straddle, conversion or other integrated transaction for U.S. federal income tax purposes. In addition, the summary does not address any U.S. or Mexican state or local tax considerations that may be relevant to a U.S. holder, nor does it address other tax laws such as the Medicare contribution tax on net investment income.

The summary is based upon the federal income tax laws of the United States and Mexico as in effect on the date of this Form 20-F, including the provisions of the income tax treaty between the United States and Mexico and the additional protocols thereto (the Tax Treaty ),

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all of which are subject to change, possibly with retroactive effect in the case of U.S. federal income tax law. In addition, a Treaty Country is a jurisdiction which has a treaty for the avoidance of double taxation in force with Mexico. Furthermore, the criteria contained herein may differ from those issued by the tax authorities in Article 33, Section I, Paragraph h of the Federal Tax Code (*Código Fiscal de la Federación*) or may be contrary to the tax authorities' interpretation.

Prospective investors in our Series B shares or ADSs should consult their own tax advisors as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of the Series B shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

For purposes of this summary, the term "non-Mexican holder" shall mean a holder that is not a resident of Mexico for tax purposes and that will not hold the Series B shares or ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment or fixed base in Mexico.

For purposes of Mexican taxation, the definition of residency is highly technical and residency arises in several situations. Generally, an individual is a resident of Mexico if he or she has established his or her home in Mexico or if such individual has his or her home in another country and if his or her center of vital interests is located in Mexico and, among other circumstances, more than 50.0% of his or her annual income comes from within Mexico or such individual's main center of professional activities is located in Mexico. A legal entity is a resident of Mexico if it has either its principal place of business or its place of effective management in Mexico. Therefore, the assessment regarding the residency of an individual or legal entity has to take into account their specific circumstances. In case an individual or legal entity with foreign residency has a permanent establishment in Mexico, for tax purposes, all earnings attributable to such permanent residency shall be subject to Mexican income tax.

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the beneficial owners of the Series B shares represented by those ADSs.

**Taxation of Dividends**

***Mexican Tax Considerations***

Dividends paid to non-Mexican holders with respect to our Series B shares and, as a consequence, with respect to ADSs, are subject to Mexican withholding tax at the rate of 10.0% on the gross amount of the dividend distributed. This withholding tax might not apply to dividend distributions related to certain retained earnings for years prior to 2014. Such 10.0% tax will be remitted by the payer to the Mexican tax authorities as a definitive payment on behalf of the non-Mexican holders.

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Non-Mexican holders that are residents of a Treaty Country may be entitled to a benefit under the provisions of the applicable treaty, such as a reduced tax rate or the elimination of the Mexican withholding rate; therefore, each non-Mexican holder is urged to consult its tax advisor regarding the application requirements of any tax treaty under its particular circumstances.

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For Mexican tax purposes, in order to be entitled to the benefits of any tax treaty, non-Mexican holders have to demonstrate that they are tax residents of the corresponding country by means of a tax residency certificate and comply with the procedural provisions set forth in the treaty and in the Mexican Income Tax Law.

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

The gross amount of any distributions paid with respect to the Series B shares or ADSs, to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, generally will be includible in the gross income of a U.S. holder as dividend income on the date on which the distributions are received by the U.S. holder in the case of Series B Shares or by the depository in the case of ADSs. Such distributions will not be eligible for the dividends received deduction allowed to certain corporations under the U.S. Internal Revenue Code of 1986, as amended (the Code). To the extent that a distribution exceeds our current and accumulated earnings and profits, it will be treated as a non-taxable return of basis to the extent thereof, and thereafter as capital gain from the sale of Series B shares or ADSs. We do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed below). Distributions, which will be made in Mexican pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date they are received by the U.S. holder in the case of shares or by the depository in the case of ADSs, whether or not they are converted into U.S. dollars on that date. If such distributions are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the distributions. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any Mexican pesos received by a U.S. holder or depository that are converted into U.S. dollars on a date subsequent to receipt.

Dividends generally will be treated as passive category income from foreign sources for U.S. foreign tax credit purposes. A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit for any Mexican withholding tax imposed with respect to the Series B shares or ADSs. Alternatively, a U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead be eligible to claim a deduction for U.S. federal income tax purposes in respect of such withheld tax, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and involve the application of rules that depend on a U.S. holder's particular circumstances. U.S. holders are urged to consult their own tax advisors in this regard.

Subject to certain exceptions for short-term and hedged positions and the application of the passive foreign investment company ( PFIC ) rules discussed further below, the U.S. dollar amount of dividends received by a non-corporate U.S. holder with respect to the Series B shares or ADSs will be subject to tax at a reduced rate if the dividends are qualified dividends. Dividends paid on the Series B shares or ADSs will be treated as qualified dividends if: (i) (A) the Series B shares or ADSs are readily tradable on an established securities market in the United States, or (B) we are eligible for the benefits of a comprehensive tax treaty with the United States which the U.S. Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program, and (ii) we were not, in the year prior to the year



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in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC. The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. In addition, the U.S. Treasury has determined that the Tax Treaty meets the requirements for reduced rates of taxation, and we believe we are eligible for the benefits of the Tax Treaty. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2018 taxable year. Furthermore, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2019 taxable year, although there can be no assurance in this regard.

Holders of ADSs and Series B shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

**Taxation of Dispositions of Shares or ADSs**

*Mexican Tax Considerations*

Non-Mexican holders are liable for income tax in Mexico with respect to income derived from sources of wealth located within the national territory. Mexican Income Tax Law locates the source of wealth for capital gains within the national territory, among other instances, when the shares that are transferred were issued by a Mexican resident entity.

Deposits and withdrawals of our Series B shares in exchange for ADSs will not give rise to Mexican tax or transfer duties.

The Mexican income taxation of the proceeds of a transfer of our Series B shares or ADSs by a non-Mexican holder differs based on the jurisdiction of the holder, the method of effecting the transfer, and a number of other factors. The various outcomes are summarized as follows:

- Non-Mexican Holder not resident in Treaty Country:

Gain on the sale of our Series B shares or ADSs by a non-Mexican holder who is not resident of a Treaty Country will be subject to Mexican withholding tax at the rate of 10.0% on the gain realized on such sale if the transaction is carried out through the Mexican Stock Exchange or other recognized markets. According to the Mexican Income Tax Law, Mexican stock intermediaries participating in these transactions are obligated to carry out the aforementioned withholding. There are no clear rules in those cases in which a non-Mexican intermediary is involved, thus the non-Mexican holder could be obliged to remit the corresponding income tax to the Mexican tax authorities directly.

- Non-Mexican Holder resident in Treaty Country:



Gain on the sale of our Series B shares or ADSs by a non-Mexican holder who is resident of a Treaty Country will not be subject to any Mexican tax if the transaction

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is carried out through the Mexican Stock Exchange, or any other recognized market, provided that certain requirements set forth by the Mexican Income Tax Law are complied with. A letter stating under oath that the non-Mexican holder is resident in a Treaty Country, as well as the non-Mexican holder's tax identification or registration number shall be provided to the financial intermediary obligated to make the withholding.

- Sales not subject to the reduced 10.0% withholding rate:

For a non-Mexican holder that does not carry out the sale through an authorized stock exchange, the proceeds obtained from the sale or disposition of our Series B shares or ADSs will be subject to a 25.0% tax on the full sale price. Under certain circumstances, and provided certain requirements set forth by the Mexican Income Tax Law are complied with, non-Mexican holders, alternatively, may elect to pay a 35.0% tax on the gain obtained from the transaction. This 35.0% rate on gains would also apply in the following cases:

- sales of our Series B shares or ADSs which were acquired by the transferor outside of the Mexican Stock Exchange, or other recognized markets set forth in the Mexican Federal Tax Code;
- sales made by a person or group of persons that, directly or indirectly, holds 10.0% or more of the shares representing our capital stock, or that holds a controlling interest in us, if in a period of 24 months, a sale of 10.0% or more of our fully paid shares, or of a controlling interest in us, is carried out through one or several simultaneous or successive transactions, including those carried out through derivative instruments or other similar transactions;
- pre-negotiated trades executed through the facilities of the Mexican securities Stock Exchange; and
- trades of shares obtained as a result of our merger or spin-off, in certain cases.

In cases in which the 25.0%/35.0% regime is applicable, if the non-Mexican holder is a resident of a Treaty Country, a reduced withholding rate may be applicable if certain requirements are met according to the corresponding Treaty. Each holder is urged to consult its tax advisor regarding the application requirements of any tax treaty under its particular circumstances.

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

Upon the sale or other disposition of the Series B shares or ADSs, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and such U.S. holder's tax basis in the Series B shares or ADSs. Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Series B shares or ADSs have been held for more than one year. Long-term capital gain recognized by a U.S.



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holder who is an individual is generally subject to lower rates of federal income taxation than ordinary income or short-term capital gain. The deduction of a capital loss is subject to limitations for U.S. federal income tax purposes.

Deposits and withdrawals of Series B shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. A U.S. holder's tax basis in such shares will be the same as its tax basis in such ADSs, and the holding period in such shares will be the same as the holding period for such ADSs.

Gain, if any, realized by a U.S. holder on the sale or other disposition of the Series B shares or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of the Series B shares or ADSs, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, Series B shares or ADSs.

If a U.S. holder sells or otherwise disposes of our Series B shares or ADSs in exchange for currency other than U.S. dollars, the amount realized generally will be the U.S. dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the shares are traded on an established securities market at such time, in the case of cash basis and electing accrual basis U.S. holders, the settlement date). An accrual basis U.S. holder that does not elect to determine the amount realized using the spot exchange rate on the settlement date will recognize foreign currency gain or loss equal to the difference between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of the sale or other disposition and the settlement date. A U.S. holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency received at the spot rate on the settlement date. Any currency gain or loss realized on the settlement date or the subsequent sale, conversion, or other disposition of the non-U.S. currency received for a different U.S. dollar amount generally will be U.S.-source ordinary income or loss, and will not be eligible for the reduced tax rate applicable to long-term capital gains. If an accrual basis U.S. holder makes the election described in the first sentence of this paragraph, it must be applied consistently from year to year and cannot be revoked without the consent of the U.S. Internal Revenue Service. A U.S. holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the Series B shares or ADSs.

**Other Mexican Taxes**

There are no Mexican inheritance, succession or value added taxes applicable to the ownership, transfer or disposition of the Series B shares or ADSs by non-Mexican holders; provided, however, that gratuitous transfers of the Series B shares or ADSs may in certain circumstances cause Mexican income tax to be imposed upon the recipient. There are no Mexican stamp, issue, registration or similar taxes or duties payable by non-Mexican holders of the Series B shares or ADSs.

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**Passive Foreign Investment Company Status**

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if either

- 75 percent or more of our gross income for the taxable year is passive income; or
- the average percentage of the value of our assets that produce or are held for the production of passive income is at least 50 percent.

Although we do not believe that we are a PFIC and do not anticipate becoming a PFIC in the future, the determination whether we are a PFIC will be made annually depending on the particular facts and circumstances, such as the valuation of our assets, including goodwill and other intangible assets, at the time. Accordingly, we cannot be certain that we will not be a PFIC in the current year or in future years. If we are classified as a PFIC, and you do not make a mark-to-market election, as described in the following paragraph, you will be subject to a special tax at ordinary income tax rates on excess distributions, including certain distributions by us and gain that you recognize on the sale of your shares or ADSs. The amount of income tax on any excess distributions will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions were earned ratably over the period you hold your shares or ADSs. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of your shares or ADSs at death.

You may be able to avoid the unfavorable rules described in the preceding paragraph by electing to mark your shares or ADSs to market. Because a mark-to-market election cannot be made for any lower-tier PFICs that a PFIC may own, a U.S. holder who makes a mark-to-market election with respect to our ADSs will generally continue to be subject to the foregoing rules with respect to such U.S. holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. If you make this mark-to-market election, you will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of your shares at year-end over your basis in those shares. In addition, any gain you recognize upon the sale of your shares will be taxed as ordinary income in the year of sale. The mark-to-market election is available only for marketable stock, which is stock that is regularly traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable Treasury regulations. We expect the ADSs to be marketable stock because our ADSs are listed on the NYSE, but it is unclear whether our ordinary shares would be so treated.

The Code provides an alternative qualified electing fund election (a QEF election) to U.S. holders that may mitigate the adverse U.S. federal income tax consequences to an electing U.S. holder should we be classified as a PFIC. However, we do not intend to provide holders with the information necessary to make a QEF election.

A U.S. holder that owns an equity interest in a PFIC must annually file IRS Form 8621, and may be required to file other IRS forms. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the U.S. holder's taxable years for which such form is required to be filed. As a result, the taxable years with



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respect to which the U.S. holder fails to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

A U.S. Holder should consult its tax advisor regarding the potential U.S. federal income tax consequences should we be classified as a PFIC in any taxable year and the desirability of making a mark-to-market election.

**Foreign Financial Asset Reporting**

Certain U.S. holders that own specified foreign financial assets with an aggregate value in excess of U.S.\$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. Specified foreign financial assets include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include the ADSs) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed to hold, or availed of holding, direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders that fail to report the required information could be subject to substantial penalties. The understatement of income attributable to specified foreign financial assets in excess of U.S.\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Series B shares or ADSs, including the application of the rules to their particular circumstances.

**U.S. Information Reporting and Backup Withholding Requirements**

Dividends paid on, and proceeds from the sale or other disposition of, the Series B shares or ADSs to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. Amounts withheld as backup withholding will be creditable against the U.S. holder's U.S. federal income tax liability, provided that the required information is furnished to the U.S. Internal Revenue Service.

**U.S. Federal Income Tax Consequences for Non-U.S. holders**

*Distributions*

A holder or beneficial owner of Series B shares or ADSs that is not a U.S. holder for U.S. federal income tax purposes (a non-U.S. holder) generally will not be subject to U.S. federal income or withholding tax on dividends received on Series B shares or ADSs.

*Dispositions*

A non-U.S. holder of Series B shares or ADSs generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other disposition of Series B shares or ADSs.



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*Information Reporting and Backup Withholding*

Although non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

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**DOCUMENTS ON DISPLAY**

The materials included in this annual report on Form 20-F, and exhibits hereto, may be viewed at the U.S. Securities and Exchange Commission's public reference room in Washington, D.C. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. The Securities and Exchange Commission maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports and information statements and other information regarding us. The reports and information statements and other information about us can also be downloaded from the Securities and Exchange Commission's website.

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**Item 11. Quantitative and Qualitative Disclosures About Market Risk**

**Market Risk**

We are principally exposed to market risks from fluctuations in interest rates and foreign currency exchange rates. We use derivative instruments on a selective basis to manage interest rate risk. We do not hold or issue derivatives for speculative purposes and have engaged in trading only with well-known financial institutions.

**Foreign Currency Exchange Rate Risk**

Our principal exchange rate risk involves changes in the value of the Mexican peso relative to the U.S. dollar. Historically, a significant portion of the revenues generated by our airports (principally derived from passenger charges for international passengers) has been denominated in or linked to the U.S. dollar, although such revenues are largely collected in Mexican pesos based on the average exchange rate for the prior month. In 2016, 2017 and 2018, 24.4%, 26.4% and 25.9%, respectively, of our consolidated revenues were derived from passenger charges for international passengers. In addition, a substantial portion of our contracts with providers of commercial services are denominated in U.S. dollars. In 2016, 2017 and 2018, 38.2%, 41.9% and 23.0%, respectively, of our consolidated revenues were derived from contracts from commercial service providers that are denominated in U.S. dollars. Substantially all of our other revenues are denominated in Mexican pesos. Substantially all of our consolidated costs and expenses are denominated in Mexican pesos (other than the salaries of our executive officers and the technical assistance fee, to the extent paid based on the fixed minimum annual payment). Based on a 5.0% depreciation of the Mexican peso compared to the U.S. dollar as of December 31, 2018, we estimate that our revenues for the year ended December 31, 2018 would have increased by Ps.177.5 million.

As of December 31, 2016, 2017 and 2018, 45.4%, 25.9% and 33.9%, respectively, of our cash and cash equivalents were denominated in dollars. Based on a 5.0% depreciation of the Mexican peso compared to the U.S. dollar as of December 31, 2018, we estimate that the value of our cash and cash equivalents as of December 31, 2018 would have increased by Ps.60.7 million.

As of December 31, 2018, 69.3% of our foreign currency indebtedness was denominated in U.S. dollars and 30.7% was denominated in Colombian pesos. A decrease in the value of the Mexican peso relative to the dollar will increase the cost in pesos of servicing our U.S. dollar denominated indebtedness. Based on a 5.0% depreciation of the Mexican peso compared to the U.S. dollar as of December 31, 2018, we estimate that our long term debt as of December 31, 2018 would have increased by Ps.364.1 million.

As of December 31, 2016, 2017 and 2018, we did not have any outstanding forward foreign exchange contracts.

**Interest Rate Risk**

We depend upon bank credit facilities to partially finance our operations. These transactions expose us to interest rate risk, with the primary interest rate risk exposure resulting

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from changes in the relevant base rates (the banks charged interest based on LIBOR plus a margin ranging from 1.75 to 1.85 basis points) which are used to determine the interest rates that are applicable to borrowings under our credit facilities. All of our interest rate swap agreements expired in 2012. For more information regarding our economic hedging transactions, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness.

Based on a 1.0% increase in LIBOR, we estimate that the cost of our debt service for the year ended December 31, 2018 would have increased by Ps.9.1 million in 2018.

**Item 12. Description of Securities Other Than Equity Securities**

**A. DEBT SECURITIES**

Not applicable.

**B. WARRANTS AND RIGHTS**

Not applicable.

**C. OTHER SECURITIES**

Not applicable.

**D. AMERICAN DEPOSITARY SHARES**

Pursuant to our form F-6 with the SEC on September 7, 2000, we registered American Depositary Shares ( ADSs ) which are represented by American Depositary Receipts ( ADRs ) in a sponsored facility. The deposit agreement is among us, The Bank of New York Mellon, as ADR depository, and all holders from time to time of ADRs issued under the deposit agreement. Copies of the deposit agreement are also on file at the ADR depository's corporate trust office and the office of the Mexican custodian for the depository, S.D. Indeval, Instituto para el Depósito de Valores, S.A. de C.V. They are open to inspection by owners and holders during business hours. The depository's corporate trust office is located at 101 Barclay Street, New York, New York 10286.

**American Depositary Shares**

The Bank of New York, as depositary, registers and delivers ADSs. Each ADS represents 10 Series B shares (or a right to receive 10 Series B shares). Each ADS will also represent any other securities, cash or other property which may be held by the depositary.

ADS holders may hold ADSs either (A) directly by having an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders

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described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The depositary will be the holder of the Series B shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs. As an ADS holder, we will not treat you as one of our stockholders and you will not have stockholder rights. Mexican law governs stockholder rights.

The following is a summary of the material provisions of the deposit agreement. For more complete information regarding ADRs, you should read the entire deposit agreement and the form of ADR.

Fees and Expenses payable by holders are as follows:

**Persons depositing or withdrawing shares or ADS holders must pay:**

**For:**

U.S.\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Converting foreign currency to U.S. dollars
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary
Taxes and other governmental charges the depositary or the custodian has to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary may collect fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the





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book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

***Dividends and Other Distributions***

The depositary has agreed to pay you the cash dividends or other distributions it or the custodian receives on Series B shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Series B shares your ADSs represent.

- ***Cash.*** The depositary will convert any cash dividend or other cash distribution we pay on the Series B shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to the extent permissible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and will not be liable for any interest.

Before making a distribution, the depositary will deduct any withholding taxes that must be paid. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

- ***Shares.*** The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will try to sell shares that would require it to deliver fractions of ADSs and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares.

- ***Rights to purchase additional shares.*** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may, after consultation with us, make these rights available to you (including by any means of warrants or otherwise, if the depositary determines it is feasible and lawful to do so) or sell the rights and distribute the proceeds in the same way as it does with cash.

The depositary will not offer rights to holders unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act or are registered under the provisions of the Securities Act.

- ***Other Distributions.*** The depositary will send to you anything else we distribute on deposited securities, in proportion to the number of ADSs you hold, by any means it deems equitable and practicable; provided, however, if it

determines the distribution cannot be made proportionately among the holders, or if the distribution is otherwise not feasible, the depositary may adopt such method as it may deem equitable and

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practicable, including the sale of such property and the distribution of the net proceeds thereof in the same manner as cash distributions.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders provided that the depositary has not acted negligently or in bad faith.

***Deposit and Withdrawal***

The depositary will deliver ADSs upon the deposit of Series B shares with the custodian, subject to your delivery to the depositary or the custodian of any certificates required under the Deposit Agreement and payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees. The depositary will register the appropriate number of ADSs in the names you request.

***Voting Rights***

As a holder of ADSs, you will not be entitled to attend stockholder s meetings, but you may instruct the depositary to vote the Series B shares underlying your ADSs. If we ask for your instructions, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will describe the matters to be voted on and explain how you may instruct the depositary to vote the Series B shares or other deposited securities underlying your ADSs as you direct by a specified date.

If the depositary does not receive voting instructions from you by the specified date, it will consider you to have authorized and directed it to vote the number of deposited securities represented by your ADSs on any question in the same proportion that all other shares of capital stock of the company are voted on such question at the relevant stockholders meeting.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your Series B shares. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your Series B shares are not voted as you requested.

***Fees and Expenses***

ADS holders must pay (1) taxes and other governmental charges the depositary or the custodian have to pay on any ADS or Series B share underlying an ADS; (2) registration or transfer fees for transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares; (3) certain cable, telex and facsimile transmission expenses; (4) expenses of the depositary in converting foreign currency to U.S. dollars; (5) U.S.\$5.0 (or less) per 100 ADSs (or portion of 100 ADSs) for the execution and delivery or surrender of ADRs pursuant to the deposit agreement, including if the deposit agreement terminates; (6) (to the extent permitted by the rules of any stock exchange on which ADSs are listed for trading) a fee of U.S.\$0.02 or less per ADS for any distribution of proceeds of sales of securities or rights (but not for cash distributions); (7) with respect to distributions of property other than cash, shares or rights to purchase shares, a fee equivalent to the fee that would be payable if such property had been deposited for issuance of ADSs; and (8) any other

charges.

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***Payment of Taxes***

ADS holders will be responsible for any taxes or other governmental charges payable on ADSs or on the deposited securities represented by any ADSs. The depository may refuse to register any transfer of ADSs or allow withdrawal of the deposited securities represented by ADSs until such taxes or other charges are paid. It may apply payments owed to ADS holders or sell deposited securities represented by an ADS holder's ADSs to pay any taxes owed and such holder will remain liable for any deficiency. If the depository sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

***Reclassifications, Recapitalizations and Mergers***

Upon any change in par value, split-up, consolidation or any other reclassification or deposited securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting our company or to which we are a party, any securities received by the depository or custodian in exchange for or in conversion of such securities will be treated as additional securities, and the underlying ADSs will represent, in addition to the Series B shares underlying the ADSs, the right to receive such new securities in exchange for conversion, unless, at our request and with our approval, the depository delivers additional ADRs.

***Amendment and Termination***

We may agree with the depository to amend the deposit agreement and the ADSs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depository notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADSs and the deposit agreement as amended.

The depository will terminate the deposit agreement if we ask it to do so. The depository may also terminate the deposit agreement if the depository has told us that it would like to resign and we have not appointed a new depository bank within 90 days. In either case, the depository must notify you at least 30 days before termination.

After termination, the depository and its agents will do the following under the deposit agreement but nothing else: (a) collect distributions on the deposited securities, (b) sell rights and other property and (c) deliver Series B shares, dividends and other distributions, proceeds of any sale and other deposited securities upon surrender of ADSs. Two years or more after termination, the depository may sell any remaining deposited securities by public or private sale. After that, the depository will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depository's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depository and to pay fees and expenses of the depository that we agreed to pay.



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*Limitations on Obligations and Liability*

The deposit agreement expressly limits our obligations and the obligations of the depository. It also limits our liability and the liability of the depository. Each of us and the depository:

- are only obligated to take the actions specifically set forth in the deposit agreement with good faith using reasonable efforts;
- are not liable if it is prevented or delayed by law or circumstances beyond its control from performing its obligations under the deposit agreement;
- are not liable if it exercises discretion permitted under the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement unless it receives an indemnity satisfactory to it; and
- may rely upon any advice or information from any person it believes in good faith to be competent to give such advice or information.

In the deposit agreement, we agree to indemnify the depository for acting as depository, except for losses caused by the depository's own negligence or bad faith, and the depository agrees to indemnify us for losses resulting from its negligence or bad faith.

*Requirements for Depository Actions*

Before the depository will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares or other property, the depository may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any Series B shares or other deposited securities;

- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary;  
and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.



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***Your Right to Receive the Series B Shares Underlying your ADSs***

You have the right to withdraw the Series B shares underlying your ADSs at any time except:

- when the depository has closed its transfer books or we have closed our transfer books;
- when you owe money to pay fees, taxes and similar charges; or
- when it is deemed necessary or advisable by us or the depository, for any reason, at any time, to prohibit withdrawals in order to comply with any laws, governmental regulations or requirements of any securities exchange that apply to ADSs or to the withdrawal of Series B shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

***Fees payable by the depository***

From January 1, 2018 through December 31, 2018, the depository reimbursed or otherwise paid us approximately U.S.\$65.0 thousand in compensation in connection with the ADS program. Such amounts include payments for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), and legal fees.

The Bank of New York Mellon, as depository, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The depository has agreed to reimburse us for its continuing annual stock exchange listing fees. The depository has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the depository will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depository collects from investors.



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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not applicable.

**Item 15. Controls and Procedures**

The Company's management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2018. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Controls Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. We conducted an assessment of the effectiveness as of December 31, 2018 of our internal controls over financial reporting using the criteria set for in the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

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Based on its assessment and using the criteria discussed above, our management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2018.

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PricewaterhouseCoopers, S.C., the independent registered public accounting firm that has audited our financial statements, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, as stated in the report included in Item 18 of this annual report.

***Changes in Internal Control Over Financial Reporting***

There has been no change in our internal control over financial reporting during 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16. [Reserved]**

**Item 16A. Audit and Corporate Practices Committee Financial Expert**

Our Board of Directors designated Guillermo Ortiz Martinez, an independent director as required by the Mexican Securities Market Law and applicable NYSE listing standards, as an Audit and Corporate Practices Committee financial expert within the meaning of this Item 16A at a meeting of our Board of Directors on June 1, 2010. See Item 6. Directors, Senior Management and Employees Directors.

**Item 16B. Code of Ethics**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, chief financial officer, chief accounting officer and persons performing similar functions as well as to our Board of Directors, members of our Committees and other officers and employees. Our code of ethics is filed as an exhibit to this Form 20-F and is available on our website at [www.asur.com.mx](http://www.asur.com.mx). If we amend the provisions of our code of ethics that apply to the aforementioned parties, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

**Item 16C. Principal Accountant Fees and Services**

**Audit and Non-Audit Fees**

The following table sets forth the fees billed to us by our independent auditors, PricewaterhouseCoopers, during the fiscal years ended December 31, 2016, 2017 and 2018:

	Year ended December 31, (thousands of Mexican pesos)	
	2017	2018
Audit fees	25,926	30,103
Audit-related fees	680	
Tax	1,859	1,479
<b>Total fees</b>	<b>Ps. 28,466</b>	<b>Ps. 31,582</b>

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Audit fees in the above table are the aggregate fees billed by PricewaterhouseCoopers, S.C. in connection with the audit of our annual financial statements and the review of our interim financial statements as well as statutory and regulatory audits.

**Audit and Corporate Practices Committee Pre-Approval Policies and Procedures**

Our Audit and Corporate Practices Committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our Audit and Corporate Practices Committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

**Item 16D. Exemptions from the Listing Standards for Audit and Corporate Practices Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The table below sets forth, for the periods indicated, the total number of shares purchased by us or on our behalf, or by an affiliated purchaser or on behalf of an affiliated purchaser, the average price paid per share, the total number of shares purchased as a part of a publicly announced repurchase plan or program and the maximum number (or approximate dollar value) of shares that may yet be purchased under our plans and programs.

	(a) Total number of shares purchased(1)	(b) Average price paid per share in Pesos	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs
2017				
January 1-31				
February 1-28				
March 1-31				
April 1-30				
May 1-31				
June 1-30				
July 1-31				
August 1-31				
September 1-30				
October 1-31				
November 1-30				
December 1-31				
2017 Total				

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2018	(a) Total number of shares purchased(1)	(b) Average price paid per share in Pesos	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs
January 1-31				
February 1-28				
March 1-31				
April 1-30				
May 1-31				
June 1-30				
July 1-31				
August 1-31				
September 1-30				
October 1-31				
November 1-30				
December 1-31				
2018 Total				



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**Item 16F. Change in Registrant's Certifying Accountant.**

Not applicable.

**Item 16G. Corporate Governance**

Pursuant to Section 303A.11 of the Listed Company Manual of the New York Stock Exchange, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Securities Market Law and the regulations issued by the Mexican National Banking and Securities Commission. We also generally comply on a voluntary basis with the Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*) as indicated below, which was created in January 2001 and amended in 2006 by a group of Mexican business leaders and was endorsed by the Mexican Banking and Securities Commission. On an annual basis, we file a report with the Mexican Banking and Securities Commission and the Mexican Stock Exchange regarding our compliance with the Mexican Code of Best Corporate Practices.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

**NYSE Standards**

*Director Independence. Majority of Board of Directors must be independent. §303A.01*

**Our Corporate Governance Practice**

Pursuant to the Mexican Securities Market Law, we are required to have a board of directors composed of a maximum of twenty-one members, 25.0% of whom must be independent. Stockholders are required to make a determination as to the independence of our directors. Our bylaws provide that our Board of Directors must be composed of such odd number of members as determined by our shareholders at the annual meeting, which shall not be less than seven and shall be subject to the maximum limit set forth by the Mexican Securities Market Law. Currently, our board has nine members, of which five are independent under the Sarbanes-Oxley Act of 2002 and as qualified by our shareholders as provided in the Mexican Securities Market Law.

The definition of independence applicable to us pursuant to the Mexican Securities Market Law differs in certain respects from the

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**NYSE Standards**

*Executive Sessions. Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03*

*Audit and Corporate Practices Committee. Audit and Corporate Practices Committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07*

**Our Corporate Governance Practice**

definition applicable to U.S. issuers under the NYSE rules. Our non-management and independent directors are not required to meet in executive sessions and generally do not do so. Executive sessions are not expressly recommended by the Mexican Code of Best Corporate Practices.

None of our members of management are members of our Board of Directors nor our other committees, except for our CEO, who is a member of the Board of Directors, the Operating Committee, the Acquisitions and Contracts Committee and the Nominations and Compensation Committee.

We are in compliance with the independence requirements of Rule 10A-3, but the members of our Audit and Corporate Practices Committee are not required to satisfy the NYSE independence and other Audit and Corporate Practices Committee standards that are not prescribed by Rule 10A-3. The principal characteristics of our Audit and Corporate Practices Committee are as follows:

- Our Audit and Corporate Practices Committee is composed of three members, all of whom are members of our Board of Directors.
- All of the members of our Audit and Corporate Practices Committee and the committee's Chairman are independent.
- The Chairman of the Audit and Corporate Practices Committee is appointed and/or removed exclusively by the general shareholders' meeting.
- Our Audit and Corporate Practices Committee operates pursuant to provisions in the Mexican Securities Market Law and our bylaws.
- Our Audit and Corporate Practices Committee submits an annual report regarding its activities to our Board of Directors and presents that report at the annual stockholders' meeting.

The duties of our Audit and Corporate Practices Committee include, among others, the following:

- overseeing of our internal auditing and controls systems,
- appointing, removing and supervising our external auditor,



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NYSE Standards

**Our Corporate Governance Practice**

- ensuring compliance with our bylaws by officers and directors of the company and its subsidiaries,
- making recommendations to the Nomination and Compensation Committee with respect to the removal of directors and officers for violations of the bylaws or any other applicable legal provision,
- overseeing compliance with the corporate governance provisions as set forth in the General Law of Business Companies (*Ley General de Sociedades Mercantiles*), and the Mexican Securities Market Law and protection of minority shareholder rights,
- overseeing related-party transactions, and
- preparing certain periodic reports for the Board of Directors pursuant to the Mexican Securities Market Law and our bylaws.

***Nominating/corporate governance and compensation committee.***

*Nominating/corporate governance committee of independent directors and compensation committee of independent directors are required. Compensation committee must approve executive officer compensation. Each committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04 and §303A.05*

Pursuant to the Mexican Securities Market Law, we are required to have a committee that performs corporate governance functions (*comité de prácticas societarias*). The board has vested all such functions and responsibilities in our Audit and Corporate Practices Committee.

The duties of our Audit and Corporate Practices Committee with regard to corporate practices are, among others, the following:

- evaluating the performance of relevant officers, reviewing related-party transactions, and determining the total compensation package of the chief executive officer.

We are not required to have a nominating or a compensation committee, but the Mexican Code of Best Corporate Practices recommends that companies have an evaluation and compensation committee. Our bylaws provide for a Nominations and Compensation Committee, which we believe carries out the principal duties of an evaluation and compensation committee and a nominating/corporate governance committee. The duties of our Nomination and Compensation Committee include, among others, the following:

- proposing individuals to serve as directors at the shareholders meeting,

- proposing individuals to serve as officers to the Board of Directors,

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**NYSE Standards**

**Our Corporate Governance Practice**

- proposing compensation for directors and officers at the shareholders meeting or to the Board of Directors, as applicable,
- proposing for consideration at the shareholders meeting the removal of members of the Board of Directors and officers, and
- submitting an annual report on its activities to the Board of Directors and the shareholders.

*Equity compensation plans. Equity compensation plans require shareholder approval, subject to limited exemptions. §303A.08*

*Code of Ethics. Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. §303A.09 and §303A.10*

The Nomination and Compensation Committee is currently composed of three members who are appointed by the shareholders at the shareholders meeting. Pursuant to our bylaws, at least one member is appointed by the Series B shareholders and at least one member is appointed by the Series BB shareholders. Our Nomination and Compensation Committee is not required to be composed of independent directors.

Shareholder approval is not expressly required under our bylaws for the adoption and amendment of an equity-compensation plan. No equity-compensation plans have been approved by our shareholders.

We have adopted a code of ethics applicable to all of our directors and executive officers, which is available to you free of charge upon request and at [www.asur.com.mx](http://www.asur.com.mx). We are required by Item 16B of Form 20-F to disclose any waivers granted to our chief executive officer, chief financial officer and persons performing similar functions, as well as to our other officers/employees.

**Item 16H.**

**Mine Safety Disclosure**

Not applicable.

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**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

See pages F-1 through F-7. The following is an index to the financial statements:

**Consolidated Financial Statements for Grupo Aeroportuario del Sureste, S.A.B. de C.V. and Subsidiaries**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Statements of Financial Position as of December 31, 2017 and 2018	F-3
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2017 and 2018	F-4
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2016, 2017 and 2018	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2017 and 2018	F-6
Notes to Consolidated Financial Statements	F-7

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**Item 19. Exhibits**

Documents filed as exhibits to this annual report:

Exhibit No.	Description
1.1	<u>An English translation of the Amended and Restated Bylaws (<i>Estatutos Sociales</i>) of the Company (incorporated by reference to our Form 20-F/A filed on July 31, 2007).</u>
2.1	Deposit Agreement among the Company, The Bank of New York and all registered holders from time to time of any American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to our registration statement on Form F-1 (File No. 333-12486) filed on September 7, 2000).
2.2	Reserved.
2.3	Reserved.
2.4	<u>Note Purchase Agreement among Aerostar Airport Holdings, LLC and the Purchasers listed in Schedule A thereto, dated March 21, 2013, for 5.75% Senior Notes due March 22, 2035 (incorporated by reference to our form 20-F filed on April 26, 2018).</u>
2.5	<u>Agreement to Furnish Debt Instruments.</u>
3.1	Trust Agreement among the Company, ITA and Bancomext, together with an English translation (incorporated by reference to our registration statement on Form F-1 (File No. 333-12486) filed on September 7, 2000).
3.2	<u>Amendment dated May 15, 2007 to the Trust Agreement dated November 18, 1998 among the Company, ITA and Bancomext, English translation (incorporated by reference to our Form 20-F/A filed on July 31, 2007).</u>
3.3	Reserved.
4.1	Amended and Restated Cancún Airport Concession Agreement and annexes thereto, together with an English translation and a schedule highlighting the differences between this concession and the Company's other concessions (incorporated by reference to our registration statement on Form F-1 (File No. 333-12486) filed on September 7, 2000).
4.2	Reserved.
4.3	Reserved.
4.4	Reserved.
4.5	Technical Assistance and Transfer of Technology Agreement among the Company, Servicios Aeroportuarios del Sureste, S.A. de C.V., Aeropuerto de Cancún, S.A. de C.V., Aeropuerto de Cozumel, S.A. de C.V., Aeropuerto de Huatulco, S.A. de C.V., Aeropuerto de Mérida, S.A. de C.V., Aeropuerto de Minatitlán, S.A. de C.V., Aeropuerto de Oaxaca, S.A. de C.V., Aeropuerto de Tapachula, S.A. de C.V., Aeropuerto de Veracruz, S.A. de C.V., Aeropuerto de Villahermosa, S.A. de C.V., Triturados Basálticos y Derivados, S.A. de C.V., Copenhagen Airports, Cintra Concesiones de Infraestructuras de Transporte, S.A., VINCI, S.A. and ITA, together with an English translation (incorporated by reference to our registration statement on Form F-1 (File No. 333-12486) filed on September 7, 2000).
4.6	<u>Amendment, dated January 1, 2008 to the Technical Assistance and Transfer of Technology Agreement among the Company, Grupo Servicios Aeroportuarios del Sureste, S.A. de C.V., Aeropuerto de Cancún, S.A. de C.V., Aeropuerto de Cozumel, S.A. de C.V., Aeropuerto de Huatulco, S.A. de C.V., Aeropuerto de Mérida, S.A. de C.V., Aeropuerto de Minatitlán, S.A. de C.V., Aeropuerto de Oaxaca, S.A. de C.V., Aeropuerto de Tapachula, S.A. de C.V., Aeropuerto de Veracruz, S.A. de C.V.,</u>



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Aeropuerto de Villahermosa, S.A. de C.V., Copenhagen Airports, Fernando Gerardo Chico Pardo and ITA (incorporated by reference to our Form 20-F filed on July 20, 2008).

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- 4.7 Share Sale and Purchase Agreement dated as of March 23, 2017 between Aeropuerto de Cancún S.A. de C.V. and Procopal S.A., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.8 Share and Share Usufruct Rights Purchase Agreement dated as of March 23, 2017 among Aeropuerto de Cancún S.A. de C.V., Jaloy S.A. and IT S.A., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.9 Share Sale and Purchase Agreement dated as of March 23, 2017 between Aeropuerto de Cancún S.A. de C.V. and Bosanova Finance Development Corp., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.10 Share Sale and Purchase Agreement dated as of March 23, 2017 among Aeropuerto de Cancún S.A. de C.V., Tamaco Arango y CIA S.C.A., José Roberto Arango Pava and M.R. Londono y CIA S.C.A., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.11 Share Purchase Agreement dated as of April 6, 2017 between Aeropuerto de Cancún S.A. de C.V. and Fiduciaria Bancolombia S.A. Sociedad Fiduciaria., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.12 Share Purchase Agreement dated as of April 6, 2017 among Aeropuerto de Cancún S.A. de C.V., Fiduciaria Bancolombia S.A. Sociedad Fiduciaria and Nexus Infraestructura S.A.S., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.13 Share Purchase Agreement dated as of April 6, 2017 between Aeropuerto de Cancún S.A. de C.V. and Pedro Ramón Emiliani Catinchi., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.14 Share Purchase Agreement dated as of April 6, 2017 between Aeropuerto de Cancún S.A. de C.V. and Supertiendas y Droguerías Olímpica S.A., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.
- 4.15 Share Purchase Agreement dated as of April 6, 2017 among Aeropuerto de Cancún S.A. de C.V., Supertiendas y Droguerías Olímpica S.A., Portales Urbanos S.A. and Sociedad Colombiana de Inversiones Comerciales S.A., English translation, and portions of which have been omitted pursuant to a request for confidential treatment (incorporated by reference to our Form 20-F filed on April 28, 2017). Such omitted portions have been filed separately with the Securities and Exchange Commission.

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4.16	<u>Luis Muñoz Marín International Airport Lease Agreement dated as of July 24, 2012 by and between the Puerto Rico Ports Authority and Aerostar Airport Holdings LLC and Amendments No. 1 and No. 2 thereto (incorporated by reference to our form 20-F filed on April 26, 2018).</u>
4.17	<u>An English translation of the Concession for the Administration, Operation, Commercial Exploitation, Adjustments, Modernization and Maintenance of the Enrique Olaya Herrera Airport, José María Córdova International Airport, Los Garzones Airport, Antonio Roldán Betancourt Airport, El Caraño Airport and Las Brujas Airport (Concession Agreement No. 8000011-OK), by and among the Special Administrative Unit of Civil Aeronautics and Sociedad Operadora de Aeropuertos Centro Norte, S.A., dated March 13, 2008 (incorporated by reference to our form 20-F filed on April 26, 2018).</u>
8.1	<u>List of material subsidiaries of the Company.</u>
11.1	<u>Code of Ethics (incorporated by reference to our Form 20-F filed on June 16, 2004).</u>
12.1	<u>Certification of Chief Financial Officer and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
13.1	<u>Certifications of Chief Financial Officer and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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*SIGNATURES*

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Grupo Aeroportuario del Sureste, S.A.B. de C.V.

By: */s/ Adolfo Castro Rivas*  
Name: Adolfo Castro Rivas  
Title: Chief Executive Officer

Dated: April 25, 2019

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*Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries*

Consolidated Financial Statements

December 31, 2016, 2017 and 2018

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*Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries*

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December 31, 2016, 2017 and 2018

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of

Grupo Aeroportuario del Sureste, S.A.B. de C.V., and its subsidiaries

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated statement of financial position of Grupo Aeroportuario del Sureste, S.A.B. de C.V. and its subsidiaries as of December 31, 2017 and 2018, and the related consolidated statements of comprehensive income, changes in stockholders equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

**Basis for Opinions**

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/PricewaterhouseCoopers, S. C.  
/S/C.P.C. Antonio Nivón Trejo  
Audit Partner  
Mexico City, April 25, 2019

We have served as the Company's auditor since 1998



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*Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries*

Consolidated Statements of Financial Position

December 31, 2017 and 2018

*Thousands of Mexican pesos*

	2017		2018	
<b>Assets</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Note 5)	Ps	4,677,454	Ps	4,584,507
Restricted cash and cash equivalents (Note 5.1)		106,350		47,332
Accounts receivable - Net (Note 6)		685,502		793,110
Recoverable taxes (Note 14)		82,891		345,730
Inventory		50,239		48,704
Other assets		185,426		181,529
<b>Total current assets</b>		<b>5,787,862</b>		<b>6,000,912</b>
<b>NON-CURRENT ASSETS:</b>				
Land, furniture and equipment - Net (Note 7)		473,238		558,480
Intangible assets, airport concessions and goodwill - Net (Notes 1 and 8)		50,353,003		49,586,322
Receivable from third parties				36,107
<b>Total assets</b>	Ps	<b>56,614,103</b>	Ps	<b>56,181,821</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>CURRENT LIABILITIES:</b>				
Bank loans (Note 11)	Ps	173,471	Ps	175,515
Short-term debt (Note 12)		340,288		324,590
Income taxes payable		133,316		36,693
Accounts payable and accrued expenses (Note 10)		1,761,574		1,871,424
<b>Total current liabilities</b>		<b>2,408,649</b>		<b>2,408,222</b>
<b>NON-CURRENT LIABILITIES:</b>				
Bank loans (Note 11)		10,321,382		7,042,598
Long-term debt (Note 12)		7,149,177		6,957,678
Deferred income tax (Note 14)		3,033,930		3,081,668
Employee benefits		12,664		10,266
<b>Total liabilities</b>		<b>22,925,802</b>		<b>19,500,432</b>
<b>STOCKHOLDERS' EQUITY (Note 13):</b>				
Capital stock		7,767,276		7,767,276
Capital reserves		8,127,637		11,229,129
Other comprehensive income		195,511		189,791
Retained earnings		9,949,654		9,919,989

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Controlling interest		26,040,078		29,106,185
Non-Controlling interest		7,648,223		7,575,204
<b>Total stockholders equity</b>		<b>33,688,301</b>		<b>36,681,389</b>
<b>Total liabilities and stockholders equity</b>	Ps	<b>56,614,103</b>	Ps	<b>56,181,821</b>

The accompanying notes are an integral part of these consolidated financial statements.

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*Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries*

Consolidated Statements of Comprehensive Income

For the periods ended on December 31, 2016, 2017 and 2018

*Thousands of Mexican pesos, except per share*

	2016		2017		2018	
<b>Revenue (Notes 3 and 19.1.3):</b>						
Aeronautical services	Ps	4,532,194	Ps	6,484,219	Ps	8,942,910
Non-aeronautical services		3,104,343		4,261,383		5,531,557
Construction services (Note 3.1.3)		2,116,954		1,844,216		935,774
<b>Total revenue</b>		<b>9,753,491</b>		<b>12,589,818</b>		<b>15,410,241</b>
<b>Operating costs and expenses (Note 4):</b>						
Cost of aeronautical and non-aeronautical services (Includes impairment by Ps4,719,096 in 2017 Note 8.1)		2,499,095		9,010,017		6,594,871
Cost of construction services		2,116,954		1,898,550		935,774
Administrative expenses		204,843		204,418		235,264
<b>Total operating costs and expenses</b>		<b>4,820,892</b>		<b>11,112,985</b>		<b>7,765,909</b>
Other Income (Note 16e)						134,637
Operating profit		4,932,599		1,476,833		7,778,969
Interest income		184,569		245,787		280,623
Interest expense		(126,186)		(618,831)		(1,230,651)
Exchange income on foreign currency		738,648		761,782		462,218
Exchange loss on foreign currency		(842,500)		(620,572)		(374,460)
		(45,469)		(231,834)		(862,270)
Equity in the results of joint venture accounted for by the equity method (Note 9)		144,248		112,345		
Gain in business combinations (Note 1)				7,029,200		
<b>Net income before income taxes</b>		<b>5,031,378</b>		<b>8,386,544</b>		<b>6,916,699</b>
<b>Income taxes (Note 14)</b>						
Asset tax		932		932		932
Income tax		1,401,184		1,635,447		1,795,961
<b>Net income for the year</b>	Ps	<b>3,629,262</b>	Ps	<b>6,750,165</b>	Ps	<b>5,119,806</b>
Net income for the year attributable to:						
Controlling interest		3,629,262		5,834,484		4,987,601
Non-Controlling interest				915,681		132,205
	Ps	3,629,262	Ps	6,750,165	Ps	5,119,806
Other comprehensive income:						

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Items that will not be reclassified to income for the period:						
Remeasurement of labor obligations	Ps	(705)	Ps	(2,739)	Ps	4,692
Items that might be reclassified to income for the period:						
Effect of the foreign currency translation in subsidiaries				315,021		116,059
Cancellation of the effect foreign currency translation in the joint venture				(655,515)		
Equity in the other comprehensive results of joint venture accounted for by the equity method		400,346		(237,617)		
<b>Total comprehensive income for the year</b>	Ps	4,028,903	Ps	6,169,315	Ps	5,240,557
Comprehensive income for the year attributable to:						
Controlling interest	Ps	4,028,903	Ps	5,134,124	Ps	4,986,573
Non-Controlling interest				1,035,191		253,984
<b>Total comprehensive income for the year</b>	Ps	4,028,903	Ps	6,169,315	Ps	5,240,557
Basic and diluted earnings per share expressed in Mexican Pesos (Note 18.19)						
	Ps	12.10	Ps	19.45	Ps	16.63

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries**

## Consolidated Statement of Changes in Stockholders' Equity

December 31, 2016, 2017 and 2018

*Thousands of Mexican pesos*

	Capital stock		Capital reserves		Other comprehensive income	Retained earnings	Non-controlling interest	Total stockholders equity
	Ps	Ps	Ps	Ps	Ps	Ps	Ps	Ps
Balances at January 1, 2016	7,767,276	747,077	3,680,436	492,786	7,720,476			20,408,051
Comprehensive income:								
Net profit for the year						3,629,262		3,629,262
Other comprehensive expense accounted for by the equity method				400,346				400,346
Remeasurement of labor obligations						(705)		(705)
Total comprehensive income				400,346		3,628,557		4,028,903
Transfers to legal reserve		146,056				(146,056)		
Transfers to the reserve for acquisitions of shares (Note 13)			1,364,818			(1,364,818)		
Dividends paid on April 26, 2018 (Ps 5.6 per share) (Note 13)						(1,683,000)		(1,683,000)
Balances at December 31, 2016	7,767,276	893,133	5,045,254	893,132	8,155,159			22,753,954
Comprehensive income:								
Net profit for the year						5,834,484	915,681	6,750,165
Other comprehensive expense accounted for by the equity method				(237,617)				(237,617)
Cancellation of the effect of foreign currency translation in the joint venture				(655,515)				(655,515)
Effect of foreign currency translation in subsidiaries				195,511			119,510	315,021
Remeasurement of labor obligations						(2,739)		(2,739)
Total comprehensive income				(697,621)		5,831,745	1,035,191	6,169,315
Transfers to legal reserve		181,869				(181,869)		
Transfers to the reserve for acquisitions of shares (Note 13)			2,007,381			(2,007,381)		(1,848,000)
						(1,848,000)		(1,848,000)

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Dividends paid on April 26, 2017 (Ps 6.16 per share) (Note 13)									
Non-controlling interest						6,613,032		6,613,032	
Balances at December 31, 2017	7,767,276	1,075,002	7,052,635	195,511	9,949,654	7,648,223		33,688,301	
Comprehensive income:									
Net profit for the year					4,987,601	132,205		5,119,806	
Effect of foreign currency translation in subsidiaries				(5,720)		121,779		116,059	
Remeasurement of labor obligations					4,692			4,692	
Total comprehensive income				(5,720)	4,992,293	253,984		5,240,557	
Transfers to legal reserve		291,865				(291,865)			
Transfers to the reserve for acquisitions of shares (Note 13)			2,809,627			(2,809,627)			
Transactions with shareholders:									
Dividends paid on April 26, 2018 (Ps 6.78 per share) (Note 13)						(2,034,000)		(2,034,000)	
Difference in the consideration paid for the acquisition of the non-controlling interest of Airplan recognized on parents equity (Note 1.2)						113,534	(327,003)	(213,469)	
Balances at December 31, 2018	Ps 7,767,276	Ps 1,366,867	Ps 9,862,262	Ps 189,791	Ps 9,919,989	Ps 7,575,204		Ps 36,681,389	

The accompanying notes are an integral part of these consolidated financial statements.

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**Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries**

Consolidated Statements of Cash Flows

For the periods ended on December 31, 2016, 2017 and 2018

*Thousands of Mexican pesos*

	2016		2017		2018	
<b>Operating activities</b>						
Income before income taxes	Ps	5,031,378	Ps	8,386,544	Ps	6,916,699
Adjustments for:						
Gain in business combination (Note 1)				(7,029,200)		
Impairment of goodwill (Note 8.1)				4,719,096		
Depreciation and amortization (Notes 4, 7 and 8)		529,660		1,166,114		1,760,741
Interest income		(184,569)		(245,787)		(280,623)
Interest expense		126,186		618,831		1,230,651
Other comprehensive income from results of joint venture accounted for by the equity method (Note 9)		(144,248)		(112,345)		
Exchange loss		719,224		95,788		16,373
Exchange gain		(384,178)		(262,405)		(295,524)
Working capital variations:						
Accounts receivable (Note 6)		(45,258)		(51,155)		(107,608)
Recoverable taxes and other current assets		336,485		54,030		48,182
Other assets				394,972		
Trade accounts payable and other liabilities (Note 10)		94,586		154,791		490,827
		6,079,266		7,889,274		9,779,718
Income taxes paid (Note 14)		(1,569,879)		(1,858,139)		(2,083,398)
Net cash flows generated from operating activities		4,509,387		6,031,135		7,696,320
<b>Investing activities</b>						
Payment for investment increase in Aerostar, net of cash acquired				(183,386)		
Payment for acquisition of the subsidiary Airplan, net of cash acquired				(3,752,081)		
Loans collected from joint venture (Note 9)		325,693		275,376		
Improvements to assets under concession and acquisition of furniture and equipment (Note 8)		(1,814,482)		(1,471,418)		(1,636,325)
Interest received		122,093		259,717		265,350
Restricted cash and equivalents (Note 5.1)				(89,361)		59,018
Net cash flows used in investing activities		(1,366,696)		(4,961,153)		(1,311,957)
<b>Financing activities</b>						
Consideration paid for the non-controlling interest of Airplan						(213,469)
Bank loans received (Note 11)				8,000,000		

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Bank loans paid (Note 11)		(5,339,338)		(3,090,124)
Long-term debt paid (Note 12)		(102,907)		
Interest paid (Note 11)	(106,873)	(628,222)		(1,139,071)
Dividends paid (Note 13)	(1,683,000)	(1,848,000)		(2,034,000)
Net cash flows (used) generated from financing activities	(1,789,873)	81,533		(6,476,664)
(Decrease) increase in cash and cash equivalents	1,352,818	1,151,515		(92,301)
Cash and cash equivalents at the beginning of the year	2,084,160	3,497,635		4,677,454
Exchange (loss) gains on cash and cash equivalents	60,657	28,304		(646)
Cash and cash equivalents at the end of the year	Ps	3,497,635	Ps	4,677,454
			Ps	4,584,507

The accompanying notes are an integral part of these consolidated financial statements.



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**Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries**

Notes to the Consolidated Financial Statements

December 31, 2016, 2017 and 2018

*Figures expressed in thousands of Mexican pesos (Ps) and thousands of US dollars (USD),*

*except for number of shares, earnings per share and exchange rates where noted*

**Note 1 - Overview:**

Grupo Aeroportuario del Sureste, S. A. B. de C. V. (ASUR or Company) is a Mexican Company that was incorporated in April 1998 as a wholly-owned entity of the federal public government to administer, operate, maintain and exploit nine airports in the Southeast of Mexico. The nine airports are located in the following cities: Cancún, Cozumel, Mérida, Huatulco, Oaxaca, Veracruz, Villahermosa, Tapachula and Minatitlán. ASUR and its subsidiaries are collectively referred to as the Company, ASUR or the Group.

The Company operates two companies that provide administrative services: Servicios Aeroportuarios del Sureste, S. A. and C. V. and RH Asur, S. A. de C. V. In addition, Cancún Airport has a more than 95% stake in the following subsidiaries: Caribbean Logistic, S. A. de C. V., Cargo RF, S. A. de C. V. and Cancún Airport Services, S. A. de C. V., companies providing storage services, handling services, warehousing and custody of foreign trade merchandise and the related to the premises inspected at airports concessioned to third parties, as well as Cancún Airport Services, S. A. de C. V., whose main activity is to establish and operate shops, establishments and stores for the sale of all kinds of products.

In June 1998, the Mexican Department of Communications and Transportation (SCT by its Spanish initials) granted to the Company's subsidiaries concessions to administer, operate, exploit and develop the nine Southeast airports over a period of 50 years commencing on November 1, 1998. The term of the concessions may be extended by the parties under certain circumstances, in accordance with Article 15 of the Airports Law that establishes, among other things: 1) it had fulfilled the conditions set out in the respective title; 2) if requested before the five years of the concession's validity begun, and 3) accept the new conditions.

Notwithstanding the Company's rights to administer, operate, exploit, develop and, if applicable, build the nine airports pursuant to the Mexican General Law of National Assets; all the land, furniture and permanent fixed assets located in the airports are the property of the Mexican federal government. Upon expiration of the Company's concessions, these assets, including any improvements made during the term of the concessions, automatically revert to the Mexican federal government.

Through its subsidiary Aeropuerto de Cancún, on May 26, 2017, the Company increased its shareholding from 50% to 60% in Aerostar Airport Holding, LLC (Aerostar), which operates and manages Aeropuerto Internacional Luis Muñoz Marín (LMM Airport) in San Juan, Puerto Rico. As a result, the Company acquired control of Aerostar, as it now has the capacity to direct its business activities. With this acquisition, the Company expects to continue offering world-class services to its clients and improving operations and client services for the benefit of passengers at the LMM airport. See Note 1.1.

On October 19, 2017, the Company acquired 92.42% of the shares of Sociedad Operadora de Aeropuertos Centro Norte, S. A. (Airplan), a company incorporated in Medellín, Colombia, on March 6, 2008 for the sole purpose of subscribing and executing the Concession Agreement for managing, operating, commercially exploiting, conditioning, modernizing and maintaining the Enrique Olaya Herrera in Medellín, José María Córdova in Rionegro, El Caraño in Quibdó, Los Garzones in Montería, Antonio Roldán Betancourt in Carepa and Las Brujas in Corozal airports. As of that date, Airplan consolidates its results into the Company's financial statements. This acquisition is an important strategic addition that allows ASUR to penetrate the South American market by offering airport services at six airports in Colombia. See Note 1.2.

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***Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries***

Notes to the Consolidated Financial Statements

December 31, 2016, 2017 and 2018

At December 31, 2018, the Company's outstanding capital stock was held by the investing public (67.46%) and has been placed at securities markets in New York (NYSE) and Mexico (BMV), Inversiones y Técnicas Aeroportuarias, S. A. P. I. de C. V. (ITA) (7.65%), Servicios Estrategia Patrimonial, S. A. de C. V. (7.12%), Agrupación Aeroportuaria Internacional III, S. A. de C. V. (5.46%), and Inversiones Productivas Kierke, S.A. de C. V. (up to June 4, 2018, Remer Soluciones a la Inversión, S. A. de C. V.) (12.31%). Shareholding is divided amongst different shareholders, without there being an individual or a particular group that controls the Company directly.

On June 4, 2018, Remer Soluciones a la Inversión, S.A. de C. V. was merged into Consorcio Safij, S. A. de C. V. (with the latter as the surviving entity).

On August 7, 2018, Consorcio Safij, S. A. de C. V. was merged into Compañía Inmobiliaria y de Inversiones del Noroeste, S. A. de C. V. (with the latter as the surviving entity).

On October 15, 2018, Compañía Inmobiliaria y de Inversiones del Noroeste, S. A. de C. V. was merged into Inversiones Productivas Kierke, S. A. de C. V. (with the latter as the surviving entity) and currently holds 12.31% of the Company's shares.

Relevant event

On May 25, 2018, the Company, through the Aeropuerto de Cancún, increased its shareholding in Airplan by acquiring an additional 7.58%, which gave it a 100% interest in that company. See Note 1.2.

**1.1) Acquisition of Aerostar**

Until May 26, 2017, the Company considered Aerostar to be a joint venture (see Notes 1 and 9); as of June 1, 2017, in accordance with International Financial Reporting Standard 3, Business combination, the acquisition is considered a business combination.

The following table summarizes the consideration pertaining to Aerostar at combination date or date of the transaction:

		May 30, 2017
Cash paid	Ps	726,628
Previous benefit acquired by departure of the previous shareholder		848,923
Consideration on May 26, 2017		1,575,551
Fair value of share capital held in Aerostar prior to the business combination		7,877,756
Non-controlling interest at the business combination date		6,302,205
Total purchase consideration	Ps	15,755,512

Due to the business combination, the following changes were effected:

- The Company estimated a fair value of its previously acquired share capital in Aerostar of 50% at Ps7,877,756, which showed a book value at the date of the transaction of Ps2,353,040. As a result of measuring its interest in Aerostar at fair value, the Company has recognized a nonrecurring profit, unrelated to the cash flow, of Ps5,524,716, which is included as Gain in business combination in the consolidated statement of income. The mechanics to determine fair value were based on the use of two methods: a) discounted cash flows and b) implicit multiples (based on a sample of comparable

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***Grupo Aeroportuario del Sureste, S. A. B. de C. V. and subsidiaries***

Notes to the Consolidated Financial Statements

December 31, 2016, 2017 and 2018

public companies). The most relevant assumptions considered in the first method were the applied discount rate, the projected passenger traffic, and its growth rate and percentages of revenue growth, costs and expenses in the term of the concession; and for the second method, the multiples of income and profit before interest, taxes, amortizations and depreciations and adjustments applied to the net premium of control.

- Once the Joint Venture between the Company and Highstar Capital IV (Highstar) was completed, both parties decided to review the income received and contributions made in order to adjust the price to be paid for the 10% acquired by the Company. As a result of the revision, the adjustment to the price was Ps848,923 (included in the line *gain in business combination* of the income statement). The consideration paid at May 26, 2017, includes an amount paid in cash by the Company of Ps726,628 plus the benefit previously acquired for the departure of Highstar. Additionally, as a result of the consolidation of Aerostar at the date of the business combination, the effects of foreign currency translation accrued at the transaction date were recycled, which amounted to Ps655,515. This movement was recorded in the line *gain in business combination* within the consolidated statement of income.

Said gain was presented as an adjacent line where the equity method was recognized, as it is considered associated with said transaction and because the Company does not perform this type of operations as part of its ordinary activities.

- During the evaluation of assets stage, an intangible asset derived from the *commercial rights* acquired was identified, representing the rights to commercially exploit the areas of the airport in addition to the aeronautical operation, such as, commercial store leasing and advertising spots, etc., amounting to Ps6,053,820. For its identification, the discounted cash flow method was used to determine the fair value of commercial rights, and the most relevant assumptions considered were the applied discount rate, projected passenger traffic, as well as percentages of revenue, costs and expenses growth during the term of the concession.

- Due to the difference resulting from the comparison of the fair values and the book value, a deferred income tax was determined at Ps605,382.

- The difference between the net assets acquired in the business combination and the total consideration results in a goodwill of Ps5,606,265 at the business combination date (see Note 8.1). The goodwill associated with this business combination is not deductible for income tax purposes.

- An amortization of the intangible identified in the business combination has been determined at Ps98,780 and expensed as part of the depreciation and amortization in the consolidated statement of income.
- The non-controlling interest derived from this transaction was determined to be Ps6,302,205. This interest was determined at fair value with references to comparable market values, since Highstar at the same time sold its interest to another Company at the time of the transaction.

In the case of business combinations carried out in stages, International Financial Reporting Standards (IFRS) require that any interest previously held by an acquirer in the acquired entity be adjusted to its fair value at the business combination date, and any gain (or loss) arising from such remeasurement are recognized under gain or loss in the consolidated statement of income. The IFRS also require that any amount previously recognized in comprehensive income relating to such investments be recycled to the consolidated statement of income, as if such investment were sold.

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The fair value of the Trade and accounts receivable considered in the business combinations approximate their carrying value.

Liabilities at the fair value have been calculated at the date of the transaction and correspond mainly to bank loan valuations. At the reporting date, those liabilities were evaluated, and it has been determined that book value is the same as the fair value determined, which was calculated based on their possible settlement. The cash flow required to settle those liabilities is expected to materialize between 1 to 17 years.

The liabilities have also been calculated at the fair value at the combination date and are similar to their book value.

Following are the fair value of the net assets acquired under the business combination at the acquisition date:

	<b>Fair value</b>
<u>Assets</u>	
<b>CURRENT:</b>	
Cash and cash equivalents	Ps 543,242
Restricted cash and cash equivalents	16,989
Other current assets	142,410
Current assets	702,641
<b>NON-CURRENT:</b>	
Land, furniture and equipment	135,929
Intangible assets, airport concessions - Net	19,308,402
Total non-current assets	19,444,331
Total assets	Ps 20,146,972
<u>Liabilities</u>	
<b>CURRENT:</b>	
Current liabilities	Ps 647,896
<b>NON-CURRENT:</b>	
Long-term debt	8,254,620
Deferred income tax	808,894
Other non-current liabilities	286,315

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Total non-current liabilities		9,349,829
Total liabilities		9,997,725
Net assets acquired under the business combination		10,149,247
Total purchase consideration		15,755,512
Goodwill at the acquisition date (Note 8.1)	Ps	5,606,265

The main characteristics of fair value adjustments are described below:

Caption	Item	Methodology
Intangible assets:		
Commercial rights	Commercial exploitation rights at the LMM airport	Discounted flows and implicit multiples using the WACC rate

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The fair value adjustments set forth in the previous table were obtained for the purpose of applying the purchase method of the Aerostar acquisition. The noncontrolling interest was recognized as its fair value. The projection used to apply the aforementioned methodologies was based on business plans approved by Aerostar Management.

The goodwill recognized by the Company is attributable to the expected growth in the North American airport sector and in line with the Company's expansion opportunity in the consolidation of additional airport groups. No contingent liability or contingent consideration arrangement has arisen from this acquisition. If the acquisition had taken place on January 1, 2017, pro-forma revenues would have increased by Ps1,549,099 (unaudited) and pro-forma net income by Ps127,042 (unaudited).

For the determination of the fair value of the noncontrolling interest, considering the absence of public market prices of Aerostar, the fair value of the controlling party was taken as a basis, which reflects a goodwill of the Company as a whole, including the controlling and noncontrolling parties, thereby better reflecting the economic interests of the transaction given that the noncontrolling party also participated in the future economic benefits generated from the acquisition.

**Aerostar relevant information and its significant non-controlling interest**

The Aerostar condensed financial information at December 31, 2017 and 2018, which shows its significant non-controlling interest, is shown below:

		<b>Year ended December 31</b>	
		<b>2017</b>	<b>2018</b>
<u>Condensed statement of financial position</u>			
Cash and cash equivalents	Ps	436,774	Ps 868,095
Restricted cash and cash equivalents		106,350	47,332
Other current assets		247,517	175,479
<b>Total current assets</b>		<b>790,641</b>	<b>1,090,906</b>
<b>Financial liabilities:</b>			
Current liabilities		(633,084)	(640,785)
<b>Working capital</b>		<b>157,557</b>	<b>450,121</b>
Land, furniture and equipment		141,708	174,450
Intangible assets, airport concessions - Net		13,636,227	13,587,071

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Other long-term assets		584		544
Long-term debt		(7,489,465)		(7,282,269)
Accounts payable to the Company		(1,210,088)		(1,152,805)
Other long-term liabilities				(21,608)
Deferred income tax - Net		(267,307)		(330,999)
Shareholders' equity	Ps	4,969,216	Ps	5,424,505

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		Year ended December, 31		
		2017		2018
<u>Condensed statements of comprehensive income</u>				
Revenue	Ps	1,497,557	Ps	3,025,267
Operating cost and expenses		(1,186,028)		(2,098,323)
Other income				134,637
Comprehensive financial cost - Net		(295,803)		(538,268)
Deferred income tax		(28,679)		(62,252)
Net (loss) income for the year		(12,953)		461,061
Foreign currency translation		254,110		(5,772)
Total comprehensive income for the year	Ps	241,157	Ps	455,289

Regarding the non-controlling interest in its subsidiary Aerostar, there are no significant restrictions on the possibility of having access to the assets or of using them for the payment of obligations.

**1.2) Acquisition of Airplan**

1) On October 19, 2017 (business combination date, or the transaction date), Cancún acquired 92.42% of the shares of Sociedad Operadora de Aeropuertos Centro Norte, S.A. (Airplan), a Company incorporated in Medellín, Colombia, on March 6, 2008, with the business purpose of managing, operating, commercially exploiting, conditioning, modernizing and maintaining the Enrique Olaya Herrera in Medellín, José María Córdova in Rionegro, El Caraño in Quibdó, Los Garzones in Montería, Antonio Roldán Betancourt in Carepa and Las Brujas in Corozal airports. At the transaction date, Airplan consolidated its results into the Company's consolidated financial statements.

A goodwill of Ps1,474,955 was recognized at the business combination date (see Note 8.1). The goodwill associated with this business combination is not deductible for income tax purposes.

The fair value of the Trade and accounts receivable considered in the business combinations approximate their carrying value.

The liabilities have been determined at fair value at the date of the combination and correspond mainly to the valuation of bank loans.

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For the determination of the fair value of the non-controlling interest, comparable market values were used (based on a sample of comparable public companies). The most relevant assumptions considered were multiples of income and earnings before interest, taxes, amortizations and depreciations and adjustments applied to the net premium of control.

The following table summarizes the consideration pertaining to Airplan at the business combination date:

		<b>October 19 2017</b>
Consideration paid on October 19, 2017	Ps	3,789,797
Non-controlling interest at the combination date		310,827
Total purchase consideration	Ps	4,100,624

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The distribution of the purchase price over the net assets acquired of Airplan at the business combination date are shown below:

		<b>Fair value</b>
<b><u>Assets</u></b>		
<b>CURRENT:</b>		
Cash and cash equivalents	Ps	37,716
Other current assets		189,372
<b>Current assets</b>		<b>227,088</b>
<b>NON-CURRENT:</b>		
Land, furniture and equipment		3,400
Intangible assets, airport concessions - Net		7,232,588
<b>Total non-current assets</b>		<b>7,235,988</b>
<b>Total assets</b>	<b>Ps</b>	<b>7,463,076</b>
<b><u>Liabilities</u></b>		
<b>CURRENT:</b>		
Current liabilities	Ps	551,000
<b>NON-CURRENT:</b>		
Bank loans		3,424,897
Deferred income tax		861,483
Other non-current liabilities		27
<b>Total non-current liabilities</b>		<b>4,286,407</b>
<b>Total liabilities</b>		<b>4,837,407</b>
<b>Net assets acquired under the business combination</b>		<b>2,625,669</b>
<b>Total consideration</b>		<b>4,100,624</b>
<b>Goodwill at acquisition date and at acquisition date (Note 8.1)</b>	<b>Ps</b>	<b>1,474,955</b>

The main characteristics of fair value adjustments are described below:

<b>Caption</b>	<b>Item</b>	<b>Methodology</b>
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Intangible assets:

Concession	Commercial exploitation rights in Airplan	Discounted flows and implicit multiples using the WACC rate
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Non-current liabilities:

Long-term debt	Fair value of the Bank loans	Present value of estimated future cash flows
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The fair value adjustments specified in the previous table were obtained from Company Management for the purpose of applying the purchase method to the acquisition of Airplan. The noncontrolling interest was recognized based on the proportional interest in net acquired assets.

The projections used to apply the methodologies described above were based on the business plans approved by the Administration of Airplan at the time of acquisition, which subsequently served as the basis for the analysis of deterioration made by the Administration at the date of the consolidated financial statements.

The goodwill recognized by the Company represents non-separable assets due to the growth potential and development opportunities of Airplan. No contingent liability has arisen from this acquisition that must be registered; there are also no contingent consideration agreements. If the acquisition had taken place on January 1, 2017, pro-forma revenues would have increased by Ps2,640,493 (unaudited) and pro-forma net income by Ps231,130 (unaudited).

2) On May 25, 2018, the Company increased its shareholding in Airplan by acquiring an additional 7.58%, which gave it a 100% interest in that company. Considering and that on October 19, 2017, a record was made of the acquisition of businesses via the acquisition method established in IFRS 3 using fair value of the overall business determined at the date of acquisition, recording of the operation involving the additional acquisition resulted in recognition within stockholders equity of the net effect (definitive values) of the operation, which is analyzed as follows:

		<b>May 25, 2018</b>
Consideration paid for the non-controlling interest	Ps	213,469
Carrying value of the non-controlling interest		(327,003)
Difference recognized in stockholders equity	Ps	113,534

**Note 2 - Segment information:**

The Company is a Mexican entity that was incorporated in April 1998 as a wholly-owned entity of the federal public government to administer, operate and if necessary, condition and modernize nine airports in the Southeast of Mexico. The nine airports are located in the following cities: Cancún, Cozumel, Mérida, Huatulco, Oaxaca, Veracruz, Villahermosa, Tapachula and Minatitlán. The Company operates two companies that provide administrative services: Servicios Aeroportuarios del Sureste, S. A. and C. V. and RH Asur, S. A. de C. V.

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In addition, Cancún Airport holds an interest in the following subsidiaries: 100% in Caribbean Logistic, S. A. de C. V. and Cargo RF, S. A. de C. V., companies providing storage services, handling services, warehousing and custody of foreign trade merchandise and the related to the premises inspected at airports concessioned to third parties, as well as Cancún Airport Services, S. A. de C. V., whose main activity is to establish and operate shops, for the sale of all type of products.

On May 26, 2017, Cancún Airport increased its shareholding from 50% to 60%, in Aerostar Airport Holdings LLC, a limited liability Company, incorporated on February 27, 2013 under the laws of the Commonwealth of Puerto Rico. Aerostar entered into a Lease Agreement (Agreement) for 40 years with Port Authority of Puerto Rico (Authority), owner of the LMM Airport, for the purpose and essential consideration of safely operating the airport for public; use, maintaining the safety and protection of the



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LMM Airport Facility at the highest possible levels, and promoting, facilitating, assisting and improving trade, tourism and economic development, for which the recognition as a joint venture was until May 26, 2017, and as of June 1, 2017, Aerostar consolidates line by line in the Company's finances.

On October 19, 2017, the Cancún Airport acquired 92.42% of the shares of Airplan, a Company domiciled in the city of Medellín, Colombia, who operates and administers through a single concession (contract 8000011-OK) the Enrique Olaya Herrera in Medellín, José María Córdova in Rionegro, El Caraño in Quibdó, Los Garzones in Montería, Antonio Roldán Betancourt in Carepa and Las Brujas in Corozal airports. As of October 19, 2017, Airplan is part of the consolidation of the Company.

On May 25, 2018, the Company, through the Aeropuerto de Cancún, increased its shareholding in Airplan by acquiring an additional 7.58%, which gave it a 100% interest in that company.

The information by segments is shown in the next page.

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Year ended on December 31, 2016	Holding &				Consolidation		Total		
	Cancún	Aerostar (*)	Airplan (**)	Mérida	Villahermosa	services		Other	adjustment
	Ps			Ps	Ps	Ps	Ps	Ps	Ps
Aeronautical revenue	3,341,882			334,163	181,123		675,026		4,532,194
Non-aeronautical revenue	2,823,209			85,203	62,356		133,830	(255)	3,104,343
Revenue for construction services	1,896,338			98,668	44,875		77,073		2,116,954
Other revenue						1,455,486		(1,455,486)	
Operating profit	3,782,382			158,770	109,398	569,516	312,533		4,932,599
Non current assets	18,586,197			1,493,544	956,522	2,257,137	4,430,602	(12,740,956)	24,983,073
Total assets	20,972,688			1,650,201	1,308,463	2,058,995	5,109,102	(22,883,456)	29,216,091
Total liabilities	6,179,313			8,056	101,197	190,378	132,130	(148,937)	6,462,137
Improvements to assets under concession and acquisition of furniture and equipment in the period	1,513,550			127,787	61,651	200	111,294		1,814,482
Amortization and depreciation	(328,819)			(39,524)	(28,349)	(2,111)	(130,857)		(529,660)

(\*) Subsidiary located in Puerto Rico

(\*\*) Subsidiary located in Colombia

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Year ended on December 31, 2017	Holding &						Consolidation		Total
	Cancún	Aerostar (*)	Airplan (**)	Merida	Villahermosa	Services	Other	adjustments	
	Ps	Ps	Ps	Ps	Ps	Ps	Ps	Ps	Ps
Aeronautical revenue	3,963,324	939,042	225,693	394,531	195,554		766,075		6,484,219
Non-aeronautical revenue	3,401,235	482,590	69,071	97,656	61,909	1,492,287	149,240	(1,492,605)	4,261,383
Revenue for construction services	1,421,942	72,925	187,294	46,146	6,336		109,573		1,844,216
Operating profit	4,623,499	311,529	782	264,098	119,772	501,617	374,634	(4,719,098)	1,476,833
Non-current assets	17,539,396	19,831,755	7,107,932	1,497,095	935,625	1,176,942	4,430,766	(5,693,269)	50,826,241
<b>Total assets</b>	<b>20,486,290</b>	<b>20,609,156</b>	<b>7,327,398</b>	<b>1,769,962</b>	<b>1,227,172</b>	<b>2,693,958</b>	<b>5,193,430</b>	<b>(5,693,269)</b>	<b>56,614,103</b>
<b>Total liabilities</b>	<b>7,932,392</b>	<b>9,599,943</b>	<b>5,092,968</b>	<b>(180)</b>	<b>82,802</b>	<b>131,983</b>	<b>85,894</b>		<b>22,925,802</b>
Own assets acquired (***)		13,390,511	7,235,988						20,626,499
Exchange rate translation from non-current assets (***)		686,198	161,277						847,475
Commercial right's (***)		6,053,820							6,053,820
Improvements to assets under concession and acquisition of furniture and equipment in the period	1,009,625	139,078	189,536	50,021	8,965	813		97,174	1,495,212
Amortization and depreciation	(457,447)	(437,852)	(54,998)	(46,470)	(29,892)	(700)	(138,755)		(1,166,114)

(\*) Subsidiary located in Puerto Rico

(\*\*) Subsidiary located in Colombia

(\*\*\*) These items are an integral part of the total assets line and are presented for greater understanding derived from the acquisition.



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Year ended on December 31, 2018	Holding &					Consolidation		Total
	Cancún	Aerostar (*)	Airplan (**)	Mérida	Villahermosa	services	Other	
Revenue from contracts with clients:								
Aeronautical revenue	Ps 4,428,546	Ps 1,700,859	Ps 1,276,506	Ps 469,879	Ps 201,502	Ps	Ps 865,618	Ps 8,942,910
Non-aeronautical revenue	3,831,325	964,404	396,834	117,277	59,822	684,204	162,346	5,531,557
Revenue for construction services	205,834	360,004	312,375	4,831	15,604		37,126	935,774
Operating profit	5,206,971	882,381	239,893	297,468	113,038	605,860	433,358	7,778,969
Non-current assets	16,927,804	20,515,694	6,592,640	1,454,497	921,168	8,789,664	4,314,529	50,180,909
Total assets	19,002,035	21,607,145	6,905,451	1,857,958	1,241,529	29,525,000	5,377,782	56,181,821
Total liabilities	4,528,342	10,040,600	4,575,476	(25,257)	79,070	205,077	97,124	19,500,432
Improvements to assets under concession and acquisition of furniture and equipment in the period	364,795	772,009	415,042	7,116	12,671		64,692	1,636,325
Amortization and depreciation	(455,003)	(632,236)	(452,364)	(47,803)	(30,147)	(640)	(142,548)	(1,760,741)
Revenue recognized								
At point in time:								
Aeronautical revenue	3,846,184	1,245,320	1,200,941	426,070	180,407		788,406	7,687,328
Non-aeronautical revenue	621,850							621,850
Total	4,468,034	1,245,320	1,200,941	426,070	180,407		788,406	8,309,178
Over a period time:								
Aeronautical revenue	543,282	455,539	75,565	41,179	21,027		73,069	1,209,661
Non-aeronautical revenue	2,888,043	954,626	395,410	57,554	39,395		143,101	4,478,129
Revenue for construction services	205,834	360,004	312,375	4,831	15,604		37,126	935,774
Total	Ps 3,637,160	Ps 1,770,169	Ps 783,350	Ps 103,564	Ps 76,027	Ps	Ps 253,295	Ps 6,623,564

(\*) Subsidiary located in Puerto Rico

(\*\*) Subsidiary located in Colombia



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**Note 3 - Revenue from Contracts with Customers:**

The Company adopted IFRS 15 Revenue from contracts with customers as from January 1, 2018, which specifies how and when to recognize income in accordance with a 5-step model based on principles applied to all contracts with customers. In Step 1, contracts with clients were identified. In Step 2, performance obligations for each of the contracts were identified. In Step 3, transaction prices were determined. In Step 4, transaction prices were assigned to individual performance obligations. Finally, in Step 5, income was recorded when the company had complied with all the performance obligations pertaining to each contract, the condition for which was that control of the services had been transferred to the client.

When analysis of the contract had been concluded in the terms of IFRS 15, it was determined whether income arising from each contract should be recognized at a particular point in time or over time. That determination was based on specific criteria having to do with the point at which each performance obligation was transferred to the client.

The Company considered using the simplified retrospective transition method, which resulted in changes to accounting policies and in a breakdown of performance obligations in the note on segments in the consolidated financial statements, which does not alter the information presented at the close of the preceding period. Other IFRS 15 implications are described in the following portion of this note.

**3.1) Revenue recognition**

Airports operated by the Company receive income from external clients for aeronautical services rendered to airlines and the rendering of complementary services. The Company also recognizes income from construction services arising from concession agreements with government entities.

Practical expedient applied: IFRS 15 provides a practical resource allowing entities to ignore the effects of a financing component in certain circumstances. Practical expedient focuses when goods or services are provided at the point at which payment is made rather than over the duration of the contract. IFRS 15 can be used even when the duration of the contract exceeds 12 months if the time difference between the obligation and the payment is less than 12 months. However, the practical resource cannot be used to ignore the effects of financing in the first 12 months of a longer-term agreement that includes a significant financing component. The Company has opted to make use of IFRS 15 considering that its agreements exceed 12 months, although the deadline for complying with its obligations and payment of same is less than 12 months.

Following is a description of the principal types of service agreements from which the Company receives income.

**3.1.1) Aeronautical services**

The Company operates airports in three countries (Mexico, Puerto Rico and Colombia), providing different aeronautical services involving principally the following performance obligations.

- a. Passenger rates (Airport Use Rate - TUA), which are calculated based on total outgoing passengers (other than diplomats, infants and passengers in transit) making use of air terminals operated by the Company.
  
- b. Landing rates, which contemplate landing services, the use of runways, taxiing strips, and bands.



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- c. Platform use fees, based on the time an aircraft remains at a terminal after landing.
  
- d. Security, calculated on the basis of the total number of incoming and outgoing passengers.
  
- e. Baggage inspection fee, calculated on the basis of total number of outgoing passengers.
  
- f. Use of passenger walkways, which consists of rendering passenger walkways service connecting an aircraft to the terminal after landing.
  
- g. Fee for the use of passenger documentation counters; the fee is applied on the basis of the holding of documentation for one-hour periods. After the first hour has elapsed, the fee is charged proportionately for 30-minute increments.

Revenue is measured based on the consideration specified in the tariff regulating system applicable to airports in each country for each performance obligation identified. In Mexico, these are regulated by the SCT, in Puerto Rico by the Federal Aviation Administration (FAA) and in Colombia by Aerocivil.

Passenger, landing and security rates are recorded at a particular point in time, once the aircraft departure manifest has been delivered. Income arising from other performance obligations is recorded over time as the services are rendered.

Discounts

The Company may apply discounts to its rates, provided they are not discriminatory in the light of the laws in effect in the countries in which the Company operates. Discounts are granted based on the discount policy and conditions negotiated with the National Autotransportation Chamber (CANAERO), and regulated income must be delivered within a period of 30 days.

Revenue is recorded net of estimated discounts based on applicable rates.

The prompt-payment discount for regulated income principally the Airport Use Fees (TUA by its initials in Spanish) is established in each of the contracts signed with the airlines, and is subtracted from the aforementioned income. In 2016, 2017 and 2018, the discount amounted to Ps41,057, Ps43,802 and Ps45,293, respectively. There is no balance for the contractual liability for that item.

Terms of payment

According to the airport service contract signed with clients the payment should be made in less than 30 days, and for the complementary services the payment should be made the first day of each month.

**3.1.2) Non-aeronautical services**

The Company generates income from non-aeronautical services, which involve basically the following performance obligations:

- a. Access rates to nonpermanent overland transportation based on the number of access events experienced by the transportation companies operated by third parties providing passenger transportation services at the terminal.

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- b. Carparks, rates based on the time vehicles remain at public parking areas.
  
- c. Retail sales, recorded when a product is sold to a client and payment on the transaction is made at the time of purchase.

Revenue arising from access rates to overland transportation and retail sales are recorded at a particular point in time, to the extent that the performance obligation is satisfied and the promised goods and services are transferred, while parking area income is recorded over time.

Contracts for commercial income

IFRS 15 must be applied to all contracts with clients. However, there are exceptions, such as contracts for the leasing of commercial space, which fall under IAS 17 Leases .

Presently, space leased at airports to airlines and other commercial lessees comprise the most significant source of income related to non-aeronautic services. Leasing income is accrued monthly and is determined by applying a percentage established in the lease contract to income from actual sales of lessees (interest), or an agreed minimum fee.

Commercial leasing operations include the leasing of automobiles, the sale of food and beverages, retail sales, sales made at kiosks, graphic advertising, overland transportation, fixed operations and other services rendered. Commercial income is partially recorded on the basis of lessee income and is partially based on minimum lease rates.

Leasing income is accrued monthly and is determined by applying a percentage established in the lease contract to income from actual sales of lessees (interest), or as an agreed minimum fee. At December 31, 2018, 2017 and 2016, variable leasing income was Ps2,069,696, Ps2,466,980 and Ps2,689,149 , respectively, and Ps105,203, Ps166,747 and Ps264,920, respectively, for fixed leasing rates.

**3.1.3) Construction services**

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As an operator of airport concessions, the Company is required to improve items under concession. Works carried out within the airport are based on development plans authorized by the regulators. Income from construction services are recognized in accordance with the methods prescribed (input method) for measuring progress towards completion, approved by the grantor. Improvements made are expected to complement the infrastructure of the airport operated by the Group. IFRS 15 establishes that during the construction period of the infrastructure related to concessions received, they must be shown as contract assets in the statement of financial position, regardless of the type of consideration received (financial asset or intangible asset). See Note 8.

Construction services carried out by the Group do not entitle it to a direct cash consideration; rather, it is entitled to charge users for airport services rendered at the terminals during the concession period. Income from construction services is measured at fair value of the services rendered, which increased the value of the intangible asset, plus the cost of capitalizable financing.

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	Year ended December 31,			
	2017		2018	
Income associated with intangible compulsory works (i)	Ps	35,154	Ps	15,672
Income associated with intangible complementary works (ii)		152,140		296,703
	Ps	187,294	Ps	312,375

(i) Compulsory works. These are the works that the Concessionaire undertakes to execute in compliance with the Airport Adjustment and Modernization Plan.

(ii) Complementary works. These are the works that are not part of the Adequacy and Modernization Plan but are executed at the proposal of the Concessionaire, or at the request of the Grantors.

**3.1.4) Airports Law and Regulations**

Mexico

Under the Airports Law and regulations thereto, Company income is classified as Airport Services, Complementary Airport Services and Commercial Services. Airport Services mainly consist of the use of runways, taxiways and platforms for landings and departures, parking for aircrafts, use of mechanical boarders, security services, hangars, car parking, as well as the general use of the terminals and other infrastructure by the aircrafts, passengers and cargo, including the rental of space that is essential for the operation of airlines and suppliers of complementary services. Complementary Services consist mainly of ramp services and handling of luggage and cargo, food services, maintenance and repair and related activities that provide support to the airlines. Revenues from access fees charged to third parties that provide complementary services are classified as Airport Services.

The Rate Regulation Law provides that the following sources of revenues are regulated under this system:

- Revenues from airport services (as defined under the Mexican Airport Law), other than automobile parking, and

- Access fees earned from third parties providing complementary services, other than those related to the establishment of administrative quarters that the SCT determines to be non-essential.

Non-regulated Services consist of services that are not considered essential for an airport's operation, such as the rental of spaces to businesses, restaurants and banks. Access fees and income from other services are recognized as services are rendered.

The following table sets forth Company revenue at December 31, 2016, 2017 and 2018, using the classification established in the Airport Law and the Regulations thereto. The grouping for the 2018 period was considered on the basis of performance obligations established under IFRS 15, whose difference as compared to the 2017 grouping consists of showing the Company's own retail sales, which were Ps621,850, under unregulated services with income arising from contracts with clients.

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	Year ended of December 31,					
	2016		2017		2018	
<b>Regulated services:</b>						
Airport services for revenue from contracts with clients (*):						
Passengers fees	Ps	3,589,215	Ps	4,908,716	Ps	6,547,645
Landing fees		279,008		593,557		1,047,687
Platform		237,839		329,835		413,129
Security services		67,172		72,312		91,996
Baggage inspection fees		222,995		223,847		268,940
Passengers walkway		75,869		300,847		509,440
Passengers documentation counters		14,745		15,650		18,152
Other airport services		275,692		299,067		325,546
	Ps	4,762,535	Ps	6,743,831(***)	Ps	9,222,535
<b>Non regulated services:</b>						
Non regulated services for revenue from contracts with customers:						
Retail stores	Ps		Ps		Ps	621,850
Access fees on non permanent ground transportation						57,885
Car parking and related Access fees						298,536
Other services		101,457		124,241		151,952
		101,457		124,241		1,130,223
Commercial services		2,772,543		3,877,530		4,121,709
<b>Total non regulated services (**)</b>		<b>2,874,000</b>		<b>4,001,771</b>		<b>5,251,932</b>
Construction services		2,116,954		1,844,216		935,774
<b>Total</b>	Ps	<b>9,753,491</b>	Ps	<b>12,589,818</b>	Ps	<b>15,410,241</b>

(\*) This includes Aerostar regulated income of Ps939,042 and Ps1,700,859 for 2017 and 2018, respectively, Ps225,693 and Ps1,276,506 for Airplan in the same period. The foregoing is as from inclusion in the Company's consolidation going back to June 1, and October 19, 2017, respectively.

(\*\*) This line item in the consolidated statement of income (non-aeronautical services) includes complementary and airport services totaling Ps230,343, Ps259,612 and Ps279,625 for the 2016, 2017 and 2018 periods, respectively.

(\*\*\*) Regulated services for 2017 are opened for comparative purposes with the year 2018, in which they were opened by the application of IFRS 15.

Puerto Rico

According to the agreement entered into by the Puerto Rico Authority and Aerostar, Aerostar income is classified for regulated services and unregulated services. See notes 3.1.1 and 3.1.2.

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Colombia

Under resolution 4530 of Civil Aeronautics in Colombia, Airplan revenue is classified as for regulated services and non-regulated services. See notes 3.1.1 and 3.1.2.

The grouping for the 2018 period was considered on the basis of performance obligations established under IFRS 15, whose difference as compared to the 2017 grouping consists of showing the Company's own retail sales, which were Ps621,850, access fees on non permanent ground transportation, which were Ps57,885 and car parking and related access fees, which were Ps298,536, under non-regulated services with revenue arising from contracts with clients.

The following table sets forth commercial activities for the years indicated.

	Year ended of December 31,					
	2016		2017		2018	
Commercial revenues:						
Retail stores	Ps	904,465	Ps	1,194,772	Ps	
Access fees on non permanent ground transportation		42,916		47,756		
Car parking and related Access fees		83,493		183,977		
Duty free shops		640,793		881,705		1,861,116
Food and beverage		439,101		609,304		738,371
Advertising revenues		122,941		139,545		161,214
Car rental companies		221,100		379,162		611,864
Banking and currency exchange servcies		86,780		97,311		119,855
Teleservices		10,869		12,973		14,139
Ground transportations		2,562		5,729		76,106
Other services		217,523		325,296		539,044
Total commercial revenues	Ps	2,772,543	Ps	3,877,530	Ps	4,121,709

As shown following, the estimates for future income (per year), comes from non-cancelable operating leases considering the commercial contracts of minimum rent at December 31, 2018.

For the years ended December 31:

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		2016		2017		2018
2017	Ps	3,260,667	Ps		Ps	
2018		1,974,566		3,986,487		
2019		1,808,104		2,584,950		3,535,065
2020		1,659,090		2,358,698		3,257,229
2021		1,918,838		2,054,600		2,880,142
2022		2,093,277		4,159,744		2,861,442
2023 a 2028		4,729,436		6,940,544		16,382,714
Total	Ps	17,443,978	Ps	22,085,023	Ps	28,916,592

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**Note 4 - Costs and expenses by nature:**

	January 1 to December 31,		
	2016	2017	2018
Termination benefits (Note 18.17)	Ps 1,237	Ps 1,984	Ps 1,595
Short-term benefits	531,246	772,129	1,118,926
Employees statutory profit sharing	6,126	6,359	8,052
Electric power	108,910	234,879	458,827
Maintenance and conservation	229,904	401,479	673,603
Professional fees	103,918	217,930	306,169
Insurance and bonds	30,157	86,838	200,477
Surveillance services	144,462	207,303	310,065
Cleaning services	90,285	142,531	229,003
Technical assistance (Note 15.4)	288,111	346,487	386,249
Right of use of assets under concession (DUAC) (1)	344,939	468,695	898,253
Amortization and depreciation of intangible assets, furniture and equipment	529,660	1,166,114	1,760,741
Goodwill impairment (Note 8.1)		4,719,096	
Consumption of commercial items	180,636	252,602	300,845
Construction services (Note 3.1.3)	2,116,954	1,898,550	935,774
Financial assets impairment			45,687
Other	114,347	144,322	177,330
Total aeronautical and non-aeronautical services costs, costs of construction services and administrative expenses	Ps 4,820,892	Ps 11,112,985	Ps 7,765,909

(1) As of December 31, 2016, DUAC corresponds to the consideration for the concession in Mexico, which is equivalent to 5% of the gross revenues of each of the concessions, as of December 31, 2017, Ps406,733 correspond to the consideration for the concessions in Mexico, Ps56,005 correspond to the consideration of the Airplan concession at 19% of gross revenues from the period October 19 to December 31, 2017, and Ps5,957 for the consideration of the Aerostar concession at 5% of the airport's gross receipts from May 31, to December 31, 2017, as of December 31, 2018, Ps458,290 correspond to Mexico, Ps312,244 correspond to Airplan and Ps127,719 correspond to Aerostar.

**Note 5 - Cash and cash equivalents:**

	December 31,	
	2017	2018
Cash and cash held at banks	Ps 4,417,791	Ps 3,713,072

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Short-term investments		240,701		841,295
Fiduciary rights (*)		18,962		30,140
Total cash and cash equivalents	Ps	4,677,454	Ps	4,584,507

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(\*) Corresponds to the fiduciary agreement 2875 of Airplan, Company's subsidiary, signed with Fiduciaria Bancolombia to administer the resources of the concession contract. See Notes 8.2 and 18.5.

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**5.1) Restricted cash and cash equivalents**

At December 31, 2017 and 2018 restricted cash and cash equivalents includes Ps106,350 and Ps47,332, respectively, that amount was collected by Aerostar from PFCs and are restricted to funding investment projects in airport infrastructure authorized by the FAA. See Notes 18.6 and 9.

**Note 6 - Accounts receivable - Net:**

	December 31,	
	2017	2018
Clients	Ps 858,900	Ps 991,033
Less: impairment provision	(173,398)	(179,639)
Adoption effect IFRS 9		(18,284)
<b>Total accounts receivable</b>	<b>Ps 685,502</b>	<b>Ps 793,110</b>

The expectation for collection of the short-term account receivable is one month in relation to the reporting date.

Accounts receivable are comprised mainly of TUA paid by passengers (other than diplomats, infants and passengers in transit) who travel using the airport terminals operated by the Company. The balance at December 31, 2017 and 2018 amounted to Ps525,379 and Ps600,518, respectively.

At December 31, 2018, the total balance of unimpaired past due accounts receivable was Ps275,490 (Ps192,805 at December 31, 2017). These accounts relate to a number of independent clients that do not have a recent history of non-compliance.

The maturity analysis of past due accounts receivable is as follows:

	December 31, 2017
Three months	Ps 137,155
From three to six months	71,049

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More than six months		157,999
		366,203
Minus:		
Past due accounts receivable not impaired		192,805
Amount of the estimation for impairment	Ps	173,398

The movements in the impairment provision shown in the next page.

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Provision for impairment at January 1, 2016		128,221
Application to the provision during the period		(510)
Provision for impairment at January 1, 2017	Ps	127,711
Application to the provision in Mexico during the period		36,621
Aerostar s provision impairment		6,690
Airplan s provision impairment		2,376
Provision for impairment at December 31, 2017		173,398
Application to the provision in Mexico during the period		(35,403)
Aerostar s provision impairment		20,128
Airplan s provision impairment		3,232
Valuation IFRS 9 provision		18,284
Provision for impairment at December 31, 2018	Ps	179,639

Provision for impairment of accounts receivable has been recorded in the consolidated comprehensive income statement under cost of services, and the amounts charged to the provision are written off from accounts receivable when recovery is not expected.

From January 1, 2018, the Company applies the simplified approach contained in IFRS 9 for measuring expected credit losses, which makes use of an expected loss provision over the lifetime of the instrument for all accounts receivable and contract assets.

In order to measure expected credit losses, accounts receivable and contract assets have been grouped on the basis of their shared credit risk features and days past due. The Company held no relevant contract assets at January 1 or December 31, 2018.

The expected loss rates are based on the profiles for payment of sales in a 12-month period prior to December 31, 2018 or January 1, 2018, respectively, and on historical credit losses experienced within that period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting client capacity for covering accounts receivable. The Group has determined that the economic situation of a country can have adverse effects on the transportation industry, in addition to the cost of complying with aviation regulations and union pressures on airlines, which are the most relevant factors, and therefore adjusts historical loss rates based on changes expected in those factors.

On that basis, the provision for losses at December 31, 2018 and at January 1, 2018 (for adoption of IFRS 9) was determined as follows for accounts receivable and for contract assets:

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Expected loss rate:	Due to expire	1 to 90	91 to 180	181 to 365	More than 365
Mexico	0.02%	0.02%	0.02%	100%	100%
Aerostar	0.25%	0.25%	15.00%	100%	100%
Airplan	0.88%	0.88%	0.88%	100%	100%

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At January 1, 2018	Due to expire	1 to 90	91 to 180	181 to 365	More than 365	Total estimate 01/01/18	
Mexico's accounts receivables	Ps	Ps	Ps	Ps	37,102	Ps 127,230	Ps 164,332
Mexico's provision impairment					37,102	127,230	164,332
Aerostar's accounts receivables	111,731	62,764	28,549			18,240	221,285
Aerostar's provision impairment	279	158	4,282			18,240	22,958
Airplan's accounts receivables		183,985		2,772			186,757
Airplan's provision impairment		1,619		2,772			4,391
Total provision estimate	Ps 279	Ps 1,776	Ps 4,282	Ps 39,874	Ps 145,471	Ps 191,682	

At December 31, 2018	Due to expire	1 to 90	91 to 180	181 to 365	More than 365	Total estimate 31/12/2018
Mexico's accounts receivables	Ps 93	Ps 604	Ps 1,252	Ps 495	Ps 128,804	Ps 131,248
Mexico's provision impairment				495	128,804	129,299
Aerostar's account receivables	154,235	49,645	239	5,790	36,738	246,647
Aerostar's provision impairment	386	124	36	5,790	36,738	43,073
Airplan's accounts receivables		183,223		5,653		188,876
Airplan's provision impairment		1,612		5,653		7,265
Total provision estimate	Ps 386	Ps 1,737	Ps 36	Ps 11,938	Ps 165,542	Ps 179,639

**Note 7 - Land, furniture and equipment - Net:**

At December 31, 2016, 2017 and 2018, the land furniture and equipment are made up as follows:

	12/31/2016	Business acquisition	Foreign currency translation	Additions	Disposals transfers	12/31/2017
Land	Ps 302,050	Ps 290	Ps 7			Ps 302,347
Furniture & equipment	60,001	8,801	380	Ps 5,852	Ps (2,326)	72,708
Machinery & equipment		54,723	2,843	7,817		65,383
Computer equipment		12,231	464	2,872		15,567
Transport equipment		18,980	975	958		20,913
Improvements to leased premises		42,532	2,384			44,916
Accumulated depreciation	(38,952)			(22,903)	2,326	(59,529)
	323,099	137,557	7,053	(5,404)		462,305
Equipment in transit		1,772	92	9,069		10,933

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Ps 323,099 Ps 139,329 Ps 7,145 Ps 3,665 Ps 473,238

	12/31/2017		Foreign currency translation	Additions		Disposals transfers		12/31/2018	
Land	Ps	302,347	Ps	(24)				Ps	302,323
Furniture & equipment		72,708		(335)	Ps	11,093			83,466
Machinery & equipment		65,383		(150)		15,278			80,511
Computer equipment		15,567		(337)		30,860	Ps	(278)	45,812
Transport equipment		20,913		(64)		1,215			22,064
Improvements to leased premises		44,916		52		15,672			60,640
Accumulated depreciation		(59,529)		(929)		(44,298)		278	(104,478)
		462,305		(1,787)		29,820			490,338
Equipment in transit		10,933		(230)		57,439			68,142
	Ps	473,238	Ps	(2,017)	Ps	87,259	Ps		558,480

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The consolidated depreciation expense for 2016, was Ps3,822, Ps22,903 in 2017 and Ps44,298 in 2018, including the depreciation of Aerostar Ps40,410 and Ps20,697 for the year ended December 31, 2018 and for the period from May 31 to December 31, 2017 and the depreciation of Airplan Ps1,066 and Ps175 for the year ended December 31, 2018 and for the period from from October 19 to December 31, 2017, respectively, and which has been charged in aeronautical and non-aeronautical services costs, and administrative expenses.

**Note 8 - Intangible assets, airport concessions and goodwill - Net:**

The movements of intangible assets of airport concessions in the periods presented in the consolidated financial statements are as follows:

	12/31/2016	Business acquisition	Foreign currency translation	Additions (**)	Disposals transfers	12/31/2017
Concessions (Regulated activity)	Ps 27,639,119	Ps 20,487,170	Ps 484,045	Ps 1,449,729	Ps	Ps 50,060,063
Licences and ODC	205,527			18,915		224,442
Commercial Rights (Non-regulated Activity)		6,053,820	140,951			6,194,771
Goodwill		7,081,220	2,115,334			7,296,554
Goodwill impairment				(4,719,096)		(4,719,096)
Accumulated amortization	(7,560,520)			(1,143,211)		(8,703,731)
	Ps 20,284,126	Ps 33,622,210	Ps 840,330	Ps (4,393,663)	Ps	Ps 50,353,003

	12/31/2017	Foreign currency translation	Additions (*)	Disposals transfers	12/31/2018
Concessions (Regulated Activity)	Ps 49,423,536	Ps (468,600)	Ps 105,512	Ps 900,805	Ps 49,961,253
Contracts assets	636,527		935,774	(900,805)	671,496
Licences and ODC	224,442		25,229		249,671
Commercial Rights (Unregulated Activity)	6,194,771	336,860			6,531,631
Goodwill	2,577,458	(10,093)			2,567,365
Goodwill impairment	(8,703,731)	25,080	(1,716,443)		(10,395,094)
	Ps 50,353,003	Ps (116,753)	Ps (649,928)	Ps	Ps 49,586,322

(\*) The most significant additions made in 2018 are a) improvements to the facilities at terminal buildings 3 and 4 at the Cancún Airport; b) construction of the federal inspection station and outfitting for operations at the LMM

Airport and c) expansion to the national and international passenger terminal area, expansion of the international apron, advances in the construction of the cargo terminal at the Rionegro airport and extension of the passenger terminal and construction of the service center at Quibdó.

(\*\*) The most significant additions includes: a) Improvements in the installation of the terminal 3 building at Cancún Airport; b) Construction of the new terminal 4 building at Cancún Airport; c) Supply and installation of passenger boarding bridges in the terminals 3 and 4 buildings; d) Expansion of the commercial platform of the terminal 3 building; e) Construction of earth fills and pavement for the terminal 4 platform, and f) Construction of wheel treads, connector, and head rests in Cancún Airport.

As a result of the acquisition of Aerostar, an intangible asset was identified for the commercial rights acquired for an amount of Ps6,053,820, which represent the rights to commercially explore the airport areas in addition to the aeronautical operation, that is, leases to commercial premises, commercial stores and advertisements.

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The expense for amortization of concessions in the amount of Ps524,297, Ps1,130,481 Ps1,694,252 in 2016, 2017 and 2018 respectively) has been charged to the cost of aeronautical and non-aeronautical services, this amount includes the amortization of commercial rights of Ps179,199 (Ps98,780 in 2017), recognized by the valuation of its investment in accordance with IFRS 3 Business combinations , and the amortization of the intangible assets of Airplan for Ps100,479.

The amortization expense of the Mexican concession by Ps656,428 (Ps571,788 in 2017) has been charged to the cost of the aeronautical and non-aeronautical services.

The amortization expense of the Aerostar concessions by Ps406,261 (Ps405,090 for the 7 months period in 2017) has been charged to the cost of aeronautical and non-aeronautical services.

The amortization expense of the Airplan concessions by Ps351,885 (Ps54,823 for the 2 months period in 2017) has been charged to the cost of aeronautical and non-aeronautical services.

Otherwise, the expense for amortizing licenses and ODC of Ps22,191 (Ps12,730 in 2017 and P12,554 in 2016) has been charged to administrative expenses.

**8.1 Impairment testing of goodwill**

The Administration reviews the performance of the business based on a segmentation of its subsidiaries based on its geography. Goodwill is assigned to the operating segments that are expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquired entities are assigned. The following is a summary of the allocation of goodwill for each operating segment:

	<b>2017 and 2018</b>	
Aerostar (Note 1.1)	Ps	887,169
Airplan (Note 1.2)		1,474,955
	Ps	2,362,124

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### Significant estimate - Impairment:

As a result of the passage of Hurricane Maria on the island of Puerto Rico on September 20, 2017, which affected the infrastructure of the LMM airport as well as causing severe damage to the rest of the island that impacted the expected future flows of Aerostar the Company recognized an impairment of Ps4,719,096 in cost of aeronautical and non-aeronautical services within operating costs and expenses. As a result of the above, the Administration also carried out impairment tests on the intangible asset of the concession, without determining a deterioration to be recognized. Remaining a net effect, as shown below:

Goodwill (Note 1.1)	Ps	5,606,265
Impairment (Note 4)		(4,719,096)
	Ps	887,169

### Methodology:

Aerostar and Airplan.- The Company's Management performed the calculation based on the fair value less costs to sell and the value in use, in accordance with the methodologies established in IAS 36, derived from

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the above, took into account the most high. In this case, the Company chose the fair value less costs to sell. The method for determining this was discounted cash flows.

For the determination of fair value less costs to sell, projections of cash flows approved by the Administration are used, covering a period of 36 years in the case of Aerostar and 15 years in the case of Airplan, which are the remaining years of the airport concessions.

For each CGU with a significant amount of goodwill, the key assumptions are the following:

	2018		2017	
	Airplan %	Aerostar %	Airplan %	Aerostar %
Discount rate	10.46	10.93	10.07	10.00
Discount rate for the value in use method	15.12	11.75	15.12	11.75
Annual average of revenue growth	3.10	4.14	3.10	2.44
Output passenger growth rate	4.50	2.50	3.80	1.88
Level of the fair value hierarchy of value recoverable from the CGU	3	3	3	3

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determine the values
Discount rate	It reflects the specific risks related to the market rates of the industry and the countries in which they operate.
Annual average of revenue, operating costs and expenses rates	Weighted average growth rate during the period of the concessions, historical trends of national and international passengers are based.
Passenger departures growth rates	Weighted average rate of growth in departing passengers during the period of the concessions which is linked to the operational and financial growths.

CGU Aerostar:

2018:

If the discount rate applied to the cash flow projections of this CGU would have been + 1% or -1%, the Management's estimate would have to recognize the following additional effects. In the case of a rate increase (11.93% instead of 10.93%), the Company would have to recognize and additional impairment of Ps617,025, and in the case of the decrease in the rate (9.93% instead of 10.93%) the excess of cash flows against the carrying value would be increased by Ps2,350,705.

2017:

If the discount rate applied to the cash flow projections of this CGU would have been + 1% or -1%, the Management's estimate would have to recognize the following additional effects. In the case of a rate increase (11.93% instead of 10.93%), the Company would have to recognize and additional impairment of Ps1,525,824, and in the case of the decrease in the rate (9.93% instead of 10.93%) Company would have to recognize a lower amount of impairment of Ps1,827,599



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CGU Airplan:

2018:

If the discount rate applied to the cash flow projections of this CGU would have been + 1% or -1%, the Management's estimate would have to recognize the following additional effects. In the case of a rate increase (11.46% instead of 10.46%), the Company would have to recognize and additional impairment of Ps118,552, and in the case of the decrease in the rate (9.46% instead of 10.46%) the excess of cash flows against the carrying value would be increased by Ps371,769.

2017:

If the discount rate applied to the cash flow projections of this CGU would have been + 1% or -1%, the Management's estimate would have to recognize the following additional effects. In the case of a rate increase (11.07% instead of 10.07%), the Company would have to recognize and additional impairment of Ps393,929, and in the case of the decrease in the rate (9.07% instead of 10.07%) the excess of cash flows against the carrying value would be increased by Ps429,668.

**8.2) Basic terms and conditions of the concessions**

Mexico:

The basic terms and conditions of each concession are the following:

- a) The concession holder must undertake the construction, improvement and maintenance of the facilities in accordance with its Master Development Plan (MDP) and is required to update the plan every five years. See Note 16.

- b) The concession holder may only use the airport facilities for the purposes specified in the concession and must provide services in accordance with all applicable laws and regulations, and is subject to statutory oversight by the SCT.
  
- c) The concession holder shall pay a DUAC (currently 5% of the gross income of the concession holder, resulting from the use of public assets in accordance with the terms of the concessions) as required by the applicable law. DUAC is presented in the consolidated statement of income under Cost of aeronautical services . See Note 4.
  
- d) Fuel services and fuel supply are to be provided by the Mexican Airport and Auxiliary Services Agency, a Decentralized Public Entity.
  
- e) The concession holder must grant access to and the use of specific areas of the airport to government agencies to perform their activities inside the airports.
  
- f) The concession may be terminated if the concession holder fails to comply with certain of the obligations imposed by the concession as established in Article 27 or for the reasons specified in Article 26 of the Airport Law.
  
- g) Revenues resulting from the concession are regulated and subject to a review process. See note 19.1.3.

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h) The terms and conditions of the regulations governing the operations of the Company may be modified by the SCT.

Aerostar:

The purpose of the Aerostar concession (Agreement) is to operate the public airport safely by maintaining the highest possible levels of safety and protection at the LMM Airport, and promoting, facilitating and improving commerce, tourism and economic development. The Puerto Rico authorities, Aerostar and the other airlines have agreed to the terms and conditions of the LMM Airport Facility Contract. The concession period is 40 years as of the closing of the agreement assigning the Airport's operating rights (February 27, 2013).

Under the Agreement, Aerostar has no rights to control in full the use of the Airport facilities, and it is required to provide certain maintenance services within the airport.

As part of the Agreement, the authorities grant Aerostar the right to sublease the LMM Airport non-aeronautical areas and to collect and retain the fees, charges and payments and income arising from all subleased facilities.

According to the provisions of the Agreement, the Company has the right to collect the annual contributions of all airlines, which will be equal to the sum of the: a) platform use fees; b) landing fees; c) other leases, and d) international and domestic airport use fees.

The Agreement requires Aerostar to make a cash payment of USD2.5 million per year for the first five years after the first five years, the authority establishes a payment of Annual Authority Income Share, consisting of 5 % of the gross revenues of the airport obtained by Aerostar from the sixth year to the thirtieth year. From year 31 to 40, this amount will increase to 10% of the airport's gross revenues.

Airplan:

The object of the concession contract 8000011-0K is the granting by Aerocivil in favor of Airplan of the concession for the administration, operation, commercial exploitation, adaptation, modernization and maintenance of the airports Antonio Roldán Betancourt, El Caraño, José María Córdova, Las Brujas and Los Garzones, and the granting by Olaya Herrera Airport Public Authority in favor of the concessionaire of the concession for the administration, commercial operation, adaptation, modernization and maintenance of Enrique Olaya Herrera Airport.

The term of execution of the contract extends from the date of signing of the act of commencement of execution and until the date on which one of any of the following events occurs:

- That the regulated revenues generated are equal to the expected regulated revenues, provided that by that time 15 years have elapsed from the date of execution of the certificate of commencement of execution.
- That 25 years have elapsed since the date of execution of the execution start certificate regardless of whether, for the time being, regulated revenues generated have not matched the value of the expected regulated revenues.

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- If the regulated income generated equals the expected regulated revenue before 15 years have elapsed from the date of execution of the certificate of commencement of execution, the duration of execution of the certificate of commencement of execution and during this term the Concessionaire must execute all the obligations under his charge under the Concession Contract.

It must be taken into account, for purposes of the regulated revenue expected as defined in the concession contract, that the expected regulated revenue will increase once each of the complementary works (mandatory or voluntary) is delivered to the grantor. As of December 31, 2017 and 2018, the expected regulated income adjusted for complementary works is Ps14,292 and Ps15,973, respectively.

The grantors agree to assign the regulated and unregulated revenues corresponding to each of the airports to Airplan. The Concessionaire will obtain all of its remuneration for the concession only of the assignment of the regulated revenues and of the unregulated revenues that the concessionaires make in their favor.

The Concessionaire is obliged, with the grantor to pay, during the term of the Contract, a consideration equivalent to 19% of the gross income of the Concessionaire.

The Concession granted by virtue of this Contract imposes on the Concessionaire the general obligation to administer, make commercial use and operate the airports in accordance with the minimum specifications set forth in the Contract and at their own risk.

The determination of the economic useful life of the intangible is subject to the percentage of execution of the revenues with respect to the total expected income of the financial model that the Company has.

Fiduciaria Bancolombia Contract

For the administration of the resources of the Concession and the payment of the obligations in charge of the Concessionaire Airplan, it was forced to constitute a trust, to which it transfers all of its gross income received and all the resources of debt and capital that it obtains for the execution of the Concession.

The Trustee will maintain, in accordance with current accounting standards, a record of each and every one of the payments and transfers that are made to third parties or to the Concessionaire itself with charge to any of the accounts of the Trust. The foregoing without prejudice to understand that the assignment of regulated income and non - regulated income that this agreement makes the Concession is made in favor of the Concessionaire and not the trust and that the debt and capital resources obtained by the Concessionaire should be adequately recorded as such in its own accounting and not in the trust, since it is constituted solely for purposes of the administration of resources.

The constitution of the trust was made through the execution of an irrevocable mercantile trust and administration contract whose term will be the maximum authorized by Colombian commercial laws.

**8.3) Subsequent measurement of the intangible asset**

The Company will subsequently measure the intangible asset over its economic useful life at cost, less accumulated amortization and impairment loss.

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**Note 9 - Investment in joint ventures accounted for under the equity method:**

In 2013, the Company participated in a bidding process through its subsidiary, Aeropuerto de Cancún, S. A. de C. V. (Cancún) for a long-term lease agreement to operate and administer the LMM Airport located in San Juan, Puerto Rico.

The investment between Highstar Capital IV (Highstar) and Cancún Airport, created Aerostar Airport Holdings, LLC (Aerostar). It was determined that operations of Aerostar constitute a Joint Venture. Aerostar signed a 40-year lease agreement to operate the LMM Airport. As part of the bidding terms, Aerostar made an initial payment of USD615 million (Ps7,846 million pesos approximately) to the Puerto Rico authorities. A portion of that payment was funded by a private placement of bonds by Aerostar in the amount of USD350 million (Ps4,471 million pesos approximately) in the same year of acquisition of the concession.

Nature of the investment

Aerostar is a limited liability company incorporated under the laws of Puerto Rico. It is mainly engaged in operating the facilities of the LMM Airport. Aeropuerto de Cancún, S. A. de C. V. holds 60% in the ownership interest of Aerostar (50% until May 30, 2017) and the Public Sector Pension Investment Board PSP Investments own the other 40% (until May 26, 2017 owned by Highstar Capital IV in 50%). See Note 1.

Passenger Facility Charges (PFC):

The United States Congress of North America approved the Aviation Safety and Capacity Expansion Act. In which it authorizes United States airports to impose a Passenger Facility Charge (PFC). PFC can be used for airport projects that meet at least one of the following criteria: preserve or improve the security, protection or capacity of the national air transport system; reduce noise or mitigate noise resulting from an airport; or provide opportunities for increased competition between airlines. PFC revenues and accrued interest are restricted for use in capital projects approved by the FAA and are classified as restricted cash. See Note 5.1. For the period from June 1 to December 31, 2017, and the year ended December 31, 2018, revenues collected by PFC were Ps191,356 and Ps329,532, respectively.

As of June 1, 2017, Aerostar consolidates its shareholding as a subsidiary in the Company, increasing its shareholding from 50% to 60%, for which the recognition as a joint venture is until May 26, 2017.





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CONDENSED STATEMENT OF FINANCIAL POSITION

		December 31, 2016		May 26, 2017
Cash and cash equivalents	Ps	719,254	Ps	543,242
Restricted cash and cash equivalents		21,044		16,989
Other current assets		201,992		142,410
Current assets		942,290		702,641
Financial liabilities		(92,367)		
Other current liabilities		(615,709)		(647,896)
Current liabilities		(708,076)		(647,896)
Working capital		234,214		54,745
Land, furniture and equipment		152,758		135,373
Intangible assets, airport concessions - Net		14,661,436		13,254,582
Other non-current assets		571		556
Non-current assets		14,814,765		13,390,511
Long-term debt		(7,693,682)		(6,824,310)
Loan payable to the Company		(1,886,546)		(1,430,310)
Other non-current liabilities		(265,040)		(286,325)
Deferred taxes - Net		(225,107)		(203,502)
Non-current liabilities		(10,070,375)		(8,744,447)
Stockholders' equity	Ps	4,978,604	Ps	4,700,809

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31, 2016		Period from January 1, to May 26, 2017
Total revenue	Ps	2,526,371	Ps	1,170,888
Operating costs and expenses		(1,650,890)		(694,435)
Comprehensive financing loss - Net		(535,053)		(229,789)
Deferred income taxes		(51,931)		(21,974)
Net income for the period		288,497		224,690
Effect for foreign currency conversion		800,692		(475,233)
Comprehensive income (loss)	Ps	1,089,189	Ps	(250,543)

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Reconciliation of condensed financial information

	<b>December 31,</b>		<b>May 26,</b>	
	<b>2016</b>		<b>2017</b>	
Initial capital contribution to Aerostar	Ps	3,016,003	Ps	3,016,003
Accumulated (deficit) earnings		(112,162)		176,335
Net income for the period		288,497		224,690
Other accumulated comprehensive income		985,574		1,786,266
Other comprehensive income (loss)		800,692		(502,485)
Net assets at period closing		4,978,604		4,700,809
Equity percentage in joint business		50%		50%
Carrying value	Ps	2,489,302	Ps	2,350,405

	<b>December 31,</b>		<b>From January 1st</b>	
	<b>2016</b>		<b>to May 26,</b>	
	<b>2017</b>		<b>2017</b>	
Net income for the period	Ps	288,497	Ps	224,690
Equity percentage in joint venture		50%		50%
Equity method income	Ps	144,248	Ps	112,345

**Note 10 - Accounts payable and accrued expenses:**

At December 31, 2017 and 2018, the balances are as follows:

	<b>December 31,</b>			
	<b>2017</b>		<b>2018</b>	
Suppliers	Ps	428,881	Ps	313,574
Taxes payable		157,387		230,196
Use rights of assets under concession		127,076		247,729
Accounts payable to related parties (Note 15.1)		87,951		97,332
Salaries payable		111,984		127,289
Sundry creditors for services provided		583,059		810,973
Accounts payable to contractors		265,236		44,331
Total	Ps	1,761,574	Ps	1,871,424

Due to the fact that these accounts mature at a term of under one year, their fair value is considered to approximate their book value.

**Note 11 - Bank loans:**

At December 31, 2017, the Company has used the total amount of these credits as shown in the next page,

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## Notes to the Consolidated Financial Statements

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Bank	Credit line foreign currency		Credit line used in pesos		Principal amortization	Commissions and interests - Net		Short	Term	Long	Fair value		
Santander, S.A.			Ps	2,000,000	Ps	Ps	14,875	Ps	14,875	Ps	2,000,000	Ps	2,089,786
BBVA Bancomer, S. A.				4,000,000			4,000,000						
BBVA Bancomer, S. A.				2,000,000			(10,576)		2,967		1,986,467		2,091,065
BBVA Bancomer, S. A.	USD	72,500		1,425,560			3,215		5,675		1,423,100		1,540,499
Bank of America Merrill Lynch (*)	USD	72,500		1,425,560			3,215		5,675		1,423,100		1,535,374
Total Mexico	USD	145,000	Ps	10,851,120	Ps		10,729	Ps	29,182	Ps	6,832,667	Ps	7,256,724
Bancolombia CorpBanca Colombia	COP	150,000,000	Ps	1,295,381	Ps		(2,595)	Ps	103,100	Ps	1,189,686	Ps	1,204,983
Banco Davivienda		102,000,000		813,757			(633)		2,840		810,284		819,385
Banco de Bogotá		90,000,000		718,021			(1,159)		2,488		714,374		722,990
Banco de Occidente		37,000,000		328,111			(1,047)		34,159		292,905		297,229
Banco Popular		37,000,000		295,187			(1,258)		1,031		292,898		297,229
Banco AV Villas		8,000,000		63,824			(941)		369		62,514		64,266
Banco AV Villas		8,000,000		63,824			(49)		223		63,552		64,266
Servicios Financieros		8,000,000		63,824			(1,243)		79		62,502		64,266
Total Airplan	COP	440,000,000	Ps	3,641,929	Ps		(8,925)	Ps	144,289	Ps	3,488,715	Ps	3,534,614
			Ps	14,493,049	Ps		1,804	Ps	173,471	Ps	10,321,382	Ps	10,791,338

At December 31, 2018, the Company has used the total amount of these credit lines as shown below:

Bank	Credit line foreign currency		Credit line used in pesos		Principal amortization	Commissions and interests - Net		Short	Term	Long	Fair value				
Santander, S. A.			Ps	2,000,000	Ps	Ps	(10,733)	Ps		Ps	1,989,267	Ps	2,132,256		
BBVA Bancomer, S. A.				2,000,000			(1,598)		2,731		1,995,671		2,135,210		
BBVA Bancomer, S. A.	USD	72,500		1,425,560			1,425,560								
Bank of America Merrill Lynch	USD	72,500		1,425,560			1,425,560								
Total Mexico	USD	145,000	Ps	6,851,120	Ps		2,851,120	Ps	(12,331)	Ps	2,731	Ps	3,984,938	Ps	4,267,466
Bancolombia, S. A.	COP	16,250,000	Ps	1,099,078	Ps		2,656	Ps	58,958	Ps	1,042,776	Ps	1,065,445		

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Corpbanca Colombia, S. A.	99,450,000	747,684		2,947	40,030	710,601	724,502
Banco Davivienda, S. A.	87,750,000	659,584		2,064	35,317	626,331	639,267
Banco de Bogotá, S. A.	36,074,210	270,972		144	14,528	256,588	262,810
Banco de Occidente, S. A.	36,074,228	270,970		135	14,527	256,578	262,810
Banco Popular, S. A.	7,799,030	58,389		(580)	3,275	54,534	56,824
Banco AV Villas, S. A.	7,800,000	58,642		233	3,141	55,734	56,824
Servicios Financieros, S. A.	7,800,000	58,393		(867)	3,008	54,518	56,824
<b>Total Airplan</b>	<b>COP28,997,468</b>	<b>Ps 3,223,712</b>	<b>Ps</b>	<b>Ps 6,732</b>	<b>Ps 172,784</b>	<b>Ps 3,057,660</b>	<b>Ps 3,125,306</b>
		<b>Ps 2,851,120</b>	<b>Ps</b>	<b>(5,599)</b>	<b>Ps 175,515</b>	<b>Ps 7,042,598</b>	<b>Ps 7,392,772</b>

(\*) The following variables were used to determine the fair values of the loans at December 31, 2017 and 2018:

As a result of the business combination in Airplan on October 19, 2017, a fair value of the syndicated loan, valued at its amortized cost, was determined, increasing its value by Ps605,382. The debt contracted in the original currency (the Colombian peso) plus this adjustment to fair value will result in COP535,125,402.

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Mexico:

2017:

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- FRA LIBOR Curve 6 months.
- FRA TIE Curve 28.
- LIBOR Discount curve 3 months.
- Implicite curve weights.
- Probability of default ASUR.

2018:

- FRA TIE Curve 28 at December 31, 2018.
- Implicit Curve Weights as of December 31, 2018.
- Probability of default ASUR at December 31, 2018.

Airplan:

2017:

- Spot Rate (DTF) at the start date of each of the provisions.

- Colombian reference rate

Level 2 of fair value hierarchy

2018:

- Spot Rate (DTF) at the start date of each of the provisions.
- Colombian reference rate as of December 31, 2018.
- Probability of default ASUR at December 31, 2018.

Methodology:

The following methodology was used to determine fair value in the terms of IFRS 13: The valuation technique used is one recognized in the financial environment (estimated future cash flows discounted at their present value) using market information available at the valuation date.

Mexico:

On July 17, 2015, the Company agreed on several lines of credit with BBVA Bancomer and Bank of America Merrill Lynch in the amount of USD 215 million. The loan will be amortized in nine payments, from July 2018 to July 2022. The loan was denominated in US dollars and was subject to LIBOR plus 1.85%. On November 16, 2017, the Company paid USD70 million toward the principal and canceled the remaining portion of the loan, in order to renegotiate new loans with both banks for USD72.5 million from each. The loans are for a six-year period and mature on November 16, 2023. The loans are denominated in US dollars and are subject to LIBOR plus a spread of 1.525% for one and LIBOR plus a spread of 1.45% for the other.

The credit lines may be used for general corporate purposes and to finance capital expenditures related to the PMD. On May 16, 2018, the Company made a capital payment of USD72.5 million (Ps1,415,301) and on November 16, 2018, paid off the remainder of the USD72.5 million loan (Ps1,478,848).

On July 31, 2017, Cancún Airport entered into a loan with BBVA Bancomer in the amount of Ps4,000 million. The term of the loan was one year, which would be amortized in a single payment on July 31, 2018.

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The loan was denominated in pesos and subject to the monthly rate THIE plus 0.60% for the period from July 31 to October 31, 2017, THIE plus 0.85% from October 31, 2017, to January 31, 2018, THIE plus 1.10% from January 31 to April 30, 2018, and THIE plus 1.60% from April 30 to July 31, 2018. The credit was used for general corporate purposes.

On October 2017, the Company restructured the debt with BBVA Bancomer, liquidating Ps4,000 million, and acquiring with the same institution a loan of Ps 2,000 million. The new loan is payable in seven years and will be paid in nine semiannual payments from October 2020 to October 2024 at the rate of 28-day THIE plus 1.25 points.

On October 2017, the Company acquired a loan with Banco Santander of Ps 2,000 million. The term of the loan is five years, with maturity on October 27, 2022, at the THIE rate of 28 days plus 1.25 points.

## Airplan:

On June 1, 2015, the Company acquired a new long-term syndicated loan of COP440,000,000 Colombian pesos (Ps2,897,404) payable in 2027 with a three-year grace period for the payment of principal.

The participants of this syndicated loan are:

Entity	Amount (COP)
Bancolombia, S. A.	\$ 150,000,000
Corpbanca Colombia, S. A.	102,000,000
Banco Davivienda, S. A.	90,000,000
Banco de Bogotá, S. A.	37,000,000
Banco de Occidente, S. A.	37,000,000
Banco Popular, S. A.	8,000,000
Banco AV Villas, S. A.	8,000,000
Servicios Financieros, S. A.	8,000,000
	\$ 440,000,000

Financial obligations



Mexico:

Under the terms of the peso credit granted by BBVA Bancomer, the Company is required to maintain a level of consolidated leverage no greater than 3.5x, calculated as a total financial debt between the UAFIDA (pretax operating profit, the interest expense, plus depreciation, plus amortization at the consolidated level) for the 12 months prior to each quarter closing and minimum interest coverage ratio of 3.0x, calculated as the UAFIDA between financial expenses associated with the total financial debt for the twelve months preceding each quarter closing.

Under the terms of the peso credit granted by Santander, the Company is required to maintain a level of leverage on the last day of each fiscal quarter not greater than 3.5x and a minimum interest coverage ratio of 3.0x. Both ratios must be calculated for the 12 months prior to each quarter.

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The Company must refrain from creating, incurring, assuming or generating any liens on its goods, assets and rights, and from assuming obligations on behalf of third parties, or from acting as guarantor or granting any type of real personal or fiduciary guarantees to secure obligations on its behalf or on the behalf of third parties that are relevant or may have a relevant adverse effect on the payment of the loan.

As part of the terms of the loan made by BBVA Bancomer and Bank of America Merrill Lynch, the Company and its subsidiaries are required to keep a consolidated leverage level equal to or below 3.50:1.00 and a consolidated interest hedging index equal to or below 3.00:1.00 on the last day of each tax quarter. In the event of breach of the foregoing, the loan limits the capacity to pay dividends to the shareholders. Additionally, in the event of breach, all amounts due under the loan may be claimed and must be payable immediately.

During the term of the loan made by BBVA Bancomer and Merrill Lynch, the Company and its subsidiaries are not authorized to place a lien on any of the properties or sell any assets equivalent to more than 10% of the total assets consolidated in the most recent tax quarter prior to the sale or make any fundamental changes to the corporate structure.

Airplan:

The Company is obligated throughout the term of the credit to comply with the following financial commitments:

Maintain long-term financial indebtedness limited to this syndicated loan operation: this consists of the sum of the balances payable by the debtor during the term of the syndicated loan, as a result of long- and short-term financial indebtedness, the amount of which may not exceed the sum of COP440,000,000 Colombian pesos.

Maintain the capital structure: this addresses the relationship between capital and debt that the debtor must meet in relation to the project throughout the term of the loan, in such a way that the result of the financial indicator Capital 1 (Capital + debt) is equal to or higher than 16%.

Maintain the index of debt coverage: this refers to the indicator that the debtor must maintain during the entire term of the loan, defined as: EBITDA - Taxes / Debt service 2: 1.2.

The Company is in compliance with the financial obligations and clauses of all loans at December 31, 2017 and 2018.

**Note 12 Long-term debt:**

As a result of including Aerostar in the consolidation, as from May 31, 2017, the following long-term debt is recorded.

As of May 31, 2017, Aerostar consolidates as a subsidiary in the Company by increasing its shareholding from 50% to 60%, and thus obtaining control.

To finance a portion of the agreement payment to the Puerto Rico Authority, and certain other costs and expenditures associated with it, Aerostar entered into a Note Purchase Agreement in March 22, 2013, where Aerostar authorized the issue of subordinated bonds and sale of an aggregate principal of Ps4,471 million Mexican pesos (USD350 million) of its 5.75% senior secured notes due on March 22, 2035.

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Performance	2.39%
Spread credit (bps)	+336
Coupon	5.75%

On June 24, 2015, Aerostar signed an agreement for private placement of bonds in the amount of Ps737 million pesos (USD50 million), maturing on March 22, 2035, based on the following conditions:

Performance	6.75%
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At December 31, 2017 and 2018, the integration of the debt is shown as follows:

2017	Credit line used in USD		Interest in USD		Credit line in pesos		Interest in pesos		Short	Term	Long	Fair value		
Loan	USD	400,000	USD	6,444	Ps	7,489,465	Ps	126,712	Ps	340,288	Ps	7,149,177	Ps	6,766,798

Loan	USD	400,000	USD	9,831	Ps	7,333,536	Ps	(51,268)	Ps	324,590	Ps	6,957,678	Ps	7,509,065
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Inputs:

2017:

Corporate risk through Yield to Maturity of comparable bonds of the Transportations and Logistics sector. Level 2 of fair value hierarchy.

Level 2 of fair value hierarchy.

2018:

Corporate risk through Yield to Maturity of comparable bonds of the Transportations and Logistics sector at December 31, 2018.

Methodology:

The following methodology was used to determine fair value in the terms of IFRS 13: the valuation technique used is one recognized in the financial environment (estimated future cash flows discounted at their present value) using market information available at the valuation date.

**Note 13 - Stockholders equity:**

At December 31, 2017 and 2018, the minimum fixed capital with no withdrawal rights is of Ps1,000 and the variable portion is of Ps7,766,276, (nominal figure) comprised of 300,000,000 common, nominative Class I shares no par value, wholly subscribed and paid in. The variable portion of capital stock is comprised of Class II common, nominative shares. At December 31, 2018, no Class II shares have been issued. Both

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classes of shares will have the characteristics determined at the Shareholders meeting where issuance is approved and they are integrated as shown in the next page:

Description	Total shares		Capital Stock as of December 31,			
	2017	2018	2017	2018	2017	2018
B Series	277,050,000	277,050,000	Ps	7,173,079	Ps	7,173,079
BB Series	22,950,000	22,950,000		594,197		594,197
Total	300,000,000	300,000,000	Ps	7,767,276	Ps	7,767,276

All ordinary shares confer the same rights and obligations on the holders of each series of shares. Series BB shares have voting shares and other rights, such as the right to elect two members of the Board of Directors, and Series B shareholders are entitled to appoint the remaining members of the Board of Directors. Series BB may not represent more than 15% of the Company's capital stock.

## Legal reserve

The Company is legally required to allocate at least 5% of its unconsolidated annual net income to a legal reserve fund. This allocation must continue until the reserve is equal to 20% of the issued and outstanding capital stock of the Company. Mexican corporations may only pay dividends on retained earnings after the reserve fund for the year has been set up.

## Reserve for acquisition of shares

The reserve for acquisition of shares represents the reservation authorized by the stockholders for the Company to purchase its own shares subject to certain criteria set forth in the bylaws and the Securities Market Law. At December 31, 2017 and 2018, the reserve for repurchase of shares totals Ps7,052,635 and Ps9,862,262, respectively.

## Dividends

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At the April 26, 2017 General Ordinary Stockholders meeting, the Company's stockholders agreed to pay net dividends of Ps1,848,000 (nominal), which don't give rise to income tax because the dividends were paid from the Net Tax Profit Account (CUFIN, by its initials in Spanish).

At the April 26, 2018 General Ordinary Stockholders meeting, the Company's stockholders agreed to pay net dividends of Ps2,034,000 (nominal), which don't give rise to IT because the dividends were paid from the Net Tax Profit Account (CUFIN, by its initials in Spanish).

Dividends are tax free if paid from the CUFIN. Dividends paid in excess of the CUFIN balances are subject to tax equivalent to 42.86%. Tax due is payable by the Company and may be credited against income tax for the year or income tax for the two immediately following fiscal years. Dividends paid from previously taxed earnings are not subject to tax withholding or payment. At December 31, 2017 and 2018, the companies CUFIN lump sum is Ps8,951,912 and Ps11,382,509, respectively, whereas the combined contribution capital account amounts Ps39,689,426 and Ps41,606,425, respectively.

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In the event of a capital reduction, any excess of stockholders' equity over paid-in capital contribution account balances is accorded the same tax treatment as dividends, in accordance with the procedures provided for in the Income Tax Law (ITL).

Retained earnings

Substantially, all consolidated Company earnings were generated by its subsidiaries. Retained earnings can be distributed to the Company's shareholders to the extent that the subsidiaries have distributed earnings to the Company.

**Note 14 - Income tax incurred and deferred:**

The Company does not consolidate its results for tax purposes.

a. **Income Tax**

Mexico:

In 2016, 2017 and 2018, the Company determined tax profits in its subsidiaries in the amounts of Ps5,051,189, Ps6,358,687 and Ps5,984,043.7, respectively. In 2016, 2017 and 2018, the tax profits were partially offset with the amortization of tax losses in the amounts of Ps86,083, Ps93,975 and Ps41,977, respectively.

The subsidiaries that at December 31, 2017 and 2018, have not assessed income tax due to the tax loss carryforwards are Cozumel, Minatitlan and Tapachula.

Taxable income differs from the book income due to temporary and permanent differences arising from the different bases for the recognition of the effects of inflation for tax purposes and from the permanent effects of items affecting only the book or tax results.



The ITL establishes for 2014 and subsequent years an income tax rate of 30%.

The Company has performed the evaluation of the Preferential Tax Regimes and has determined that this year it is not applicable because it does carry out a business activity, in the case of the investment in the airport of Puerto Rico, and that passive income does not represent more than 20% of its total income.

Aerostar:

The Company determined tax loss in Puerto Rico for Ps437,197 and Ps343,534 in 2017 and 2018, respectively, derived from the agreement with the Department of the Treasury of Puerto Rico in which its operations are subject to income taxes of Puerto Rico of 10% under the provisions of Section 12 (a) of the Public Private Partnership Law (Law) enacted in June 2009. Derived from the analysis carried out by the Administration, it is considered that there are no impacts due to changes in the legislation of the United States of America made since the 2018 fiscal year.

Airplan:

The Company determined taxable income in accordance with the tax law of Colombia for the period from October 19, to December 31, 2017, and for the year ended December 31, 2018 of Ps48,877 and Ps94,843,

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and a presumptive income on liquid equity, which results from applying the 4.0% and 3.5% rate on the fiscal liquid equity of the previous year, of Ps23,462 and Ps24,719 respectively.

The Company is subject in 2018 to income taxes in Colombia of 33% (34% in 2017) plus a 6% surcharge on liquid income less COP800,000. The Company determined an income tax of Ps16,618 in 2017 and Ps31,298 in 2018, respectively, and an additional surcharge tax of Ps2,933 and Ps3,600 for the aforementioned periods.

Law 1739 of December 23, 2014 in force, establishes the determination and payment of a surcharge on income tax for equity - CREE, which is the responsibility of the taxpayers of this tax and applies to a taxable base higher than the COP.800,000, which is equivalent to 6%. That over rate was repealed to from the year 2018.

The tax reform establishes that the tax rate applicable for the year 2018 and subsequent years is 33% of the taxable income.

The IT provision at December 31, 2017 and 2018 is as follows:

		<b>December 31,</b>		
		<b>2017</b>		<b>2018</b>
<b><u>Deferred tax asset:</u></b>				
Deferred tax recoverable within the following 12 months	Ps	73,710	Ps	53,121
Deferred tax recoverable after 12 months		253,310		250,491
Recoverable asset tax		327,020		303,612
<b><u>Deferred tax liability:</u></b>				
Deferred tax payable after 12 months		(3,360,950)		(3,385,280)
Deferred tax liability - Net	Ps	(3,033,930)	Ps	(3,081,668)

The IT provision at December 31, 2016, 2017 and 2018 is as follows:

Mexico:

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	2016		2017		2018	
Current IT	Ps	1,502,976	Ps	1,908,646	Ps	1,766,083
Deferred IT		(101,792)		(312,091)		13,116
IT provision	Ps	1,401,184	Ps	1,596,555	Ps	1,779,199
<u>Aerostar:</u>						
IT deferred for the year ended December 31, 2018 and for the period from May 26 to December 31, 2017	Ps		Ps	28,678	Ps	33,879
<u>Airplan:</u>						
Current IT	Ps		Ps	19,551	Ps	(20,098)
Deferred IT				(9,337)		2,981
IT Provision Airplan for the year ended December 31, 2018 and for the period October 19, to December 31, 2017	Ps		Ps	10,214	Ps	(17,117)
Total IT provision	Ps	1,401,184	Ps	1,635,447	Ps	1,795,961

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The reconciliation between the statutory and effective income tax rates is shown below:

	2016		2017		2018	
Consolidated income before IT and joint venture equity method:	Ps	4,887,130	Ps	8,498,889	Ps	6,916,699
Plus (less):						
Net (loss) income before taxes of Airplan and Aerostar				16,011		(297,179)
Net (loss) income before taxes of subsidiaries in Mexico not subject to IT		(56,415)		(62,327)		(89,685)
Income before provisions for income taxes		4,830,715		8,452,573		6,529,835
Statutory IT rate		30%		30%		30%
IT that would result from applying the IT rate to book profit before income taxes		1,449,214		2,535,772		1,958,951
Non-deductible items and other permanent differences		11,908		8,693		15,126
Gain on business combination				(2,108,760)		
Goodwill impairment				1,415,729		
Annual adjustment for tax inflation		(10,974)		(2,406)		12,101
Accounting disconnect inflation		(91,928)		(249,336)		(189,237)
Recognition of deferred income tax at the Huatulco Airport (1)		44,020				
Recognition for the year in Aerostar (2)				28,678		33,879
Recognition for the year in Airplan (2)				10,214		(17,117)
Other non-taxable earnings		(1,056)		(3,137)		(17,742)
IT provision	Ps	1,401,184	Ps	1,635,447	Ps	1,795,961
Effective IT rate		29%		19%		28%

(1) Based on the tax projections at December 31, 2017, the Huatulco Airport is expected to pay income tax in the future. Accordingly, the Company decided to recognize deferred income tax. This recognition increased the effective rate by 3%.

(2) As of June 1, 2018, Aerostar consolidates into the Company and as of October 19, 2017, Airplan consolidates financially into the Company.

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Following are the principal temporary differences with respect to deferred tax:

	Period ended December 31,			
	2017		2018	
<b>Deferred income tax asset:</b>				
Deferred income tax asset::				
Temporary liabilities	Ps	48,439	Ps	53,121
Fair value of long-term debt		208,394		213,617
Allowance for doubtful accounts		44,916		36,874
		301,749		303,612
Deferred income tax payable:				
Fixed and intangible assets		(2,900,893)		(3,139,757)
Temporary assets		(433,411)		(244,502)
Amortization of expenses		(1,375)		(1,021)
		(3,335,679)		(3,385,280)
Deferred income tax liability - net	Ps	(3,033,930)	Ps	(3,081,668)

At June 1, 2017, and October 19, 2017, Aerostar and Airplan consolidated into the Company, respectively, with an initial recognition for deferred tax liabilities of Ps808,894 and Ps861,483, respectively, due to the temporary difference between accounting and tax amortization rates.

(\*) Includes Ps267,307 and Ps943,256 from Aerostar from the periods 2017 and 2018, and Ps357,563 and Ps909,706 from Airplan in 2017 and 2018.

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The net movements of the deferred tax asset and liability for the year are as follows:

	Provision for loan portfolio impairment	Concessioned assets	Recoverable asset tax	Foreign currency translation	Other	Total
Balances at January 1, 2016	Ps (31,576)	Ps 1,766,981	Ps (186,875)	Ps	Ps (24,808)	Ps 1,523,722
Recovery of asset tax			34,090			34,090
Tax charged or credited in the statement of income	(2,354)	(94,340)			(5,098)	(101,792)
	(2,354)	(94,340)	34,090		(5,098)	(67,702)
Balances at December 31, 2016	(33,930)	1,672,641	(152,785)		(29,906)	1,456,020
Recovery of asset tax			152,785			152,785
Initial recognition of Aerostar		203,512				203,512
Initial valuation in Aerostar investment		605,382				605,382
Net assets acquired under the business combination of Airplan		281,899				281,899
Effect of foreign currency translation Aerostar				35,117		35,117
Initial recognition of Airplan		356,296			223,289	579,585
Effect of foreign currency translation Airplan				7,458	4,922	12,380
		1,447,089	152,785	42,575	228,211	1,870,660
Tax charged or credited in the statement of income:						
Airplan		(6,191)			(3,146)	(9,337)
Aerostar		28,678				28,678
Mexico	(10,986)	(283,899)			(17,206)	(312,091)
	(10,986)	(261,412)			(20,352)	(292,750)
Balances at December 31, 2017	Ps (44,916)	Ps 2,858,318	Ps	Ps 42,575	Ps 177,953	Ps 3,033,930
Effect of foreign currency translation Airplan and Aerostar				20,427	(22,665)	(2,238)
				20,427	(22,665)	(2,238)
Tax charged or credited in the statement of income:						
Airplan	(2,468)	178,236		(1,433)	(171,354)	2,981
Aerostar		35,440		(1,561)		33,879
Mexico	10,510	7,755			(5,149)	13,116
	8,042	221,431		(2,994)	(176,503)	49,976
Balances at December 31, 2018	Ps (36,874)	Ps 3,079,749	Ps	Ps 60,008	Ps (21,215)	Ps 3,081,668

b. Return of Asset Tax (AT) in accordance with the Law on Flat Rate Business Tax (Flat Tax Law) [LIETU in Mexico].

AT in excess of IT effectively paid until December 31, 2007, (date on which AT was repealed) is subject to refund in accordance with the procedure established in the Flat Tax Law in the following ten periods up to 10% of the total AT paid and not yet recovered, without it exceeding the difference between the income tax paid in the period and the AT paid in the previous three years, whichever is lower, in accordance with the Flat Tax Law, when income tax incurred is higher than AT in any of those years, and it is subject to restatement through the application of National Consumer Price Index Mexican factors. The last year that the AT can be recovered is 2017.

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During fiscal years 2016, 2017 and 2018, the Company obtained the recovery of AT for Ps50,716, Ps211,675 and Ps89,365 respectively, with no recognition in the results of 2016 and recognition in the results of 2017 and 2018 as revenue Ps58,890 and Ps89,365, respectively.

In 2017 and 2018, AT of Ps932 respectively, was applied in the results for the period under income taxes in favor of some subsidiaries in which the tax will not be recoverable not in accordance with the procedure established in the Flat Tax Law, which establishes that the tax is recoverable gradually every year up to a maximum of 10% of the total AT paid in the 10 years prior to 2008.

Recoverable taxes

At December 31, 2018 and 2017, the tax credits are as follows:

		2017	December 31,	2018
Income tax	Ps	74,885	Ps	345,730
Asset tax		8,006		
	Ps	82,891	Ps	345,730

Aerostar Tax loss Carry forwards:

Aerostar had cumulative tax loss carry forwards whose right to be amortized against future taxable income expires as shown below:

Year of loss		Amount			Year of expiration
2012	USD	7,085	Ps	139,220	2022
2013		37,256		732,080	2023
2014		25,545		501,959	2024
2015		28,520		560,418	2025
2016		27,745		545,189	2026
2017		22,248		437,173	2027
2018		17,482		343,521	2028
Total	USD	165,881	Ps	3,259,560	



Temporal differences not recognized

Temporary difference related to investments in subsidiaries for which no liabilities have been recognized for deferred income tax:

Undistributed utilities	Ps	3,089,012
Tax rate		30%
Deferred income tax liabilities unrecognized with the previous temporary differences	Ps	926,704

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This tax could be subject to a more thorough revision, as well as the application of tax treaties existing in the countries of origin.

**Note 15 - Balances and transactions with related parties:****15.1) Balances receivable and payable**

At December 31, 2017 and 2018, respectively, the balances receivable from (payable to) related parties shown in the consolidated statement of financial position are comprised as follows:

	2017		2018	
Accounts receivable:				
Autobuses de Oriente ADO, S. A. de C. V. (Shareholder/services)	Ps	47	Ps	538
Autobuses Golfo Pacífico, S. A. de C. V. (Shareholder/services)		390		271
	Ps	437	Ps	809
(*) Accounts payable and accumulated expenses (Note 10):				
Inversiones y Técnicas Aeroportuarias, S. A. de C. V.				
(Shareholder/technical assistance)	Ps	(82,771)	Ps	(96,643)
Sociedad Operadora Airplan, S. A.				
(Shareholder/technical assistance)		(4,133)		
Lava Tap de Chiapas, S. A. de C. V.				
(Key Management personnel/services)		(1,047)		(689)
		(87,951)		(97,332)
Net				
	Ps	(87,514)	Ps	(96,523)

(\*) These are accounts with terms of less than one year under similar market conditions.

**15.2) Transactions with related parties**

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At December 31, 2016, 2017 and 2018, the transactions shown in the next page were held with related parties, which were set at the same prices and conditions as those that would have been used in comparable operations by third parties.

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	2016		2017		2018
<b>Commercial income:</b>					
Autobuses de Oriente, S. A. de C. V. (Stockholder)	Ps 9,615		Ps 11,770		Ps 14,455
Autobuses Golfo Pacífico, S. A. de C. V. (Stockholder)	5,947		6,382		7,014
Coordinados de México de Oriente, S. A. de C. V. (Stockholder)	134		139		150
<b>Interest income:</b>					
Aerostar (joint venture)	83,483		69,202		
<b>Expenses:</b>					
Stockholders:					
Technical assistance (Note 15.4)	(288,111)		(346,487)		(386,249)
Related parties:					
Administrative services					
Leasing	(4,825)		(5,019)		(5,232)
Cleaning services	(9,541)		(10,239)		(10,854)
Other	(2,473)		(598)		

**15.3) Compensation of key personnel**

Key personnel include directors, members of the Steering Committee, and Committees. In the years ended on December 31, 2016, 2017 and 2018, the Company granted the following benefits to the key Management personnel, the Steering Committee and the different Company Committees:

	2016		2017		2018
Short-term salaries and other benefits paid to key personnel (Note 18.17)					
(*)	Ps 40,062		Ps 84,642		Ps 119,202
Fees paid to the Board of Directors and Committees	4,766		4,974		8,695

(\*) In 2018, 2017 and 2016, includes cost of Ps53,268, Ps34,879, and Ps16,350 and Ps3,268, respectively by key personnel of directors of Aerostar and Airplan, who as of June 1, 2018 and October 19, 2017, respectively, were consolidated into the Company.

**15.4) Technical assistance agreement**

With regard to the sale of series BB shares to ITA held in 1998, the Company signed a technical assistance agreement with ITA, whereby the latter company and its stockholders agreed to provide management and consulting services and transfer knowledge and experience in the industry and technology to the Company in exchange for compensation.

The agreement is for an initial term of 15 years and renews automatically for subsequent five year periods, unless one of the parts issues the other a cancellation notice within a determined term prior to the programmed expiration date. The Company can only exercise its termination right through a resolution of the shareholders. ITA began to provide its services under said contract on April 19, 1999.

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In accordance with the contract, the Company agreed to pay an annual compensation equivalent to the higher of a fixed amount or 5% of the consolidated income of the Company before deducting the compensation for technical assistance and before the comprehensive financial result, income tax, depreciation and amortization, determined in accordance with financial reporting standards applicable in Mexico. Beginning in 2003, the minimum fixed amount is of USD2 million (Ps29.4 million pesos).

The minimum fixed amount will increase annually by the inflation rate of the United States plus the added value tax over the amount of the payment. The Company entered into an amendment agreement for technical assistance and transfer of knowledge, which establishes that the compensation will be paid on a quarterly basis beginning in January 1, 2008, and that such payments are to be deducted from the annual compensation.

At December 31, 2016, 2017 and 2018, the expenses for technical assistance amounted to Ps288,111, Ps346,487 and Ps386,249, respectively which are recorded in the consolidated comprehensive income statement within the aeronautical and non-aeronautical service cost line. ITA also has the right to refund the expenses incurred during the provision of the services specified in the agreement. The ITA series BB shares were put in a trust in order to ensure compliance with the technical assistance agreement, among other things.

**Note 16 - Commitments and contingencies:**Commitments

a. The Company began leasing office space on May 21, 2015, under an operating lease agreement. This agreement includes an available extension of 60 months. The monthly rent due is of USD21,547 (Ps11,855).

The total minimum future payments derived from the non-cancellable operating lease agreement that shall be covered in the future are as follows:

Up to one year	Ps	5,232
Between one and three years		10,464
Total	Ps	15,696

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At December 31, 2017 and 2018, the rent expense embedded within the aeronautical and non-aeronautical service cost in the statement of income, was approximately of Ps5,019 and Ps5,232, respectively.

b. On June 22, 2018, the Company received SCT approval for the PMDs for the five-year period from 2019 to 2023 in which the Company committed to carry out improvements.

At December 31, 2018, investment commitments for that PMD are as follows:

<b>Period</b>		<b>Amount</b>
2019	Ps	2,173,764
2020		5,108,847
2021		3,017,146
2022		1,816,852
2023		849,799
	Ps	12,966,408(1)

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(1) Figures in thousand pesos adjusted at December 31, 2018 based on the Construction Price Index (IPCO) in the terms of the PMD.

c. Pursuant to the terms for the purchase of the land in Huatulco that occurred in October 2008, the Company has the obligation to build 450 hotel rooms, for which purpose the Company will enter into agreements with third parties to develop the comprehensive tourism plan without a specific due date. At December 31, 2018, there is an indefinite extension to this commitment issued by FONATUR.

d. As part of the Concession Agreement, Aerostar has committed to fund and complete certain capital and repair projects with respect to the LMM Airport Facilities. The Company has no time restrictions to complete these projects, except that they must be made at any time during the term of the lease. As these projects are carried out, repairs will be recorded as expenses incurred or capitalized and depreciated according to their nature; consistent with the Company's accounting policies. Capital projects will be capitalized as part of an intangible concession improvement asset and will be amortized over their useful lives or the remaining life of the concession contract, whichever is less. These projects include: the relocation of certain inspection facilities, repairs and improvements to parking garages, road signage, roof repairs, repair of certain aerodrome concrete surfaces, air conditioning improvements, restroom remodeling, extended sidewalk areas, public address systems, security plans and inspection services capacity. These commitments were excluded from the liability for initial obligations assumed due to factors of uncertainty, the variability of future costs and the extended period of time in which commitments can be fulfilled.

e. On September 20, 2017, hurricane Maria made landfall on the island of Puerto Rico. Operations were suspended at the San Juan airport on the 19th and resumed in a limited manner on the 21st of the month. The damages to airport infrastructure have been evaluated by the Company to be approximately USD15 million, of which most have been disbursed at the reporting date and which amount will be recorded in the cost of services as incurred. The infrastructure has material damage insurance. Insurance worth Ps134,637 was recovered in 2018, and was recorded as other income under the consolidated statement of income. At the date of this report, the Company continues negotiating with the insurance companies for full recovery.

f. Under the Plan for the Refurbishment and Modernization of the Airplan Concession Contract, the concessionaire is currently committed to delivering the works known as Plataforma, Calle de Conexión y Bodegas del Terminal de Carga del Aeropuerto José María Córdova de Rionegro, which as agreed by the parties in Otrosí No. 18 of the Concession Contract, should have been delivered on December 15, 2018 and is still under construction. A time



extension was therefore requested for delivery of that works, which was granted via an amendment to the Concession Contract under Amendment No. 23 which extends the term for delivery of those works by 18 months as from December 15, 2018.

g. As concerns complementary works in addition to those specified in the Airplan Concession Contract (via Amendment No. 8 dated 2014), conclusion is still pending of the construction of the Módulos de Conexión Edificio Público and JMC flight works pertaining to one of the Connection modules known as Punto B. Due to technical difficulties, an order for suspension was issued and a new design was determined. Via amendment No. 22 to the Concession Contract dated April 4, 2018, the term for those works was extended by 541 days as from April 4, 2018 and the project is currently on track.

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Contingencies

As of December 31, 2017 and 2018, the Company has confirmed that the results of its lawsuits cannot be accurately predicted as their due processes are currently ongoing and there are not enough elements to determine whether they could largely affect the Company's financial position in the case of an adverse ruling.

a) The Company's transactions are subject to Mexican Federal and State Laws as well as the Puerto Rico and Colombia Law due to its subsidiaries out of Mexico.

b) At the time that the Company was carrying out the competitive bidding process for the sale of shares of the Airport Groups, the SCT established and communicated that concessionaires could amortize for tax purposes the value of the concession up to 15% a year. In February 2012, the SCT estimated an amount due payable by Cancún in the amount of Ps865 million pesos against the ruling in question, because it considered that the determination of the 15% amortization was not valid in 2006 and 2007. The Company disagreed with the decision and filed an appeal to overturn this determination. However, in order to adhere to the amnesty program set forth in Transitory Article Three of the new Income Law for 2013, the Company partially desisted from the appeal as it relates to the income tax obligation, but not in regards to the determination of the additional distribution related to employees' statutory profit sharing, which the Company continues to appeal. The risk is that if a judge does not rule in favor of Cancún the amount payable would be Ps116 million pesos.

c) There are currently a number of labor suits in progress against the Company, mainly in relation to involuntary termination. Any sentences that might be handed down not favoring the interests of the Company do not represent significant amounts. The Company is in legal proceedings at the date of this report and a resolution has not been issued yet. The total amount of those suits is approximately Ps20 million pesos.

d) On March 17, 2014, the Port Authority of Puerto Rico filed a lawsuit against Aerostar and two fuel sellers at the LMM airport claiming to be entitled to a fee charged to the fuel sellers of the airport and not to Aerostar. On November 7, 2018 the court ruled in favor of Aerostar in the sense that all revenues from the fuel sales fee are from Aerostar, but authorizes the Ports Authority to charge two cents of the fee per gallon charged to the fuel sellers. As of the date of this report, the judicial process continues.

**Note 17 - Basis for preparation:**

The accompanying consolidated financial statements at December 31, 2017 and 2018 have been prepared in accordance with the IFRS and their Interpretations (IFRIC) as issued by the International Accounting Standard Board (IASB).

**17.1) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis. Except for certain financial instruments measured at amortized cost or at their fair value as explained in the accounting policies described below.

The consolidated financial statements have been prepared under the going-concern basis.

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**17.2) Use of estimates and judgments**

The preparation of consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The areas involving a higher degree of judgment or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements, are described in Note 20.

Critical estimates and assumptions are reviewed regularly. Adjustments to the accounting estimates are recognized in the period in which the estimate is reviewed and in any future period affected.

**Note 18 - Summary of the main accounting policies:**

In the following section, we outline the main standards, interpretations or changes to existing standards in effect for the first time for the period beginning on January 1, 2018:

**18.1) New standards**

i. New standards and modifications adopted by the Company

The Company has applied the following standards and modifications for the first time for the annual reporting period beginning on January 1, 2018:

- IFRS 9 Financial Instruments

Since January 1, 2018, the Company has prospectively evaluated expected credit losses associated with its debt instruments at amortized cost. The impairment methodology applied depends on whether a significant increase in credit risk has arisen.

For accounts receivable, the Company applies the simplified method allowed by IFRS 9, which requires losses expected over the lifetime of the instrument to be recorded as from initial recognition of accounts receivable. See Note 6 for further details.

IFRS 9 replaces the provisions of International Accounting Standards (IAS) 39, which deals with recognition, classification and measurement of financial assets and financial liabilities, the disposal of financial instruments, the impairment of financial assets and accounting for coverage.

Adoption of IFRS 9 Financial Instruments as from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recorded in the financial statements. The new accounting policies are explained in Note 18.7. As specified in the transitory provisions of IFRS 9 (7.2.15) and (7.2.26), comparative figures were not restated.

The overall impact on the Group's retained earnings at January 1, 2018 was \$18,284 and is shown in Note 6.

- IFRS 15 Revenue from contracts with customers

See application concerning the standard in Note 3 for greater details.

- ii. New standards and interpretations not yet adopted

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A number of new standards and interpretations have been published which are not effective for reporting periods at December 31, 2018, and have not been applied in advance by the Company. Following is an explanation of the Company's evaluation of the impact of these new standards and interpretations:

- **IFRS 16 Leases**

Following is a list of the effects of new standards and amendments thereto issued by the IASB and applicable for annual periods starting on January 1, 2019 and subsequent periods.

IFRS 16 was issued by the IASB in January 2016 for accounting for leases. The standard replaced IAS 17. IFRS 16 eliminates the classification of leases as either financial or operating and requires recognition of a liability by reflecting future payments and an asset for right to use in most leases. The IASB has included certain exceptions for short-term leases and leases of low-value assets. The foregoing modifications are applicable to the lessee's accounting for leases, while rules for the lessor remain similar to those currently in effect.

The Company intends to apply the simplified transition approach as from January 1, 2019 and will not restate the comparative amounts for the year prior to that in which the standard is applied. All other right-of-use assets will be measured at the amount of the leasing liability in adoption of the new rules (adjusted for any leasing expenses accumulated or paid in advance). As concerns short-term leases and assets of little value, it will opt for the practical solution of excluding them from the analysis and recognizing them by the straight-line as expenses in the statement of comprehensive income.

The Company has determined that the effect will be minimum, since it holds only one operating lease contract, as detailed in Note 16(a). The foregoing will not affect the statement of financial position.

- **IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation explains how to record and measure current and deferred tax assets and liabilities when there is uncertainty concerning the tax treatment. In particular, it explains:

- How to determine the appropriate account unit and that each uncertain tax treatment should be considered separately or jointly as a group, depending on the focus that best predicts resolution of the uncertainty.
- That the entity must assume that the tax authorities will be examining the uncertain tax treatment and will have full knowledge of all related information, such as ignoring the risk of detection.
- That the entity must reflect the effect of the uncertainty in the accounting records for income tax when the tax authorities are unlikely to approve the treatment.
- That the impact of the uncertainty should be measured using the most likely figure or the expected value method, whichever best predicts resolution of the uncertainty, and
- That judgment and estimations must be freshly evaluated every time circumstances have changed or there is new information affecting resolutions.

Although there are no new disclosure requirements, entities are reminded of the general requirement to provide information on judgments and estimations applied when preparing the financial statements. The

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Company has evaluated the provisions of this standard and considers that it will not impact its financial figures. There are no other standards that have not yet gone into effect that could be expected to significantly impact the Company in current or future reporting periods and in foreseeable future transactions.

**18.2) Consolidation**

The Company's consolidated subsidiaries, all of them based in Mexico, in which it holds shares at December 31, 2017 and 2018 are as follows:

	Shareholding percentage (%)	Main activity
Aeropuerto de Cancún, S. A. de C. V. (*)(**)	100.00%	Airport services
Aeropuerto de Cozumel, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Mérida, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Huatulco, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Oaxaca, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Veracruz, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Villahermosa, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Tapachula, S. A. de C. V.	100.00%	Airport services
Aeropuerto de Minatitlán, S. A. de C. V.	100.00%	Airport services
Cancun Airport Services, S. A. de C. V. (***)	100.00%	Airport services
RH Asur, S. A. de C. V.	100.00%	Administrative services
Servicios Aeroportuarios del Sureste, S. A. de C. V.	100.00%	Administrative services
Asur FBO, S. A. de C. V. (***)	100.00%	Administrative services
Caribbean Logistics, S. A. de C. V. (***)	100.00%	Cargo services
Cargo RF, S. A. de C. V. (***)	100.00%	Cargo services

(\*) Cancún held a 50% of Aerostar until May 26, 2017, which was accounted as a joint venture. See Note 9. As of May 26, 2017, the Cancún acquired an additional 10% equity interest in Aerostar, As a result of this acquisition, the Company has a 60% shareholding and now controls Aerostar, therefore Aerostar is consolidated in the Company's financial statements.

(\*\*) Aeropuerto de Cancún, S. A. de C. V. acquired on October 19, 2017 a 92.42% and later in May 25, 2018 the 7.58% left to obtain the 100% equity interest in Sociedad Operadora de Aeropuertos Centro Norte, S. A. (Airplan), Company that holds the concession for the administration, operation, commercial exploitation, adaptation, modernization and maintenance of the Enrique Olaya Herrera in Medellín, José María Córdova in Rionegro, El



Caraño in Quibdó, Los Garzones in Montería, Antonio Roldán Betancourt in Carepa and Las Brujas in Corozal airports, and from that date, Airplan s results have been incorporated line-by-line into the Company s and Cancún Airport s financial statements.

(\*\*\*) These subsidiaries sub-consolidate at the Cancún Airport.

Aerostar records and reports its financial information on accounting principles in United States (US GAAP) and in USD. For purposes of consolidating Aerostar into the Company, a translations to Mexican pesos is performed and a reconciliation from US GAAP to IFRS is carried out. The exchange rate used at 2017 and 2018 year end was Ps19.66 and Ps19.65 Mexican pesos per dollar.

Airplan records and reports its financial information in IFRS as adopted in Colombia and their corresponding IFRIC issued by the IASB and in Colombian pesos. For purposes of consolidating Airplan

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into the Company, a translations to Mexican pesos is performed. The exchange rate used at 2017 and 2018 year end was Ps151.89 and Ps165.29 Colombian pesos per Mexican peso.

(a) **Subsidiaries**

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, revenues and expenses due to transactions between the group companies were eliminated. Non-realized results were also eliminated. The subsidiaries' accounting policies are consistent with the policies adopted by the Company. The Company uses the purchase method to recognize business acquisitions. The consideration for the acquisition of a subsidiary is determined based on the fair value of the net assets transferred, the liabilities assumed and the capital issued by the Company. The Company defines a business combination as a transaction in which it obtains control of a business, through which it has the power to govern and manage the relevant activities of the of assets and liabilities of said business with the purpose of providing return in the form of dividends, lower costs or other economic benefits directly to investors.

The consideration transferred in the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability that results from a contingent consideration agreement. The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value on the date of acquisition. The Company recognizes any non-controlling interest in the acquired entity based on the proportional part of the non-controlling interest in the net identifiable assets of the acquired entity.

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

Goodwill is initially measured as the excess of the consideration paid and the fair value of the non-controlling interest in the acquired subsidiary over the fair value of the identifiable net assets and the liabilities acquired. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary in the case of a purchase at a bargain price, the difference is recognized directly in the consolidated statement of income. If the business combination is reached in stages, the book value at the date of acquisition of the participation previously held by the Company in the acquired entity, is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recognized in the results of the year. At the date of the measurement made by the Management, a gain in business combination was determined for Ps7,029,200, which was reflected in the consolidated statement of comprehensive income.



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(b) Changes in the interests of subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, which are transactions with shareholders in their capacity as owners. The difference between the fair value of the consideration paid and the interest acquired in the carrying value of the net assets of the subsidiary is recorded in stockholders' equity. Gains or losses on the sale of non-controlling interests are also recorded in stockholders' equity.

(c) Disposal of subsidiaries

When the Company loses control over one entity, any retained interest in the entity is measured at fair value, recognizing the effect in income. Subsequently, the fair value is the initial carrying amount for the purpose of determining the retained interest as an associate, joint venture or financial asset, as appropriate. Additionally, the amounts previously recognized in Other Comprehensive Income (OCI) relating to those entities are canceled as though the Company had directly disposed of the related assets or liabilities. This means that the amounts previously recognized in OCI are reclassified to income for the period.

(d) Investment in joint ventures is accounted for under the equity method

The Company applied the guidance under IFRS 11 to the agreement entered into with Highstar for the operation of the LMM Airport through Aerostar as of the initial operation date of February 27, 2013 until May 30, 2017. Under IFRS 11, Joint arrangements' operations are classified as joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has evaluated the nature of its operations and has determined that it is a joint venture. Joint ventures are recorded by the equity method.

Under the equity method, the interest in the joint business is recognized initially at cost and it is subsequently adjusted to recognize the Company's interest in the earnings after the acquisition, or losses and movements in OCI. When the Company's interest in the losses of a joint business is the same as or higher than its interest in said business (which includes all long-term interest that forms part of the net investment of the Company in the joint venture), the Company does not recognize additional losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains from transactions carried out between the Company and the joint business are eliminated based on the percentage of the Company's interest in the joint businesses. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment in the transferred assets. The accounting policies for joint ventures have been changed when deemed necessary to guarantee adherence with the

policies adopted by the Company.

In accordance with IFRS 3 Business combinations, as of May 30, 2017 the acquisition is considered a business combination conducted in stages, which means that the fair value of interest previously acquired was also revalued.

### **18.3) Translation of foreign currencies**

#### **Functional currency and reporting currency**

Items included in the consolidated financial statements of each of the companies of the Company are measured in the currency of the primary economic environment in which the entity operates, i.e., its

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functional currency which is also the reporting currency. The consolidated financial statements are presented in (thousands of Mexican pesos), which is the Company's reporting currency.

**18.3.1) Consolidation of subsidiaries with a functional currency different from the reporting currency**

The results and financial position of Aerostar and Airplan (none of which handle a currency that corresponds to a hyperinflationary economy) expressed in a functional currency other than the reporting currency are converted to the reporting currency as follows.

- (i) The assets and liabilities recognized in the consolidated statement of financial position are translated at the exchange rate on the balance sheet date.
- (ii) The stockholders' equity in the consolidated statement of financial position is translated using the historical exchange rates.
- (iii) Income and expenses recognized in the consolidated statement of income are translated at the average exchange rate for each year (unless that average is not a reasonable approximation of the effect of translating the results derived from the exchange rates prevailing at transaction dates, in which case the Company uses the respective rates).
- (iv) The resulting exchange differences are recognized within OCI.

Goodwill and fair value adjustments that arise on the date of acquisition of a foreign operation to measure them at fair value are recognized as assets and liabilities of the foreign entity and are converted at the closing exchange rate.

**18.3.2) Transactions in foreign currency and results from exchange fluctuations**

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Operations carried out in foreign currency are recorded in the functional currency applying the exchange rates in effect at the transaction date or the exchange rate at the date of the valuation when the items are revalued.

Exchange differences arising from fluctuations in the exchange rates between the transactions and settlement dates, or the consolidated statement of financial position date, are recognized in the consolidated comprehensive income statement.

### **18.4) Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and other highly liquid investments with low risk of changes in value with original maturities of three months or less. As of December 31, 2017 and 2018, cash and cash equivalents consisted primarily of peso and dollar denominated bank deposits and peso denominated investment bonds issued by the Mexican Federal Government.

### **18.5) Fiduciary rights**

For the administration of the resources of the concession and the payment of the obligations in charge of Airplan a trust is constituted to which it transfers all the gross income received as remuneration of the contract and all the debt and capital resources obtained for the execution of the concession.

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**18.6) Restricted cash and cash equivalents**

Restricted cash includes cash and cash equivalents that are restricted in terms of withdrawal or use. The nature of the restrictions includes restrictions imposed by financing agreements, federal agency funds related to capital expenditures, for example, for purposes of Aerostar, PFC and Airport Improvement Program (AIP) or other reserves (for example, Fund for promotion and support of air travel). Aerostar have restricted cash Ps106,350 and Ps47,332 at December 31 , 2017 and 2018 , respectively. See note 5.1 and 9.

Restricted cash and cash equivalents is presented as current if it is expected to be used within twelve months of the filing date. Any restricted fund beyond twelve months is recorded as non-current. Restricted cash is presented in the consolidated statements of cash flows within the investments activities since it is related to the investment in airport infrastructure.

**18.7) Financial assets**

- Accounting policy applied up to December 31, 2017:

The Company has applied IFRS 9 following the practical file permitted since January 1, 2018, without adjusting comparative figures. As a result, the comparative information for the preceding period continues to be accounted for as per the accounting policy previously in effect, as described below:

a. Classification - Up to the accounting policy applied until December 31, 2017, the Company held only financial assets classified as loans and accounts receivable. Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Assets in this category are classified as current assets, unless they are expected to be collected after one year following the closing date, in which case, they are classified as non-current. Loans and accounts receivable are shown in the following captions of the statement of financial position: Accounts receivable and Cash and cash equivalents .

b. Impairment of financial assets - At the end of each year, the Company determines whether or not there is any objective evidence of impairment in each financial asset or group of financial assets. An impairment loss was recorded only when there was objective evidence of impairment as a result of one or more events occurred after initial



recognition of the asset ( loss event), when the impact of the loss event ( or events) could be reliably estimated on estimated future cash flows derived from the financial asset or group of financial assets. See Note 6 for further details.

- Accounting policy applied from January 1 to December 31, 2018

a. Classification - Beginning as from January 1, 2018, the Company classifies its financial assets as per the following measurement categories: a) those measured at amortized cost and b) those subsequently measured at fair value (either with changes in other comprehensive income or in income), not currently held by the Company. The classification depends on the business model of the entity used to handle its financial assets and the contractual features of cash flows. The Company reclassifies financial asset when, and only when, it changes its business model for managing those assets. Financial assets of the Company are measured at amortized costs since the contractual terms comply with the SPPI requirement (Integral Principal Payment Only), and the Company s business method is that of collect cash flows.

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b. Measurement - At initial recognition, financial assets at amortized cost are measured at fair value plus transaction costs directly attributable to their acquisition. The transaction costs of financial assets at fair value (with changes via income or OCI) are recorded in income at the time they arise. For assets measured at fair value, profits and losses are recorded in income and OCI. Financial assets with implicit derivatives are entirely considered when determining whether cash flows are merely payments of principal and interest. Accounts receivable are non-derivative financial assets with fixed or determined payments that are not traded in an active market. They are included as current assets, except for maturities of over 12 months after the date of the statement of financial position. They are classified as non-current assets. Loans and accounts receivable are initially valued at fair value, plus transaction costs incurred, and are subsequently recognized at amortized cost.

**18.8) Leasing**

**18.8.1) As lessor**

The leasing of terminal space made by the Company in its capacity as lessor at the terminals is documented by contracts with either fixed income or monthly fees based on the higher amount of a minimum monthly fee or a percentage of the lessee's monthly revenue.

Since the leased assets are part of the concession assets and thus do not belong to the Company, there is no transfer of the risks and rewards of ownership and therefore are classified as operating leases.

Revenues from operating leases are recognized as non-aeronautical revenues on a straight line basis over the lease term.

Property, plant and equipment leases in which Airplan holds substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalized at the beginning of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each financial lease payment is allocated between the liability and the financial costs. Financial lease obligations, net of the financial burden, are presented as debts (financial obligations), current or non-current, depending on whether or not payment maturities are below a 12-month period. Financial costs are charged to income for the year over the lease period so as to produce a periodic constant interest rate on the remaining balance of the liability for each period. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the useful life of the asset and the lease term.

**18.8.2) As lessee**

The leases in which a significant portion of the risk and rewards related to ownership are retained by the lessor are classified as operating leases. The payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income based on the straight-line method over the lease term.

**18.9) Land, furniture and equipment**

Furniture and equipment are recorded at cost less accumulated depreciation and impairment loss. The cost includes expenses directly attributable to the acquisition of those assets and all costs associated with placing the assets in the location and in the condition necessary for them to operate as intended by Management.

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Land is recorded at cost and it is not depreciated. Depreciation of other items of plant and equipment is calculated on the straight-line method based on the residual values over their estimated useful lives. The useful lives from the date of acquisition are 10 years. The useful lives at the acquisition date of the furniture and equipment are as shown below:

	2018 %	2017 %
Furniture equipment	10 to 20	10 to 20
Machinery	10 to 20	10 to 20
Computer equipment	33 to 20	33 to 20
Transportation equipment	20 to 25	20 to 25
Improvements to leased premises	10	10

The residual values, useful life and depreciation method are reviewed and adjusted, if necessary, on an annual basis.

**18.9.1) Land**

Land represents a territorial extension for which the Company has an obligation of constructing 450 hotel rooms along with the National Tourism Fund (FONATUR by its initials in Spanish) in Huatulco which are recorded at its cost and are not subject to depreciation. See Note 16c.

**18.10) Intangible assets****18.10.1) Concessions**

The airports that are part of the Company performed the analysis of the criteria that must be taken into account to know if they are within the scope of IFRIC 12:

- a. The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them at what price.

- The grantor does not need to have full price control; it is sufficient that the price is regulated by the grantor, the contract or the regulator,
  
  - The grantor can control the price through a limit mechanism,
  
  - The price can vary from fixed price arrangements to those based on a formula up to a maximum price.
- b. The grantor controls, through ownership, the right of benefits or otherwise, any significant residual interest in the infrastructure at the end of the term of the agreement.

Taking into consideration the foregoing, these criteria are applicable to each of the concessions that the Company has, which is why their measurement and determination will be considered within the scope of IFRIC 12. In addition, at the end of all the concessions, all assets become the property of the nation in which the concession is located.

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Within the scope of IFRIC 12, the respective assets can be classified as:

- Financial assets: when the licensor establishes an unconditional right to receive cash flows and other financial assets independently of the use of the public service by the users.
- Intangible assets: only when the licensor agreements do not establish a contractual right to receive cash flows and other financial assets from the licensor, independently of the use of the public service by the users. Airport concessions have been considered within the scope of IFRIC 12 as an intangible asset because they comply with the above provisions and no financial assets have been recognized in that regard.

Mexico:

Rights to use airport facilities and airport concessions include the acquisition of the nine airport concessions and the rights acquired.

Amortization is computed using the straight-line method over the estimated useful life of the concessions; (original term of 50 years as of November 1, 1998) which is 30 years as of December 31, 2018.

Aerostar:

The airport concession right, which includes certain capital expenditures in improvement projects, is recognized at cost less accumulated amortization and impairment losses.

Amortization is calculated using the straight-line method during the term of the agreement (40 years); 35 years as of December 31, 2018.

Airplan:

In the case of Airplan, the right granted by the Concession Contract No.8000011-OK and Public Tender No.10000001OL2010, respectively, is recorded as intangible, through which the grantors assign to the Company the regulated and unregulated income corresponding to each of the airports subject to the concession.

In turn, the costs per loan that are related to the works in execution are part of the intangible.

The intangible asset resulting from the recognition and updating of the estimated income of the contract is amortized based on the proportion of the accumulated income of the contract and the total income. Amortization is recognized in the results of the period.

The useful life for the amortization was determined as the duration of the concession and the amortization rate is calculated based on the percentage of execution of the revenues with respect to the total expected income of the financial model that the Company has. The minimum term of the concession is the year 2015; however, in accordance with the complementary works carried out and the measurement of the expected income against the income generated, the concession will have a useful life until the year 2032.

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**18.10.2) Licenses and commercial direct operation (ODC, by its initials in Spanish)**

These items are recognized at their cost less the accrued amortization and any recognized impairment losses. They are amortized on a straight line basis using their estimated useful life, determined based on the expected future economic benefits, and are subject to testing when indication of impairment is identified.

The estimated useful lives at December 31, 2018 are as follows:

Licenses	30 years
ODC	30 years
Commercial Right s of Aerostar	35 years
Commercial Right s of Airplan	14 years

**18.10.3) Goodwill**

Goodwill represents the acquisition cost of a subsidiary in excess of the Company s interest in the fair value of the identifiable net assets acquired, determined at the acquisition date, and it is not subject to amortization. Goodwill is shown separately in the consolidated statement of financial position and is recorded at cost less accumulated impairment losses, which are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**18.10.4) Intangible assets acquired as part of a business combination**

When an intangible asset is acquired as part of a business combination, it is recognized at fair value at acquisition date. Subsequently, intangible assets acquired in a business combination, such as commercial rights, are recognized at cost less the accumulated amortization and the accrued amount of impairment losses. See useful lives of these rights in Note 18.10.2.

**18.11) Impairment of long-term non-financial assets**



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Long-term non-financial assets subject to amortization or depreciation are subject to annual impairment tests or more frequently if there are events or circumstances that indicate that they might be affected. Other assets are subject to impairment tests when events or circumstances arise that indicate that their book value might not be recovered. Impairment losses correspond to the amounts where the book value of the asset exceeds their recoverable amount. The recoverable amount of assets is the higher of the fair value of the asset less the costs incurred for its sale and value in use. For impairment assessment purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows separately which are largely independent of the cash flows of other assets or the Company's assets (cash-generating units).

Non-financial assets are assessed at every reporting date in order to identify potential reversals of such impairment. At December 31, 2017, Management has identified in Aerostar events or circumstances that indicated that a portion of the book value of goodwill might not be recovered for Ps4,719,096. See Note 8.1

### **18.12) Accounts payable**

Accounts payable are liabilities with creditors for purchases of goods or services acquired during the regular course of the Company's operations. When payment is expected over a period of one year or less from the closing date, they are presented under current liabilities. If the foregoing is not complied with, they are presented under non-current liabilities.

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Accounts payable are initially recognized at their fair value and are subsequently measured at amortized cost using the effective interest method.

**18.13) Bank loans and long-term debt**

Loans from financial institutions are initially recognized at their fair value, net of transaction costs. Those funds are subsequently recorded at their amortized cost; any difference between the funds received (net of transaction costs) and the redemption value is recognized in the statement of income during the funding period using the effective interest method.

**18.13.1) Refinancing costs**

When loan contracts are altered, Management analyzes if the changes are substantial enough for the recognition of a new loan due to the invalidation of the old loan. If the changes are not substantial, the loan can be recorded as a renegotiation of the original loan. Depending on whether the loan should be cancelled and recognized as a new loan or classified as a renegotiation, the transaction costs have different treatments.

The costs incurred in commissions either from the start of an agreement or generated in the refinancing derived from the renegotiation of an indebtedness, are recorded in a prospective way in case is the alterations to a loan contract are not deemed an extinction of the original document, but it is determined that they are changes only to the conditions for the agreed flows at the beginning of the negotiation.

**18.13.2) Costs for loans**

Costs for specific and general loans directly attributable to the construction of qualifying assets are capitalized during the period of construction and preparation of the asset for its use. Qualifying assets are those that require a substantial period to be ready and able to be used (usually greater than one year). Financial revenues obtained from temporary investments made with money coming from specific loans that will be used for the construction of qualifying assets are decreased of financial costs eligible for capitalization.

The capitalization of costs for loans in foreign currency that generates interests and losses due to foreign exchange fluctuations, are only capitalized up to the amount of interest that would have been generated by loan in national currency, with similar conditions of time.

**18.14) Derecognition of financial liabilities**

The Company derecognizes its financial liabilities if, and only if, the obligations of the Company are met, are cancelled or if they expire.

**18.15) Provisions**

Liability provisions represent a present legal obligation or an assumed obligation as a result of past events, when the use of economic resources is likely in order to settle the obligation and when the amount can be reasonably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of expenses expected to cover the related obligation, using a pretax rate that reflects the actual considerations of the value of money market over time and the specific risks inherent in the obligation. The increase in the provision over time is recognized as an interest expense.

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When there are similar obligations, the likelihood of the outflow of economic resources for settling those obligations is determined considering them as a whole. In these cases, the provision thus estimated is recorded, provided the likelihood of the outflow of cash with respect to a specific item considered as a whole is remote.

**18.16) Deferred IT, and tax on dividends**

The expense for IT includes both the current tax and deferred taxes. Tax is recognized in the statement of income, except when it relates to items recognized directly in OCI or in stockholders' equity in which case, the tax is also recognized in OCI items or directly in stockholders' equity, respectively.

Deferred IT were recorded based on the comprehensive method of liabilities, which consists of recognizing deferred taxes on all temporary differences between the book and tax values of assets and liabilities to be materialized in the future at the enacted or substantially enacted tax rates in effect at the consolidated financial statement date. See Note 14.

Deferred tax assets are only recognized if future tax profits are expected to be incurred against which temporary differences can be offset.

Deferred tax assets and liabilities from the temporary differences arising from the investments in subsidiaries and joint businesses are recognized, except when the Company controls the reversal period for such temporary differences and it is likely that the temporary differences will not be reverted in the near future.

Deferred IT are offset when there is a legal right for each entity to offset current tax assets against current tax liabilities and when deferred IT assets and liabilities relate to the same tax authorities.

The credits for income taxes incurred is computed based on tax laws approved in Mexico at the date of the consolidated statement of financial position.

Current IT is made up of IT, which is recorded under income for the year in which it is incurred. The tax is based on taxable income.

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To determine the IT, the applicable rate in Mexico for 2018 and 2017 was 30%. The applicable rate for Airplan, according to Colombian legislation for 2018 and 2017 was 33% and 34% and the applicable rate for Aerostar, in accordance with Puerto Rico law for 2017 was 10%.

Aerostar and Airplan hold undistributed profits which, if paid as dividends, would require the beneficiaries to pay tax. There is a temporary taxable difference, but no deferred tax liability is recognized, as the Company as the controlling entity is capable of deciding the point at which the subsidiary should make distributions. It is not expected to distribute those benefits in the foreseeable future, because both companies would first have to pay off their bank or private debts before they can declare dividends.

### **18.17) Employee benefits**

The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using the interest rates of high-quality corporate bonds denominated in the same currency in which the benefits will be paid and that have expiration terms that are approximate the terms of the pension

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obligation. In those countries where there is no deep market for such bonds, interest rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. This cost is included in the expense for employee benefits in the consolidated statement of income.

Gains and losses for remeasurements derived from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur directly in OCI. They are included in the accumulated results in the statement of changes in stockholders' equity and in the consolidated statement of financial position.

Variations in the present value of the defined benefit obligation that result from modifications or reductions of the plan are recognized immediately in results as past service costs.

Termination benefits

Termination benefits are paid when the employment relationship ends before the normal retirement date or when an employee voluntarily accepts the termination in exchange for these benefits. The Group recognizes termination benefits on the first of the following dates: (a) it is committed to terminate the employment relationship of employees in accordance with a detailed formal plan without having the possibility of evading its obligation, and (b) when the entity recognizes restructuring costs in accordance with IAS 37 and involves payment of termination benefits. In the case of an offer that promotes voluntary termination, termination benefits are valued based on the expected number of employees accepting the offer. Benefits that mature 12 months after the reporting date are discounted to their present value. The charge to income for the years ended December 31, 2017 and 2018 was Ps1,984 and Ps1,595, respectively. See Note 4.

Short-term obligations

Salaries for wages and salaries, including non-monetary benefits and accumulated sick leave, which are expected to be fully settled within 12 months after the end of the period in which the employees provide the related service, are recognized in connection with the service of employees until the end of the period and are measured by the amounts that are expected to be paid when the liabilities are settled. Liabilities are presented as current obligations for employee benefits in the consolidated statement of financial position.

Share in profits

The Group recognizes a liability and an expense for profit sharing based on a calculation that takes into account the profit attributable to the shareholders of the Company after certain adjustments. The Group recognizes a provision when it is contractually bound or when there is a past practice that generates an implicit obligation.

**18.18) Stockholders equity**

Capital stock, capital reserves and retained earnings are expressed at their historical cost. The capital reserves consist of the legal reserve, the reserve to repurchase own shares, and the reserve to reflect the effect of translating foreign currency.

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**18.19) Basic and diluted earnings per share**

Basic earnings per share were computed by dividing income available to the stockholders (Ps4,987,601 and Ps5,834,484) by the weighted average number of shares outstanding in 2017 and 2018. The number of shares outstanding for the periods from January 1 to December 31, 2017 and 2018 was 300 million. The basic earnings share for the year ended as of December 31, 2017 and 2018 are expressed in pesos. As of December 31, 2017 and 2018, there were no outstanding dilutive instruments.

**18.20) Financial reporting by segments**

The segment financial information is presented in a manner that is consistent with the internal reporting provided to the General Directors in charge of making operational decisions, allocating resources and assessing the performance of the operating segments.

The Company determines and evaluates the performance of its airports on an individual basis, after allocating personnel costs and other costs of services, which are incurred by a Company's subsidiary which hires some of the Company's employees. The performance of these services is determined and assessed separately by Management. All the airports provide substantially the same services to their clients. The performance of (Services) is determined and evaluated separately by Management. All airports provide substantially the same services to their customers. Note 2 includes the financial information related to the Company's different segments, which includes Cancún and subsidiaries (Cancún), showing separately due to its importance Aerostar and Airplan, subsidiaries starting on May 26 and October 19, 2017, respectively, the Aeropuerto de Villahermosa (Villahermosa), the Aeropuerto de Mérida (Mérida) and Servicios Aeroportuarios del Sureste (Servicios). The financial information of the remaining six airports, of RH Asur, S. A. de C. V. and of the holding company (including the investment of the Company in its subsidiaries) has been grouped and is included in the Others column. The elimination of the investment of the Company in its subsidiaries is included in the Consolidation Adjustments column.

Resources are assigned to the segments based on the significance of each one to the Company's operations. Transactions among operating segments are recorded at their fair value.

As of May 26, 2017, Aerostar consolidates its shareholding as a subsidiary into the Company, increasing its shareholding from 50% to 60%, for which the recognition as joint venture was until May 26, 2017, and for the period from May 27 to December 31, 2017, consolidates Aerostar line by line into the Company's finances.

As of October 19, 2017, Airplan, S. A. consolidates as a subsidiary into the Company.



**18.21) Revenue recognition**

The accounting policies for the Company's revenue from contracts with customers are explained in Note 3.

With respect to the revenue presented in 2017, it is recognized and disclosed under the previous regulation, which was International Accounting Standard (IAS) 18 - Revenue, as described in the following paragraphs.

Revenue comprises the fair value of the consideration received or to be received for services rendered primarily in the ordinary course of the Company's business. Revenue is presented net of discounts, as well as the elimination of revenues for services between subsidiaries of the Company, as appropriate.

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The Company recognizes revenue when the amount of it can be valued with reliability, it is likely that the future economic benefits will flow to the entity and specific criteria have been met for each type of service of the Company.

Revenues are obtained from aeronautical services (which are generally related to the use of the airport infrastructure by airlines and passengers), non-aeronautical services and constructions services.

**Note 19 - Financial risk management:**

The Company is exposed to financial risks that result from changes in interest rates, foreign exchange rates, price risk, liquidity risk and credit risk. The Company controls and maintains the treasury control functions related to transactions and global financial risks through practices approved by its Executive Board and Board of Directors.

This note contains information regarding the Company's exposure to each of the aforementioned risks, and the objectives, policies and procedures to measure and manage risk.

The main risks to which the Company is exposed are:

- 19.1) Market risk
  - 19.1.1) Interest rate risk
  - 19.1.2) Exchange rate risk
  - 19.1.3) Price risk
- 19.2) Liquidity risk
- 19.3) Credit risk - credit quality

**19.1) Market risks**

**19.1.1) Interest rate risk**

The Company has contracted bank loans to partially finance its operations. These transactions expose the Company to interest risk, with the main exposure to the risk of variable interest rates resulting from changes in the market base rates (banks charge interest based on London Inter Bank Offered Rate (LIBOR) plus 1.85%) that are applied to the Company's bank loans maturing in 2022 and 2024.

As of the issuance of the consolidated financial statements in 2017 and 2018, the reference rate used by the Company, i.e., LIBOR, has remained stable. If the LIBOR rate increases or decreases by 2.59 percentage points, the effect on the consolidated statement of income would be an increase or decrease in income of approximately Ps1,476 in 2017. As of December 31, 2018, there are no LIBOR loans. Therefore risk is considered low, based on the materiality of the possible effect.

**19.1.2) Exchange rate risk**

The Company is exposed to minor risk for changes in the value of the Mexican Peso against the U. S. Dollar. Historically, a significant portion of income generated by the Company (mainly derived from the fees charged to international passengers) are denominated in U. S. Dollars, and despite that, income is invoiced in Pesos at the average exchange rate of the previous month and likewise the cash flows are collected in Pesos. At December 31, 2017 and 2018, the Company is exposed to exchange rate risk for monetary position, as shown in the next page:

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	December 31,			
	2017		2018	
Monetary position:				
Asset	USD	50,905	USD	45,003
Liability		(148,417)		(3,149)
	USD	(97,512)	USD	41,854

At December 31, 2017 and 2018, the exchange rate was Ps19.66 and Ps19.65, respectively. Had the currency weakened by 10% in 2017 and 5% in 2018 with respect to the U.S. Dollar, the Company would have had a profit (loss) on monetary position at the close in the amount of Ps192 in 2017 and Ps41.1 in 2018. As of April 12, 2019, the exchange rate was Ps18.76.

**19.1.3) Price risk**

The rate regulation system applicable to the airports of the Company imposes maximum rates for each airport, which should not be exceeded on an annual basis. The maximum rates are the maximum annual income per unit of traffic (one passenger or 100 kg of cargo). If the maximum annual rate is exceeded, the government authorities could revoke one or more of the Company's concessions.

The Company monitors and adjusts its income on a regular basis in order for its annual invoicing not to exceed the maximum rate limits.

## Concentrations:

At December 31, 2017 and 2018, approximately 59.09% and 51.07%, of revenue, not including income from construction services, resulted from operations at the Cancún International Airport.

**19.2) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its funding requirements. The Company's Management has established policies, procedures and limits of authority that govern the Treasury function. Treasury is responsible for ensuring liquidity and managing the working capital to ensure payments to suppliers, debt servicing and funding of operating costs and expenses.

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The following table presents the analysis of the net financial liabilities of the Company based on the period between the date of the statement of consolidated financial position and the maturity date. The amounts presented in the table reflect the undiscounted cash flows, including contractual interest:

<b>At December 31, 2017</b>	<b>Under 3 months</b>	<b>Between 3 months and one year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>
Bank loans and interest	Ps 177,080	Ps 606,433	Ps 880,357	Ps 12,146,826
Long-term debt	337,107	317,789	633,140	11,442,620
Suppliers	428,881			
Accounts payable and accrued expenses	1,175,306			

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<b>At December 31, 2018</b>	<b>Under 3 months</b>	<b>Between 3 months and one year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>
Bank loans and interest	Ps 14,506	Ps 161,009	Ps 212,959	Ps 6,829,639
Long-term debt	119,680	204,910	208,027	6,749,651
Suppliers	313,577			
Accounts payable and accrued expenses	1,557,847			

The following table shows the Company's short-term liquidity as of:

		<b>December 31,</b>		
		<b>2017</b>		<b>2018</b>
Current assets	Ps	5,787,862	Ps	6,000,912
Current liabilities		2,408,649		2,408,222
Short term position (liquidity)	Ps	3,379,213	Ps	3,592,690

**19.3) Credit risk - credit quality**

The financial instruments that are potentially subject to credit risks consist mainly of accounts receivable. Income obtained from fares charged to passengers is not guaranteed and therefore the Company faces the risk of not being able to collect the full amounts invoiced in the event of insolvency of its clients, which are the airlines.

In recent years, some airlines have reported substantial losses, and the income resulting from fares imposed to passengers coming from the main client airlines are not all guaranteed through bonds or other types of guarantees. Therefore, in the event of insolvency of any of the airlines, the Company would have no certainty of recovering the total sum of amounts invoiced to the airlines for passenger fees. In August 2010, Grupo Mexicana filed for bankruptcy. Grupo Mexicana owes the Company Ps128 million pesos for passenger fees. As a result of Grupo Mexicana's bankruptcy, the Company has increased its reserve for uncollectable accounts by Ps128 million pesos. The Company has determined that it may not be able to collect that amount from Grupo Mexicana.

The Company operates under three methods to collect from airlines:

- a. Credit, mainly offered to airlines with which there is a history of frequent and stable flights,

b. Advances, from airlines with reasonably stable flights or that are in the exploration stage of routes or destinations, and

c. Cash, mainly offered for Charter flights and airlines with new flights.

With this segregation, the Company reduces its collection risk since the airlines that operate under methods b) and c) do not generate accounts receivable.

Cash and cash equivalents are not subject to credit risks since the amounts are kept at financial institutions of good standing, and investments are subject to lower significant risk as they are being backed by the Mexican Federal Government or institutions with AAA high market ratings.

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**19.4) Capital management**

The objective of Management is to safeguard the Company's ability to continue operating as a going-concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

These activities are monitored through the review of information pertaining to the Company's operation and the Industry. This effort is coordinated by the CEO. Through a planning method, detailed simulations are formulated of identified risks as they are known. The risks identified are valued in terms of probability and impact and are presented to the proper authorities. The result of all these activities is reported to the market through 20-F reports, the sole circular and quarterly reports by a financial risk analysis committee that reports to Company's Board of Directors.

**19.5) Fair value**

Financial instruments at fair value, presented by levels, in accordance with the valuation method used are included in levels 1 and 2. At December 31, 2017 and 2018, the Company has no financial instruments carried at fair value.

The different levels have been defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for instruments, identical or similar, in non-active markets and valuations through models where all significant data are observable in the active markets.

Level 3: Asset or liability input that is not based on observable market data (i.e., non-observable).



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The fair value of financial instruments traded in active markets is based on market prices quoted at the consolidated statement of financial position closing date. A market is considered active if quotation prices are clearly and regularly available through a stock exchange, trader, dealer, industry group, price fixing services, or regulatory agency, and those prices reflect regularly and on current bases the market transactions under independent conditions. The quoted price used for the financial assets held by Company s is the current offer price.

### **Note 20 - Critical accounting judgments and key sources of estimation uncertainty:**

In applying the Company s accounting policies, which are described below, Company Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

#### Critical accounting judgments

Significant information on assumptions, critical judgments and uncertainty estimations recognized in the consolidated financial statements are as follows:

20.1 Revenue

20.2 Deferred taxes, assets and liabilities

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20.3 Reserve for doubtful accounts

20.4 Commercial services revenues from leased locales

20.5 Useful life of the Airplan concession

20.6 Evaluation of impairment of goodwill

**20.1 Revenue**

As described in Note 19.1.3, Management regularly monitors and adjusts income so as to avoid exceeding the maximum rate at each of the airports operated by the Company in Mexico, which is the annual maximum income per traffic unit that can be received, and therefore the amount that the Company can record for services rendered whose prices are regulated.

If the Company recognized income exceeding that maximum rate, the authorities could cancel one or more of Company's airport concessions. Therefore, Management regularly monitors regulated income in Mexico to ensure it does not exceed the limit. The application of the procedure established in the concession titles for determining maximum rates and securing the necessary information are complex procedures. Among the information used in determining the maximum rate is passenger traffic and cargo statistics, in addition to variables such as the National Producer Price Index (excluding oil), authorized rates for airport services and the Rate for Airport Use.

**20.2 Deferred taxes, assets and liabilities**

The Company recognizes deferred tax assets and liabilities based on the differences between the financial statement basis and the tax bases of assets and liabilities. In order to determine the basis of deferred income tax, taxable income projections are prepared to evaluate whether the legal entity will be subject to income tax.

The determination of the income tax provision requires calculations and interpretation and application of complex tax laws. Those calculations are used to assess the period and method of recovery of favorable tax balances.

Management has determined deferred taxes based on approved tax rates that are in line with its expectation of the form of realization of such items. See Note 18.16. Management's expectation could be affected by the main detailed items described in Note 14.

**20.3 Reserve for doubtful accounts**

The Company carries out constant evaluations of the credits made to its clients and adjusts the credit limits based on the payment history of its clients as well as on the credit's current value. It continuously monitors collections and payments of its clients, thus preventing estimated credit losses based on its experience and losses from collection to the client that has been identified. Although those credit losses have been historically within expectations, as well as within the reserve created to prevent them, it cannot be guaranteed that the Company will continue experiencing the same credit losses that it had in the past. See Notes 6 and 18.7.

The Company conducts a sensitivity analysis to determine the degree to which possible changes to the assumptions used in determining whether or not the amount calculated of the reserve would be significantly affected. Management has concluded that percentage used to determine the reserve is the most sensitive assumption and therefore, if said percentage were to show an increase or decrease of 15%, it would have no

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significant effect, since this would represent Ps29 positive or negative in 2017 and Ps24 positive or negative in 2018.

As required by IFRS 9, the Company applies a sensitivity analysis by client in order to determine the level of possible expected losses for the following 12-month period, or the amount representing the entire cash flow not expected to be received during the entire lifetime of the financial instrument related to possible events of default over the following 12 months as from the reporting date and evaluation of significant increases in credit risk, which involves identifying possible events of noncompliance, including those that have not occurred: such as events that can be directly related to the account receivable from the client, or to macroeconomic variables not related to a group of assets, such as market indicators.

**20.4 Commercial services revenues from leased locales**

Lease revenues are accrued monthly, and they are determined by applying a percentage on real sales revenues of the lessors (share) or a minimum agreed upon amount. Both are set forth in the respective lease agreements. For the year ended on December 31, 2017, the Company performed an estimate for the last days of the month to determine the monthly percentage of the share. Management compared the estimated bases with the real billing to conclude that there were no significant differences. As for the year ended December 31, 2018, the Company recognized the accrued revenue based on the total days of the month and did not perform any estimate.

**20.5 Useful life of the Airplan concession**

The term of execution of the contract extends from the date of signing of the act of commencement of execution until the date on which one of any of the following events occurs:

- That the regulated revenues generated are equal to the expected regulated revenues, provided that by that time 15 years have elapsed.
- That 25 years have elapsed since the date of execution of the execution start certificate, regardless of whether, at the time, the regulated revenues generated have not matched the value of the expected regulated revenues.

- If the regulated income generated equals the expected regulated income before 15 years have elapsed from the date of execution of the certificate of execution, the duration of the execution of the contract will be, in any case, 15 years.

It must be taken into account, for purposes of the regulated revenues expected according to the definition of the concession contract, that the expected regulated revenue will increase once each of the complementary works (mandatory or voluntary) is delivered to the grantor.

The useful life for the amortization was determined as the duration of the concession and the amortization is calculated on a linear basis based on the years in which the recovery of the expected income of the financial model held by the Company is expected. The minimum term of the concession is the year 2022; however, in accordance with the complementary works carried out and the measurement of the expected income against the income generated, the concession will have a useful life until the year 2032.

The Company conducts sensitivity analysis to determine the level of possible changes in the assumptions used to determine the useful life of the concession. Management has concluded that the percentage used to determine the growth of income is the most sensitive assumption and therefore, any 3% increase or

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decrease in that percentage would modify the useful life of the concession either increasing or decreasing it in two years. At December 31, 2018 the expected total revenues considering the additional works amount to Ps23,474,154.

**20.6 Evaluation of impairment of goodwill**

Goodwill is evaluated for impairment annually whenever events or changes in circumstances indicate that there is impairment in the book value of appreciation including changes in tourist preferences, in the economic situation and in security levels in the different countries or other factors affecting passengers making use of our airports. In order to determine whether there is impairment in the value of goodwill, the cash generating unit to which goodwill has been assigned should be evaluated using present value techniques. When applying that valuation technique, the Company employs a series of factors which include historical income, business plans, forecasts and market data. The foregoing is described in greater detail in Note 8.1. Accordingly, changes in the conditions of these judgments and estimations can significantly affect the evaluated value of appreciation.

**Note 21 - Consolidated statements of cash flows:**

As of December 31, 2017 and 2018, the analysis of net debt and movements in net debt is presented below:

	Long-term Debt		Bank Loans	
	2017	2018	2017	2018
Accounts payable	\$ 340,288	\$ 324,590		
Bank loans (Note 11)			173,471	175,515
Bank loans (Note 11)			10,321,382	7,042,598
Long-term debt (Note 12)	7,149,177	6,957,678		
Balances at December 31	\$ 7,489,465	\$ 7,282,268	\$ 10,494,853	\$ 7,218,113
Balances at January 1 of net debt	\$	\$ 7,489,465	\$ 4,460,776	\$ 10,494,853
Acquisition of Aerostar and Airplan	7,182,963		3,424,717	
Interest expense	295,834	475,110	322,996	696,641
Proceeds from bank loans			8,000,000	
Interest paid	(277,068)	(646,418)	(351,152)	(492,653)
Payments of the long-term debt and bank loan	(102,907)		(5,339,338)	(3,090,124)
Foreign currency translation	390,643	(35,889)	217,385	(166,301)
Exchange (income) / loss on foreign currency			(240,531)	(224,303)

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Balances at December 31	\$	7,489,465	\$	7,282,268	\$	10,494,853	\$	7,218,113
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**Note 22 - Authorization of the consolidated financial statements:**

The consolidated financial statements and their twenty one notes are an integral part of the consolidated financial statements, which were approved for their issuance on April 25, 2019 by Mr. Adolfo Castro Rivas, Chief Executive Officer of Grupo Aeroportuario del Sureste, S. A. B. de C. V. and by the Audit Committee.