

SOUTHEAST AIRPORT GROUP

Form 20-F

April 26, 2018

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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, 2017**

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 México, D.F.**

**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 México, D.F.

México

Telephone: + 52 55 5284 0408

[acaastro@asur.com.mx](mailto: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,	New York Stock Exchange, Inc.
each representing ten shares	

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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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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

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

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Section 13(a) of the Exchange Act.

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, 2017 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.19.640 to U.S.\$1.00, the exchange rate for pesos on December 29, 2017 as published by the U.S. Federal Reserve Board. On April 13, 2018, the noon buying rate for Mexican pesos, as published by the U.S. Federal Reserve Board was Ps.18.080 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.

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,

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2013. On May 26, 2017, we acquired an additional 10.0% interest in our former joint venture, Aerostar Airport Holdings, LLC, 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.

**Consolidated Income Statement Data:**

## Revenues:

Aeronautical services(3)	Ps. 3,076,737	Ps. 3,319,672	Ps. 3,921,949	Ps. 4,532,194	Ps. 6,484,219	U.S.\$ 330,154
Non-aeronautical services(4)	1,782,753	1,979,717	2,491,941	3,104,343	4,261,383	216,975
Construction services(5)	586,596	579,774	2,580,707	2,116,954	1,844,216	93,901
Total revenues	5,446,086	5,879,163	8,994,597	9,753,491	12,589,818	641,030
Operating expenses:						
Cost of services	(995,157)	(1,081,376)	(1,144,327)	(1,336,385)	(2,309,625)	(117,598)
Construction expenses	(586,596)	(579,774)	(2,580,707)	(2,116,954)	(1,898,550)	(96,668)
Administrative expenses	(178,560)	(170,231)	(196,990)	(204,843)	(204,418)	(10,408)
Technical assistance fee(6)	(173,259)	(190,419)	(239,175)	(288,111)	(346,487)	(17,642)
Government concession fee(7)	(223,132)	(242,165)	(291,505)	(344,939)	(468,695)	(23,864)
Depreciation and amortization	(418,273)	(454,265)	(468,996)	(529,660)	(1,166,114)	(59,374)
Goodwill impairment(8)					(4,719,096)	(240,280)
Net comprehensive financing	18,641	(114,977)	(109,963)	(45,469)	(231,834)	(11,804)
Interest income	136,043	121,369	155,718	184,569	245,787	12,515
Interest expense	(76,291)	(81,814)	(97,017)	(126,186)	(618,831)	(31,509)
Exchange gain	150,239	205,798	379,741	738,648	761,782	38,787
Exchange loss	(191,350)	(360,330)	(548,405)	(842,500)	(620,572)	(31,597)
Participation in the results of joint ventures(9)	(143,452)	36,448	50,923	144,248	112,345	5,720
Gain from business combination					7,029,200	357,902
Income before taxes	2,746,298	3,082,404	4,013,857	5,031,378	8,386,544	427,014
Provision for taxes	(449,425)	(798,681)	(1,100,122)	(1,402,116)	(1,636,379)	(83,319)
Net income	2,296,873	2,283,723	2,913,735	3,629,262	6,750,165	343,695
Net income for the year attributable to controlling interest					5,834,484	297,072
Non-controlling interest					915,681	46,623
Basic and diluted earnings per share(10)	7.66	7.61	9.71	12.10	19.45	1.0
Basic and diluted earnings per ADS(11)	76.56	76.12	97.13	120.98	194.50	10.0
Dividends per share(12)	Ps. 8.40	Ps. 5.10	Ps. 5.10	5.60	6.16	0.31

**Other Operating Data:**

Total passengers (thousands of passengers)	21,079.66	23,157.56	26,140.99	28,407.05	37,534	37,534
Colombia(13)					1,906	1,906
Mexico	21,079.66	23,157.56	26,140.99	28,407.05	31,053	31,053
Puerto Rico(14)					4,575	4,575

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Total air traffic movements (thousands of movements)	267.2	290.3	302.90	316.24	328.8	328.8
Colombia						
Mexico	267.2	290.3	302.9	316.24	328.8	328.8
Puerto Rico						
Total revenues per passenger	258.4	253.9	344.10	343.30	335.4	17.0
Colombia					252.9	13.0
Mexico	258.4	253.9	344.1	343.3	341.7	17.0
Puerto Rico					327.3	17.0

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	As of and for the year ended December 31,					
	2013	2014	2015	2016	2017	
<b>Consolidated Balance Sheet Data:</b>						
Cash and cash equivalents	Ps. 1,259,562	Ps. 2,855,362	Ps. 2,084,160	Ps. 3,497,635	Ps. 4,677,454	US \$ 238,160
Total current assets	2,554,114	3,903,916	2,985,529	4,233,018	5,787,862	294,698
Account receivable from joint venture	1,348,555	1,567,608	1,851,423	1,886,546		
Investments in joint venture accounted for by the equity method	1,400,957	1,621,028	1,944,708	2,489,302		
Intangible assets, airport concessions and goodwill - Net	15,790,796	16,509,356	19,022,311	20,284,126	50,353,003	2,563,798
Total assets	21,416,494	23,924,521	26,125,884	29,216,091	56,614,103	2,882,592
Current liabilities	667,968	401,643	506,695	593,183	2,408,649	122,640
Total liabilities	5,132,278	5,173,425	5,717,833	6,462,137	22,925,802	1,167,302
Capital stock	7,767,276	7,767,276	7,767,276	7,767,276	7,767,276	395,482
Net equity/stockholders equity	16,284,216	18,751,096	20,408,051	22,753,954	33,688,301	1,715,290
<b>Consolidated Cash Flow Data:</b>						
Cash flow provided by operating activities	2,378,276	2,709,001	3,653,577	4,509,387	6,031,135	307,084
Cash flow generated (used) in financing activities	(77,340)	(98,482)	(1,627,017)	(1,789,873)	81,533	4,151
Cash flows used in investing activities	(3,308,039)	(1,034,945)	(2,816,554)	(1,366,696)	(4,961,153)	(252,604)
(Decrease) Increase in cash and cash equivalents	(1,007,103)	1,575,574	(789,994)	1,352,818	1,151,515	58,631

(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 19.640 per U.S. dollar, the Federal Reserve Board exchange rate for Mexican pesos at December 29, 2017. 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, evaluated along the percentage of completion method. 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.

(9) 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.

(10) Shares outstanding for all periods presented were 300,000,000.

(11) Based on the ratio of 10 Series B shares per ADS.

(12) Dollar amounts per share were U.S.\$0.567 in 2013, U.S.\$0.297 in 2015, U.S.\$0.2716 in 2016 and U.S.\$0.3136 in 2017, and per ADS were U.S.\$5.673 in 2013, U.S.\$2.965 in 2015, U.S.\$2.716 in 2016 and U.S.\$3.136 in 2017. No dividends were distributed in 2014. Per share dollar amounts are expressed in dollars (not thousands of dollars).

(13) We began to consolidate the results of our Colombian airports as of October 19, 2017.

(14) We began to consolidate the results of Aerostar as of June 1, 2017.

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The following table sets forth, for the periods indicated, the high, low, average and period-end, free-market exchange rate expressed in Mexican pesos per U.S. dollar. The average annual rates presented in the following table were calculated using the average of the exchange rates on the last day of each month during the relevant period. The data provided in this table is based on the rates published by the U.S. Federal Reserve Board in its H. 10 Weekly Release of Foreign Exchange Rates. We have not restated the rates in constant currency units. All amounts are stated in Mexican pesos. We make no representation that the Mexican peso amounts referred to in this annual report could have been or could be converted into U.S. dollars at any particular rate or at all.

Year Ended December 31,	Exchange Rate				Average(1)
	High	Low	Period End		
2013	13.43	11.98	13.10	12.76	
2014	14.79	12.85	14.75	13.30	
2015	17.36	14.56	17.20	15.87	
2016	20.87	17.20	20.62	18.67	
2017	21.89	17.48	19.64	18.88	
October 2017	19.18	18.21	19.13	18.82	
November 2017	19.26	18.51	18.63	18.93	
December 2017	19.73	18.62	19.64	19.18	
2018					
January 2018	19.48	18.49	18.62	18.91	
February 2018	18.90	18.36	18.81	18.65	
March 2018	18.86	18.17	18.17	18.59	
April 2018(2)	18.33	18.08	18.08	18.21	

(1) Average of month-end rates or daily rates, as applicable.

(2) Through April 13, 2018.

Source: Federal Reserve Board H.10 Weekly Release.

Except for the period from September through December 1982, during a liquidity crisis, the Mexican Central Bank has consistently made foreign currency available to Mexican private-sector entities (such as us) to meet their foreign currency obligations. Nevertheless, in the event of renewed shortages of foreign currency, there can be no assurance that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations or to import goods could be purchased in the open market without substantial additional cost.

Fluctuations in the exchange rate between the Mexican peso and the U.S. dollar will affect the U.S. dollar value of securities traded on the Mexican Stock Exchange, and, as a result, will likely affect the market price of the ADSs. Such fluctuations will also affect the U.S. dollar conversion by the depositary of any cash dividends paid in pesos.

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On December 29, 2017, the U.S. Federal Reserve Board noon buying rate was Ps.19.640 per U.S.\$1.00. On April 13, 2018, the noon buying rate for pesos, as published by the U.S. Federal Reserve Board was Ps.18.080 per U.S.\$1.00.

For a discussion of the effects of fluctuations in the exchange rates between the Mexican peso and the U.S. dollar, see Item 10. **Additional Information Exchange Controls.**

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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 Cancún and Cozumel airports were closed for 62 hours and 42 hours, respectively, and airport operations were disrupted for several weeks thereafter. 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. During the fourth quarter of 2005, our passenger traffic decreased 33.1% relative to the same period in 2004 at our Mexican airports, reflecting the decline in passenger traffic due to Hurricane Wilma. Tourism in Cancún and the Mayan Riviera has by now largely recovered from Hurricane Wilma. Although tourism declined substantially in Cozumel after Hurricane Wilma in 2005, the numbers of tourists and cruise passengers visiting Cozumel have since increased.

On September 20, 2017, Hurricane María struck Puerto Rico, damaging Luis Muñoz Marín International Airport ( 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 quarter of 2017, our passenger traffic in Puerto Rico decreased 5.5% relative to the same period in 2016. Our passenger traffic in Puerto Rico also decreased 25.4%





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in October 2017, 31.9% in November 2017, and 23.9% in December relative to the same periods in 2016.

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 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.

*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 2015 and 2016, 61.1% and 61.1%, respectively, of the international passengers in our Mexican airports arrived or departed on flights originating in or departing to the United States. In 2017, 60.2% of the international passengers in our Mexican airports arrived or departed on flights originating in or departing to the United States. 56.9% and 55.9% of our revenues from Mexican passenger charges in 2015 and 2016, respectively, were derived from charges imposed on international passengers. In 2017, 55.6% of our revenues from Mexican passenger charges were derived from charges imposed on international passengers. Similarly, in 2015 and 2016, 44.7% and 45.6%, respectively, of passengers in our Mexican airports traveled on Mexican domestic flights. In 2017, 46.1% of passengers in our Mexican airports traveled on Mexican domestic flights. 43.1% and 44.1% of our revenues from Mexican passenger charges in 2015 and 2016, respectively, were derived from Mexican domestic passenger charges. In 2017, 44.4% of our revenues from

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Mexican passenger charges 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 international passengers in our Colombian airports to decline. In 2017, 43.0% of our revenues from Colombian passenger charges were derived from Colombian domestic passenger charges.

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 2016, Mexican domestic passenger traffic increased 10.9% from 2015. In 2017, Mexican domestic passenger traffic increased 10.4% from 2016. 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 9.9%, 13.6% and 14.1% increases in Mexican domestic passenger traffic in 2015, 2016 and 2017, 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

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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. It is uncertain what the impact of 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 (Aerostar), 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 the 2016 presidential and congressional elections 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 2017, with a high of U.S.\$1.99 per gallon on September 1, 2017 and a low of U.S.\$1.24 per gallon on June 23, 2017, according to the Energy Information Administration of the U.S. Department of Energy. As of April 16, 2018, the U.S. Gulf Coast spot price for jet fuel was U.S.\$2.013 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

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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.

*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 2017, the International Air Transport Association, or IATA, issued its 2018 financial forecast for the global commercial airline industry, estimating net post-tax profits of about U.S.\$38.4 billion, due to a rise in jet fuel prices and rise in unit costs. The forecast also indicated that net profit margins were expected to slightly increase to 4.7% in 2018.

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 (previously American Airlines and US Airways) (which accounted for 10.2% of our revenues in 2015, 10.4% in 2016 and 10.9% in 2017), United Airlines (previously United Airlines and Continental Airlines) (which accounted for 9.1% of our revenues in 2015, 10.1% in 2016 and 10.5% in 2017) and Interjet (which accounted for 10.0% of our revenues in 2015, 8.9% of our revenues in 2016 and 8.7% of our revenues in 2017).

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, and Mexicana Click and Mexicana Link filed for bankruptcy protection on September 7, 2010. Since Grupo Mexicana ceased operations, 100% of the routes that it flew have been taken over by other airlines, and passenger traffic levels at our airports have increased. 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.

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, 2018. With respect to our Colombian airports, our subsidiary Sociedad Operadora de Aeropuertos Centro Norte S.A. (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 and will expire between 2019 and 2032. As of December 31, 2017, seven airlines at our Colombian airports were subject to such tariffs: Avianca, Iberia, LATAM, Avior, Aeroméxico, Satena and Viva Colombia.

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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. As of April 10, 2018, however, our appeal is still pending resolution with respect to the mandatory employee statutory profit sharing regime established by Mexican federal labor laws. 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. 4.0%, 4.6% and 2.9% of the passengers that traveled through our airports traveled on flights to or from the United States operated by Mexican airlines in 2015, 2016 and 2017, 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 2017, Ps.8,786.4 million (including construction services) or 70.2% of our revenues were derived from operations at Cancún International Airport. During 2015, 2016 and 2017, Cancún International Airport represented 75.0%, 75.4% and 76.0%, respectively, of our passenger traffic and 53.3%, 54.4% and 55.1%, respectively, of our air traffic movements. 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, 2017, we had U.S.\$145.0 million in outstanding indebtedness, consisting in part of loans obtained by our Cancún airport subsidiary on February 15, 2013 and whose maturity was extended on November 16, 2017. The outstanding indebtedness is charged interest at a rate based on the one-month London Interbank Offered Rate ( LIBOR ) plus a margin ranging from 175 to 185 basis points. LIBOR fluctuates on a regular basis. Any increased interest expense associated with increases in interest rates affects our ability to service our debt absent the benefit from any hedging arrangements. All of our current U.S. dollar-denominated debt is un-hedged. Accordingly, an increase in the prevailing LIBOR 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.

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*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.

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 2017, passenger charges represented 39.2% 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





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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 2017 and 2018, we carry a U.S.\$181.3 million and U.S.\$0.08 million insurance policy for our Colombian airports and Puerto Rico airport, respectively. 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 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.

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*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 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.

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

In 2015, 2016 and 2017, 67.4%, 65.0% and 62.4%, 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. Furthermore, construction of a new international airport in Mexico City began in 2015 to replace Mexico City International Airport, which is currently operating at full capacity. Construction on that new airport is expected to be completed in 2020 and result in a modern facility with six runways and the capacity to handle approximately 120 million passengers annually, or four times the passenger volume of the 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 in the future. In 2017, overall Mexican domestic passenger traffic to and from Mexico City decreased 2.6%.

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 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 1.5% of Mexican domestic passengers traveling through our airports in 2015, 1.2% in 2016 and decreased to 0.9% of Mexican domestic passengers in 2017.

In 2017, 52.5% 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.

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*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 12.8% of our revenues in 2017, 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 14.6% of our total accounts receivable as of December 31, 2017. 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, 2017), resulting events 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



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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., (or 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, Remer Soluciones a la Inversión, S.A. de C.V. ( Remer Soluciones ), 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 Remer Soluciones, 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 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

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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 and Puerto Rico 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 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, 2018. 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

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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 our 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.

Our acquisition of a controlling stake in Oriente is still pending regulatory approval. Oriente has concessions to operate the following airports in Colombia: the Simón Bolívar International Airport in Santa Marta, the Almirante Padilla Airport in Riohacha, the Alfonso López Pumarejo Airport in Valledupar, the Camilo Daza International Airport in Cúcuta, the Palonegro International Airport in Bucaramanga and the Yariguíes Airport in Barrancabermeja. We own approximately 92.42% of the capital stock of Airplan. If the acquisition of Oriente is consummated, we will own approximately 97.26% of the capital stock of Oriente.

We purchased the interest in Airplan for an aggregate price of approximately U.S.\$194.5 million (Ps.3,819.9 million at an exchange rate of Ps.19.64 as of December 29, 2017), 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 *Tasa de Interés Intercambiable de Equilibrio*, or Interbank Equilibrium Interest Rate ( TIIE ) 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. In light of the pending regulatory approvals of the acquisition of Oriente, we and Oriente have agreed to make commercially reasonable efforts to obtain the pending approvals, and, if successful, to negotiate in good faith an adjustment to the purchase price.

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



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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 restrict our ability to incur debt in the future, which could in turn limit our ability to pursue other business opportunities. 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.

*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 have 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

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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 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.

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**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, 2018. 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.

*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, 2018, 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.

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*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 new law grants broader powers to the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) or COFECE, including the abilities to regulate essential facilities, order the divestment of assets and eliminate barriers to competition in order to promote access to the market. The new law 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 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. 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.

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*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 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.

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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 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 2015, 2016 and 2017, 43.6%, 46.5% and 50.1%, 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 2017, 51.8% of our total revenues were earned from aeronautical services, which were subject to regulation under our maximum rates in

Mexico. These regulations may limit our flexibility in operating our

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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 2017, 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.

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.



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*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. From December 31, 2016 to December 31, 2017, the peso appreciated by 4.8%, from Ps.20.62 per U.S.\$1.00 on December 31, 2016 to Ps.19.64 per U.S.\$1.00 on December 29, 2017. For a detailed description of historical exchange rates, see Item 3. Key Information Exchange Rates. 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 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

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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.

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.

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**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 2017, the peso appreciated 4.8% against the U.S. dollar. From 2013 to 2016, 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.

As of December 31, 2017, 45.2% of our liabilities (approximately U.S.\$148.4 million) were dollar-denominated. These liabilities consist of U.S.\$145.0 million outstanding under a U.S.\$145.0 million credit facility with BBVA Bancomer and Merrill Lynch, which is denominated in U.S. dollars and which matures in 2022, and U.S.\$3.4 million in trade and other payables. Although we currently intend to fund the investments required by our business strategy through cash flow from operations and from peso-denominated borrowings, 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, 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

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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 2017, Mexican GDP increased 2.3% and inflation increased to 6.7%, its highest level in 16 years.

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.

After 12 years of government control by the National Action Party ( PAN ), the candidate for president of the Institutional Revolutionary Party ( PRI ), Enrique Peña Nieto, won the presidential election in 2012. Mr. Peña Nieto took over the presidency at a time when Mexico's economy was improving and he promised to continue improving the economy, generate growth and employment, and contain drug related violence and crime. However, we cannot assure you that the current or any future administration will maintain business friendly and open market economic policies and policies that stimulate economic growth and social stability. In 2013, Mexican congress passed an energy reform plan, opening the doors of the state-controlled energy industry to foreign investment, and a comprehensive tax reform plan. Any further changes in the Mexican economy or the Mexican government's economic policies may have a negative effect on our business, financial condition and results of operations. In addition, because no single party currently has a clear majority in congress, government gridlock and political uncertainty may occur. National presidential and legislative elections are set to take place on July 1, 2018. A change in leadership and party control could result in economic or political conditions in Mexico that could materially impact our operations. We cannot provide any assurances that political or social developments in Mexico, over which we have no control, will not have an adverse effect on Mexico's economic situation and on our business, results of operations, financial condition and ability to repay our indebtedness. Finally, we cannot provide any assurances that the government will successfully contain drug related violence and crime. If media outlets continue to report an increase in the level of drug-related violence in Mexico, the desirability of the locations in which we operate as tourist destinations can be affected, which could have a material adverse effect on our business, results of operations, prospects and financial condition.

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Mexico will hold presidential and congressional elections on July 1, 2018. The present frontrunner, Andrés Manuel López Obrador, has campaigned as a left-wing populist, promising to take a harder line with the United States and the Trump Administration. If Mr. López Obrador is elected, relations between the United States and Mexico could deteriorate, leading to reduced cooperation on border security, trade and immigration. Such restrictions could have a material adverse effect on our results of operations.

López Obrador has also promised to eliminate the new, larger Mexico City airport, construction on which began in 2015, that is expected to be completed in 2020 to replace Mexico City International Airport. Our Mexican domestic passenger traffic is highly dependent upon the operations of the Mexico City International Airport. We cannot assure you that any uncertainty surrounding construction of the new Mexico City airport will not adversely affect the operations of the Mexico City International Airport.

*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. Further, President Trump has expressed intentions to increase enforcement efforts in connection

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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 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 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.

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



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*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. The Colombian government is currently in negotiations for a peace agreement with the National Liberation Army, the second-largest guerilla group in the country, though negotiations with the group have been suspended at least two times by the government as a result of criminal activities perpetrated against the civilian population. 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.

Finally, Colombian presidential elections are expected to take place in May 2018, and could lead to uncertainty surrounding 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.

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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. Ineval 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.

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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 2017 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

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expired in 2013, and is automatically renewed for successive five-year terms, unless one party provides the other a notice of termination within a specified period prior to a scheduled expiration date. The agreement was automatically renewed on December 18, 2013. Although Copenhagen Airports A/S ( Copenhagen Airports ) sold its stake



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in ITA to Mr. Chico 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 2017, 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 2015, 2016 and 2017, the technical assistance costs were Ps.239.2 million, Ps.288.1 million and Ps.346.5 million, respectively, greater than the fixed cost of Ps.48.6 million, Ps.60.0 million and Ps.58.3 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 Remer Soluciones, 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 ) (now 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. In light of such purchase, Remer Soluciones 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, Condumex, Grupo Carso, Sanborns Hermanos, Sears Roebuck de México, Grupo Posadas de México and Grupo Saltillo.

**Investment in Luis Muñoz Marín International Airport ( LMM 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 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.

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**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 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 the stake in Airplan. Our acquisition of a controlling stake in Oriente is still pending regulatory approval. 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.

Oriente has concessions to operate the following airports in Colombia: the Simón Bolívar International Airport in Santa Marta, the Almirante Padilla Airport in Riohacha, the Alfonso López Pumarejo Airport in Valledupar, the Camilo Daza International Airport in Cúcuta, the Palonegro International Airport in Bucaramanga and the Yariguíes Airport in Barrancabermeja. We own approximately 92.42% of the capital stock of Airplan. If the acquisition of Oriente is consummated, we will own approximately 97.26% of the capital stock of Oriente.

We purchased the interest in Airplan for an aggregate price of approximately U.S.\$194.5 million (Ps.3,819.9 million at an exchange rate of Ps.19.64 as of December 29, 2017), 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.

The agreements to purchase the interest in Oriente remain subject to regulatory approval by Colombian aviation authorities, including the National Infrastructure Agency (*Agencia Nacional de Infraestructura*), which grants airport concessions, and the Public Establishment of Olaya Herrera Airport (*Establecimiento Público de Aeropuerto Olaya Herrera*). In light of the pending regulatory approvals of the acquisition of Oriente, we and Oriente have agreed to make commercially reasonable efforts to obtain the pending approvals, and, if successful, to negotiate in good faith an adjustment to the purchase price.

**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

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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 December 2013, the Ministry of Communications and Transportation approved each of our current updated master development plans. These plans are in effect from January 1, 2014 to December 31, 2018.

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	Committed Investments					Totals
	2014	2015	Year ended December 31,		2018	
	(millions of constant Mexican pesos as of December 31, 2017)(1)					
Cancún	1,017.2(2)	2,870.1(2)	1,805.7(2)	1,099.5(2)	275.8(2)	7,068.3(2)
Cozumel	31.4	77.2	27.9	77.9	7.5	221.9
Huatulco	68.8	69.5	7.5	9.6	8.2	163.6
Mérida	83.3	230.7	113.6	49.2	5.0	481.8
Minatitlán	52.4	31.0	13.0	2.4	5.2	104.0
Oaxaca	11.5	36.5	46.9	16.8	7.4	119.1
Tapachula	18.2	32.2	3.0	5.4	9.9	68.7
Veracruz	251.0	225.3	9.8	7.8	6.8	500.7
Villahermosa	45.0	62.3	65.4	7.1	14.8	194.6
<b>Total</b>	<b>1,578.8</b>	<b>3,634.8</b>	<b>2,092.8</b>	<b>1,275.7</b>	<b>340.6</b>	<b>8,922.7</b>

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

(2) As of December 31, 2017, we have invested Ps.1,288.1 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, 2014 December 31, 2018	January 1, 2019 December 31, 2023	January 1, 2024 December 31, 2028	
	(millions of constant Mexican pesos as of December 31, 2017)(1)			
Cancún	7,068.3(2)	1,845.1		1,708.7
Cozumel	221.9	78.0		163.8
Huatulco	163.6	184.9		119.7
Mérida	481.8	201.6		132.6
Minatitlán	104.0	38.4		82.1
Oaxaca	119.1	133.7		107.6

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Tapachula	68.7	46.4	77.8
Veracruz	500.7	140.8	163.4
Villahermosa	194.6	130.9	168.9
<b>Total</b>	<b>8,922.7</b>	<b>2,799.8</b>	<b>2,724.6</b>

- 
- (1) Based on the Mexican construction price index in accordance with the terms of our master development plan.
- (2) As of December 31, 2017, we have invested Ps.1,288.1 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 2017 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 Sociedad Operadora de Aeropuertos Centro Norte, S.A. ( 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 39 million visitors in 2017, according to the Mexican Ministry of Tourism. Within Latin America and the Caribbean, Mexico ranked first in 2017 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 2017, according to the Mexican Ministry of Tourism. Cancún International Airport represented 75.0%, 75.4% and 76.0% of our Mexican passenger traffic volume and 77.5%, 82.7% and 82.8% of our Mexican revenues in 2015, 2016 and 2017, respectively. As of December 31, 2017, Cancún had 33,543 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 37,714 hotel rooms as of December 31, 2017.

Our Mexican airports served approximately 26.1 million passengers in 2015, approximately 28.4 million passengers in 2016 and approximately 31.1 million passengers in





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2017. 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 2015, 2016 and 2017, international passengers represented 55.3%, 54.4% and 53.9%, respectively, of the total passenger traffic volume in our Mexican airports. In 2015, 2016 and 2017, 61.1%, 61.1% and 60.2%, respectively, of the international passengers in our Mexican airports traveled on flights originating in or departing to the United States. As of December 31, 2017, nine Mexican and 66 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.

		2015	Year Ended December 31, 2016	2017
			(thousands of Mexican pesos)	
<b>Revenues:</b>				
Aeronautical Services	Ps.	3,921,949	Ps. 4,532,194	5,319,484
Non-Aeronautical Services		2,491,941	3,104,343	3,709,722
Construction Services		2,580,707	2,116,954	1,580,997
<b>Total</b>	<b>Ps.</b>	<b>8,994,597</b>	<b>9,753,491</b>	<b>10,610,203</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 2015, 2016 and 2017, 43.6%, 46.5% and 51.8% 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 March 2018, 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.\$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 March 2018, the charge for Mexican domestic passengers was Ps.139.65, Ps.150.00, Ps.336.21, Ps.323.28, Ps.387.93, Ps.405.17, Ps.366.38, Ps.297.41 and Ps.275.86 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 2015, 2016 and 2017, passenger charges at our Mexican airports represented 80.2%, 79.2% and 68.1%, respectively, of our aeronautical revenues and 35.0%, 36.8% and 35.3%, respectively, of our total consolidated revenues. From time to time, including in 2017, 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 2015, 2016 and 2017, 24.6%, 28.4% and 31.0% of our consolidated revenues, respectively, were derived from commercial revenues from our Mexican airports as defined under the Mexican Airport Law.

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.

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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. Within our nine Mexican airports, we leased 735 commercial premises through 342 contracts with tenants as of December 31, 2017, 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 2017 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 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.

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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 airports if there is no third party providing such services. Administradora Especializada is currently the sole provider of baggage handling services at all of our Mexican airports except for Tapachula and Minatitlán Airports, whose provider is Estrategia Especializada en Negocios, S.A. de C.V. If Administradora Especializada ceased to provide such services directly, we could be required to provide these services or find a third party to provide them.

*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. The concession agreements in Cancún will expire in May 2020. The concession agreements at the other airports will expire between 2018 and 2019.

*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 25, 2018, no third-party service providers are currently selling fuel at any of our Mexican airports.

*Our Mexican Airports*

In 2017, our Mexican airports served a total of 31.1 million passengers, 53.9% of which were international passengers. In 2017, Cancún International Airport accounted for 76.0% of our Mexican passenger traffic volume and 82.8% of our consolidated Mexican revenues.



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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 2017
	2013	2014	2015	2016	2017	
Mexico(2)	9,718	10,664	12,061	13,330	14,755	47.5%
United States	6,801	7,646	8,836	9,441	10,087	32.5%
Canada	1,685	1,883	1,995	2,071	2,244	7.2%
Europe	1,790	1,704	1,690	1,764	1,912	6.2%
Latin America	1,085	1,260	1,559	1,801	2,055	6.6%
Asia and others	1	0	0	0	0	0%
<b>Total</b>	<b>21,080</b>	<b>23,157</b>	<b>26,141</b>	<b>28,407</b>	<b>31,053</b>	<b>100%</b>

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

(2) Figures include domestic flights taken by international passengers; in 2017, such flights accounted for 2.7% of all flights traveling within Mexico to our airports.

In 2015, 2016 and 2017, 67.4%, 65.0% and 62.4%, 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)

	Year ended December 31,				
	2013	2014	2015	2016	2017
Passengers:					
<b>Total</b>	<b>21,079.6</b>	<b>23,157.6</b>	<b>26,141.0</b>	<b>28,407.0</b>	<b>31,052.6</b>
Air traffic movements:					
<b>Total</b>	<b>267.2</b>	<b>290.3</b>	<b>302.9</b>	<b>316.2</b>	<b>328.8</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,				
	2013	2014	2015	2016	2017
Cancún	15,962.2	17,455.4	19,596.5	21,415.8	23,601.5
Mérida	1,316.2	1,437.0	1,663.6	1,944.8	2,148.5
Villahermosa	1,014.4	1,121.4	1,273.1	1,240.8	1,260.3
Veracruz	1,010.8	1,157.5	1,249.9	1,315.9	1,368.0
Oaxaca	510.3	542.3	663.2	746.9	862.3
Huatulco	484.6	519.6	618.8	662.8	776.6
Cozumel	449.9	514.5	553.8	538.1	541.6
Minatitlán	174.9	234.7	256.4	233.2	201.2
Tapachula	156.3	175.2	265.7	308.8	292.6
<b>Total</b>	<b>21,079.6</b>	<b>23,157.6</b>	<b>26,141.0</b>	<b>28,407.1</b>	<b>31,052.6</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,				
	2013	2014	2015	2016	2017
Cancún	135,800	146,238	161,381	171,979	181,105
Veracruz	32,435	33,233	30,172	27,528	24,659
Mérida	27,842	31,731	33,340	37,050	43,362
Villahermosa	22,017	25,096	22,564	21,615	21,372
Oaxaca	14,529	15,267	15,249	17,312	19,276
Cozumel	13,865	14,866	16,321	15,858	15,092
Tapachula	7,728	8,657	8,989	9,373	9,749
Huatulco	6,846	7,774	8,268	8,892	9,486
Minatitlán	6,100	7,418	6,615	6,631	4,747
<b>Total</b>	<b>267,162</b>	<b>290,280</b>	<b>302,899</b>	<b>316,238</b>	<b>328,848</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**

	2013	2014	Year ended December 31, 2015	2016	2017
Commercial Aviation	216,594	236,741	248,213	264,293	277,504
Charter Aviation	9,540	6,970	8,142	5,895	3,323
General Aviation(1)	41,028	46,569	46,544	46,050	48,021
<b>Total</b>	<b>267,162</b>	<b>290,280</b>	<b>302,899</b>	<b>316,238</b>	<b>328,848</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 2017, Cancún International Airport was the second busiest airport in Mexico in terms of passenger traffic and the first 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 826,495. A substantial majority of the airport's international passengers (60.7% in 2015, 61.0% in 2016 and 60.1% in 2017) began or ended their travel in the United States. The airport's most important points of origin and destination are Mexico City, Monterrey, Guadalajara, Atlanta, Toronto 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 2017, approximately 23.6 million passengers traveled through Cancún International Airport, principally through Terminal 2 and Terminal 3, which was opened in May 2007. 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 2017, according to the Mexican Ministry of Tourism. According to the Mexican National Trust for Tourist Development, the Cancún area had 33,543 hotel rooms as of December 31, 2017. 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 71,257 hotel rooms as of December 31, 2017.

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 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 building that handles private aircraft. The airport has 67 gates, 38 of which

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are accessible by passenger walkways. Terminal 1 has seven contact gates, Terminal 2 has nine gates accessible by passenger walkways, three contact gates and 11 remote gates, Terminal 3 has 17 boarding gates accessible by passenger walkways and six remote gates and Terminal 4 has 12 boarding gates accessible by passenger walkways and 2 remote gates. The airport has 483 retail outlets located throughout Terminals 1, 2, 3 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 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.). As of February 15, 2018, we charge taxis and passenger vans an access fee of Ps.22.41, and buses an access fee of Ps.39.66, upon entering the airport.

*Mérida International Airport*

Mérida International Airport serves the inland city of Mérida, which has a population of 919,177, and surrounding areas in the state of Yucatán. Mérida International Airport ranked second among our Mexican airports in 2017 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 2017, approximately 2.2 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 2015, 2016 and 2017, 19,094, 19,127 and 20,264 metric tons of cargo, respectively, were transported through Mérida International Airport, making it our leading airport in terms of cargo volume. In 2015, 2016 and 2017, Mérida represented 36.9%, 35.6% and 33.8%, respectively, of our total cargo volume. We have considered opportunities for further developing the Mérida cargo facilities, but we have no plans to pursue such opportunities at this time.





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There are currently 53 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 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. The delivery of an additional 34,500 thousand square meters of the leased area and the remainder of a building leased to customs agents remains pending. We expect to receive the remaining area in spring 2018.

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 2017, 541,598 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 3.4 million, 3.6 million and 4.1 million cruise ship visitors in 2015, 2016 and 2017, 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 95,668.

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 9,831 square meters (approximately 105.8 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 718,561. 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 2017, the airport served approximately 1.3 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.



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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 103.2 thousand square feet), representing an increase of 77.0%. There are currently 38 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 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.

***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 334,802. The airport served 862,286 passengers in 2017, 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.

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 530,477. Veracruz is one of the busiest ports in Mexico, accounting for 14.6% 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 9.0% of all waterborne cargo handled by Mexican ports in 2017. In 2017, the airport served approximately 1.4 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 point of origin and destination is Mexico City.

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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

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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 40 businesses operating at Veracruz International Airport.

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 43,810, and was first developed as a tourist resort in the late 1980s. The airport served 776,632 passengers in 2017, most of which were domestic. The substantial majority of the airport's passengers are international tourists, although many arrive through domestic flights and are thus classified as domestic. The airport's most important points of origin and destination are Mexico City and Toronto.

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 239,531, and the state of Chiapas. In 2017, the airport served 292,592 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 15 businesses operating at Tapachula International Airport.



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***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 metropolitan area comprised of these three cities has a population of 115,831. In 2017, the airport served 201,219 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 16 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, 2017, 79 international airlines and 62 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.

ABC Aerolíneas, S.A. de C.V. ( 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 2017, American Airlines (previously American Airlines and U.S. Airways) and United Airlines (previously





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United Airlines and Continental Airlines) accounted for 10.9% and 10.5%, respectively, of our revenues.

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, 2015, 2016 and 2017:

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

<b>Customer</b>	<b>Percentage of ASUR Mexico Revenues</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
American Airlines	10.2%	10.4%	10.9%
United Airlines, Inc.	9.1%	10.1%	10.5%
ABC Aerolíneas S.A. de C.V. (Interjet)	10.0%	8.9%	8.7%
Delta Air Lines Inc.	5.7%	6.5%	8.0%
Concesionaria Vuela Compañía de Aviación SAPI de CV (Volaris)	7.7%	7.4%	6.7%
Aeroenlaces Nacionales, S. A. de C. V. (Viva Aerobus)	6.0%	6.1%	6.7%
Aerolitoral, S. A. de C. V. (Aeroméxico Connect)	5.9%	6.2%	5.6%
Aerovías de México, S. A. de C. V. (Aeroméxico)	7.2%	6.3%	5.2%
Southwest Airlines Co.	2.8%	3.3%	4.4%
Other	35.3%	34.7%	33.3%
<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

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ASUR, participated in the bidding process. On January 31, 2011, the COFECE issued an 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 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.

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 4.0% 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 13th largest medium hub facility and the 43rd largest airport in the United States by the FAA based on number of enplanements, as of December 31, 2017. According to the Puerto Rico Ports Authority, in 2015, 2016 and 2017, approximately 8.8 million, 9.0 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

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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.

The LMM Airport has the 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.

**Principal Air Traffic Customers of LMM Airport**

As of December 31, 2017, 19 domestic and 24 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, 2017, scheduled passenger air services at LMM Airport were provided by 39 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, 2017. Starting June 1, 2017, we began to consolidate Aerostar's results into our financial statements.

**Principal Air Traffic Customers of LMM Airport**

<b>Customer</b>	<b>Percentage of ASUR Puerto Rico Revenues Year Ended December 31, 2017</b>
JetBlue Airways	29%
American Airlines	15%
Southwest Airlines	9%
Delta Air Lines Inc.	7%
United Airlines	6%
Seaborne Virgin Islands	4%

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Copa Airlines	3%
Fedex	3%
Spirit Airlines	2%
Other	25%
<b>Total</b>	<b>100.0%</b>

On September 20, 2017, Hurricane María 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

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quarter of 2017, passenger traffic in Puerto Rico decreased 5.5% relative to the same period in 2016. Passenger traffic in Puerto Rico also decreased 25.4% in October 2017, 31.9% in November 2017, and 23.9% in December 2017 relative to the same periods in 2016.

In 2017, passengers at LMM Airport traveling to and from the mainland United States represented 83.0% 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.

In May 2017, Highstar 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. 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 addition, Highstar 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 San Juan, Puerto Rico 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 been consulted as to any transferee becoming a member of Aerostar, (iii) the transferee (a) may

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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 92.42% of the capital stock, holds concessions to administer, operate, develop and maintain six airports in Colombia through 2048. The other holders of the stock of Airplan are entitled under Colombian law to participate in the dividends and other distributions made by Airplan, but are not otherwise entitled to participate in the governance of the company. 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 5.8 million international visitors in 2017, a 31.3% increase compared to the same period in 2016, 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 9.2 million passengers in 2015, approximately 10.2 million passengers in 2016 and approximately 10 million passengers in 2017. For year-by-year passenger figures, see Our Colombian Airports.

### **Aeronautical Services**

### **General**

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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 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*)

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*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 (*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 Airport apply the same international passenger charge. International passenger charges are U.S. dollar-denominated. As of January 15, 2018, the charge for international passengers was U.S.\$39.00 for the José María Córdova and Enrique Olaya Herrera Airports. Colombian domestic passenger charges are Colombian peso-denominated. As of January 15, 2018, the charge for Colombian domestic passengers was COP\$15,800.00, COP\$20,000.00, COP\$15,800.00, COP\$15,800.00, COP\$ 7,900.00 and COP\$7,900.00 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.

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**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.

*Commercial Activities*

Within our six Colombian airports, we leased 718 commercial premises through 468 contracts with local tenants as of December 31, 2017. Our most important tenants in terms of occupied space and revenue in 2017 were Marketmedios Comunicaciones S.A., Aerovías del Continente Americano S.A., Organización Terpel S.A., LASA S.A. - Sociedad de Apoyo Aeronáutico, Terraire S.A., Tampa Cargo S.A., Fast Colombia S.A., Empresa Aérea de Servicios y Facilitación Logística Integral S.A. EasyFly, UETA Inc. Sucursal Colombia and IMC Airport Shoppes SAS.

*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 and Carepa airports. Public parking is provided through a third party at the José María Córdova Airport in Rionegro. 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 Aerocivil. We do not charge parking fees at Corozal and Quibdó Airports.

*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*

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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

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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 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 2017, our Colombian airports served a total of 10.0 million passengers. In 2017, José María Córdova International Airport accounted for 73.0% of our passenger traffic and 81.0% 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, 2017, 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, Cali, Barranquilla, San Andrés, Miami, Santa Marta, Montería and Fort Lauderdale. During 2017, approximately 7.3 million passengers traveled through José María Córdova International Airport, including 1.4 million international passengers and 5.9 million domestic passengers.





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

City	Year ended December 31, (in thousands)		
	2015	2016	2017
Panama City	440.5	468.8	497.0
Miami	220.6	236.5	279.7
Fort Lauderdale	175.3	163.0	159.6
Madrid	51.6	71.8	105.0
Mexico City	47.0	60.5	72.2
Other	220.4	277.9	192.0
<b>Total</b>	<b>1,155.4</b>	<b>1,278.5</b>	<b>1,305.5</b>

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 Airport by flight origin or destination.

City	Year ended December 31, (in thousands)		
	2015	2016	2017
Bogotá	3,397.0	3,545.4	3,555.4
Cartagena	587.4	683.3	714.2
Cali	487.1	585.4	429.5
San Andrés	275.2	311.5	334.5
Barranquilla	318.5	352.5	299.6
Santa Marta	225.5	266.7	257.4
Other	246.2	271.6	302.5
<b>Total</b>	<b>5,536.9</b>	<b>6,016.4</b>	<b>5,893.1</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 376 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 2017, approximately 1.05 million passengers traveled through Enrique Olaya Herrera Airport.



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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 Enrique Olaya Herrera Airport by flight origin or destination.

City	Year ended December 31, (in thousands)		
	2015	2016	2017
Quibdó	238.8	249.5	222.8
Apartadó	190.7	180.3	172.4
Bogotá	117.8	113.1	117.5
Montería	111.0	105.4	89.2
Pereira	78.1	90.8	80.8
Bucaramanga	81.5	61.9	55.1
Corozal	26.0	38.2	38.7
Manizales	17.6	19.2	34.6
Other	166.2	183.2	198.9
<b>Total</b>	<b>1,027.7</b>	<b>1,041.6</b>	<b>1,010.0</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 1,800 meters (1.1 miles). Enrique Olaya Herrera Airport was built in 1932.

There are currently 212 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 453,931 as of December 31, 2017. 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 2017, 964,418 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.

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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 Los Garzones Airport by flight origin or destination.

City	Year Ended December 31, (in thousands)		
	2015	2016	2017
Bogotá	617.0	687.8	655.9
Medellín	247.0	237.4	252.0
Barranquilla	23.8	30.4	27.6
Other	18.8	16.4	18.1
<b>Total</b>	<b>906.6</b>	<b>972.0</b>	<b>953.6</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 59 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 58,667 as of December 31, 2017. During 2017, 216,368 passengers traveled through Antonio Roldán Betancourt Airport. The airport's primary point of origin and 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)		
	2015	2016	2017
Medellín	199.5	188.8	179.9
Bogotá	8.0	10.4	10.9
Quibdó	0.9	8.9	7.3
Other	1.1	6.1	7.1
<b>Total</b>	<b>209.5</b>	<b>214.2</b>	<b>205.2</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.



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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 116,058 as of December 31, 2017. During 2017, 380,814 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)		
	2015	2016	2017
Medellín	181.8	249.6	225.2
Bogotá	56.3	84.5	88.9
Bahía Solano	11.6	17.9	16.9
Other	26.4	43.0	44.5
<b>Total</b>	<b>276.1</b>	<b>395.0</b>	<b>375.5</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 1,400 meters (0.9 miles). El Caraño Airport was built in 1957.

There are currently 35 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, 2017. During 2017, 83,515 passengers traveled through Las Brujas Airport. The airport's primary points of origin and destination are 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)		
	2015	2016	2017
Bogotá	28.6	38.3	42.5
Medellín	26.1	38.6	40.5
Other	0.4	0.4	0.1
<b>Total</b>	<b>55.1</b>	<b>77.3</b>	<b>83.1</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 1,440 meters (0.9 miles). Las Brujas Airport was built in 1939.

There are currently 11 businesses operating at Las Brujas Airport.

**Oriente**

We have not yet received the necessary regulatory approvals to conclude the acquisition of Oriente, which holds concessions to operate the following airports in Colombia: Simón Bolívar International Airport in Santa Marta, Almirante Padilla Airport in Riohacha, Alfonso López Pumarejo Airport in Valledupar, Camilo Daza International Airport in Cúcuta, Palonegro International Airport in Bucaramanga, and Yariguíes Airport in Barrancabermeja. In light of the pending regulatory approvals of the acquisition of Oriente, we and Oriente have agreed to make commercially reasonable efforts to obtain the pending approvals, and, if successful, to negotiate in good faith an adjustment to the purchase price. If this transaction is consummated, we will own approximately 97.26% of the capital stock of Oriente.

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

As of December 31, 2017, 11 international and 7 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.

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, 2017.

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

<b>Customer</b>	<b>Percentage of ASUR Colombia Revenues Year Ended December 31, 2017</b>
Aerovías del Continente Americano (AVIANCA)	26.2%
AeroRepública S.A. (COPA Airlines)	16.5%
Fast Colombia SAS (Viva Colombia)	12.0%
Aerovías de Integración Regional S.A. (LATAM)	6.6%



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American Airlines Inc.	6.1%
Trans American Airlines (TACA)	4.5%
Empresa Aérea de Servicios y Facilitación Logística Integral (EASYFLY)	4.4%
Spirit Airlines Inc.	3.2%
Satena	2.9%
Jet Blue Airways Corporation	2.8%
Others	14.8%
<b>Total</b>	<b>100.0%</b>

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**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 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 new law grants broader powers to the COFECE, including the abilities to regulate essential facilities, order the divestment of assets and eliminate barriers to competition in order to promote access to the market. The new law 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.

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 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 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





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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:

- *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-



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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 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



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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.

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 December 2013, the Ministry of Communications and Transportation approved each of our current updated master development plans. These plans are in effect from January 1, 2014 to December 31, 2018.

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.

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**Committed Investments**

Airport	Committed Investments Year ended December 31,					Totals
	2014	2015	2016	2017	2018	
	(millions of constant Mexican pesos as of December 31, 2017 (1))					
Cancún	1,017.2(2)	2,870.1(2)	1,805.7(2)	1,099.5(2)	275.8(2)	7,068.3(2)
Cozumel	31.4	77.2	27.9	77.9	7.5	221.9
Huatulco	68.8	69.5	7.5	9.6	8.2	163.6
Mérida	83.3	230.7	113.6	49.2	5.0	481.8
Minatitlán	52.4	31.0	13.0	2.4	5.2	104.0
Oaxaca	11.5	36.5	46.9	16.8	7.4	119.1
Tapachula	18.2	32.2	3.0	5.4	9.9	68.7
Veracruz	251.0	225.3	9.8	7.8	6.8	500.7
Villahermosa	45.0	62.3	65.4	7.1	14.8	194.6
<b>Total</b>	<b>1,578.8</b>	<b>3,634.8</b>	<b>2,092.8</b>	<b>1,275.7</b>	<b>340.6</b>	<b>8,922.7</b>

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

(2) As of December 31, 2017, we have invested Ps.1,288.1 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, 2014 December 31, 2018	January 1, 2019 December 31, 2023	January 1, 2024 December 31, 2028	
	(millions of constant Mexican pesos as of December 31, 2017)(1)			
Cancún	7,068.3(2)	1,845.1	1,708.7	
Cozumel	221.9	78.0	163.8	
Huatulco	163.6	184.9	119.7	
Mérida	481.8	201.6	132.6	
Minatitlán	104.0	38.4	82.1	
Oaxaca	119.1	133.7	107.6	
Tapachula	68.7	46.4	77.8	
Veracruz	500.7	140.8	163.4	
Villahermosa	194.6	130.9	168.9	
<b>Total</b>	<b>8,922.7</b>	<b>2,799.8</b>	<b>2,724.6</b>	

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



(2) As of December 31, 2017, we have invested Ps.1,288.1 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

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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 new law grants broader powers to the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) or COFECE, including the abilities to regulate essential facilities, order the divestment of assets and eliminate barriers to competition in order to promote access to the market. The new law 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.

All other sources of revenues at our Mexican airports are not regulated. 45.8%, 48.8% and 52.6% of our Mexican revenues in 2015, 2016 and 2017, 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.



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Each Mexican airport's maximum rates from January 1, 2014 to December 31, 2018 were set by the Ministry of Communications and Transportation in December 2013.

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, 2014</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Minatitlán	232.69	231.06	229.44	227.87	226.24
Cozumel	222.53	220.97	219.43	217.90	216.37
Oaxaca	219.06	217.53	216.02	214.50	212.99
Tapachula	217.32	215.80	214.29	212.79	211.30
Huatulco	210.73	209.25	207.78	206.32	204.88
Mérida	185.44	184.13	182.84	181.56	180.30
Cancún	180.26	179.00	177.74	176.50	175.26
Veracruz	177.60	176.36	175.12	173.90	172.68
Villahermosa	168.33	167.15	165.99	164.83	163.68

(1) Expressed in adjusted Mexican pesos as of December 31, 2017 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, 2018, the maximum rates applicable to our airports reflect a projected annual efficiency improvement of 0.70%.

***Methodology For Determining Future Maximum Rates***

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.

- 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

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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, 2014 and ending December 31, 2018, 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 1, 2018: The daily value of the Unit of Measure and Update was Ps.80.6. As a result, the maximum penalty as of such date could have been Ps.4.0 million (U.S.\$205,193). 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 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.

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*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 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.

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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.



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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:

- 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.

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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 1, 2018, the daily value of the Unit of Measure and Update was Ps.80.60. As a result, the maximum penalty as of such date could have been Ps.32.2 million (U.S.\$1.6 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.

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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 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

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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,
- 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,

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- 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.

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 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.





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**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,
  
- 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.

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**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 environmental laws include the General Law of Ecological Balance and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*), or the Ecological Law, which is administered by *Procuraduría Federal de Protección Ambiental* ( PROFEPA ), the enforcement arm of the Mexican Environmental and National Resources Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*) and the Law of National Waters (*Ley de Aguas Nacionales*) and its regulations, which are administered by the Mexican National Water Commission (*Comisión Nacional del Agua*), or the CNA.

Under the Ecological Law, regulations have been promulgated concerning air pollution, environmental impact studies, noise control and hazardous wastes. The Ecological Law also regulates vibrations, thermal energy, soil pollution and visual pollution that result from construction, although the Mexican government has not yet issued specific enforcement standards on these issues. Pursuant to the Law of National Waters, companies that discharge waste water must comply with maximum allowable contaminant levels in order to preserve water quality. The Ecological Law also provides that companies that contaminate the soil are responsible for clean-up. Promulgated pursuant to the Ecological Law, Mexican Official Norms (*Normas Oficiales Mexicanas*), which are technical regulations issued by a competent regulatory authority, establish standards relating to air emissions, discharges of pollution and waste water and the handling of hazardous waste. Mexican Official Norms also regulate noise pollution. The PROFEPA can bring administrative, civil and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Every company in Mexico is required to provide the National Institute of Ecology (*Instituto Nacional de Ecología Cambio Climático*), the regulatory arm of the Mexican Environmental and National Resources Ministry, with periodic reports regarding compliance with the Ecological Law and the regulations thereunder.

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.

Environmental laws impose liability and clean-up responsibility for releases of hazardous substances into the environment. Additionally, in July 2013 a new Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*) became effective. This law provides for a novel judicial process to claim the reparation or compensation of environmental damages resulting from unlawful acts or omissions. Under this new law, we could be subject to additional liabilities and penalties.

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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;
- 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.

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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 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 December 2017, the most recent date for which this information is available, there were four 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. In addition, air carriers at the airport must have approved TSA security programs. 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 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 will be 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 2017, the TSA had nearly 45,000 security officers who screened more than 2 million passengers each day at 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, Vieques and Fajardo. Finally, PRPA provides firefighting and rescue services at LMM Airport.

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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. 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. The Lease Agreement also requires Aerostar to make certain repairs and minor structural upgrades to LMM Airport, such as replacing broken floors and installing Wi-Fi connectivity in the terminals, within 18 months of the closing of the Lease Agreement, and to reimburse the PRPA for certain fire and police services that will continue to be provided by the PRPA.

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 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.

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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 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 General Development Bank of 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.

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

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use agreements are signed. Any new use agreement must grant the Signatory Airlines the same rights they have under each of the then current Use Agreements.

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 has also agreed under the Use Agreement to engage in the Capacity Enhancement Plan. 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. However, prior to commencing the plan, Aerostar has to obtain approval of the airlines that (i) in the aggregate paid a majority of the total annual contributions charged to all Signatory Airlines for the year prior to the start date of the plan and (ii) constitute a numerical majority of all votes cast by the Signatory Airlines that and (iii) from any airline whose operations would be directly affected by the 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



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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 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. U.S.\$3.0 million, \$2.0 million and \$1.0 million of the funds in the account were distributed to the Signatory Airlines in March 2015, February 2016 and February 2017, respectively, which were already paid and the remainder of the funds were distributed in 2017 based on increased passenger traffic.

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 is 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 must submit a written and detailed scope of the work, including sketches, drawings and other supporting documentation required by the Lease for review and approval prior to the start of the preliminary and final development of plans and construction. Preliminary and final construction documents must also be submitted for review and approval. Per the requirement of the Lease, 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

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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, 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**

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 is 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. Phase 1 included the temporary relocation of airlines operating in Terminal B into Terminals A and D in preparation for the renovation of Terminal B. Phase 1 also included general aesthetic modifications to Terminals A, C and D. This phase was successfully completed in 2013. Phase 2 of the CEP entailed the installation of a new major baggage handling system, the acquisition and installation of new boarding bridges, the construction and opening of a centralized checkpoint and the renovation of Terminal B. Phase 2 has been completed and Terminal B was reopened in December 2014. Phase 3 includes the major renovation of Terminal C and the completion of the CEP. This 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





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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.

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,

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- 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 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;
- 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.

**Grants of New Puerto Rican Concessions**

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)

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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 Air Act, governing wastewater and 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.

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 No 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.

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We are currently in the adaptation and modernization stage, which we expect to end in December 2018. 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 25 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. As a result, our Colombian concession has a minimum term until 2032 and will expire no later than 2048.

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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 Aerocivil.

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 an agreement in 2014 and 2016 with a term of three years and 33 months respectively, with respect to investment commitments for certain of its airports. For 2017 and 2018, José María Córdova International Airport has committed investments of U.S.\$35.1 million (COP\$104.683 million) and U.S.\$14.6 million (COP\$43.566 million), respectively. For 2017, Enrique Olaya Herrera Airport has committed investments of U.S.\$14.9 thousand (COP\$44.5 million). For 2017, Los Garzones Airport has committed investments of U.S.\$1.1 million (COP\$3.296 million). For 2017, El Caraño Airport has committed investments of U.S.\$16.1 million (COP\$48.032 million). These amounts have been translated at the rate of COP\$2,984.00 per U.S.\$1.00, which corresponds to the Colombian Peso Market Exchange Rate (*Tasa de cambio representativa del mercado*) as of December 31, 2017. Antonio Roldán Betancourt Airport and Las Brujas Airport do not have any investment commitments with the Colombian government for 2017 and 2018.

The following table presents a summary of the investment commitments for our Colombian airports as of December 31, 2017.

**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, 2017</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	16,322.0	Completed
Carepa	Runway renovation	13,6223.5	Completed
Medellín (Rionegro)	Expansion of domestic departures passenger terminal	22,588.6	Completed
Medellín (Rionegro)	Expansion of international departures passenger terminal	25,492.5	In progress
Medellín (Rionegro)	Connections building	15,386.5	In progress
Medellín (Rionegro)	Expansion of international platform	37,749.4	In progress

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Quibdó	Expansion of passenger terminal	10,727.7	Completed
Quibdó	Construction of shopping center, hotel and library	72,987.6	Completed
Quibdó	Expansion of runway and platform	86,041.8	Completed
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 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 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 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, Aerocivil 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 maximum penalty may be reduced by 30.0%, 50.0% or 70.0%, depending on when the breach occurs.

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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.

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



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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, 2017, 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).	92.42%	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, 2017, Aeropuerto de Cancún, S.A. de C.V., has an 18.1% equity participation in this airport.
- (2) As of December 31, 2017, Aeropuerto de Cancún, S.A. de C.V., has a 21.6% equity participation in this airport.
- (3) As of December 31, 2017, Aeropuerto de Cancún, S.A. de C.V., has a 30.0% equity participation in this airport, in accordance with the increase in capital stock in October 2014.
- (4) As of December 31, 2017, Aeropuerto de Cancún, S.A. de C.V., has a 30.0% equity participation in this airport.
- (5) As of December 31, 2017, Aeropuerto de Cancún, S.A. de C.V., has a 23.4% equity participation in this airport.
- (6) As of June 1, 2017, Aeropuerto de Cancún, S.A. de C.V. has a 60% equity participation in this entity. On June 1, 2017, we began to consolidate Aerostar results into our financial statements.
- (7) As of October 19, 2017, Aeropuerto de Cancún, S.A. de C.V., has a 92.42% 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 our acceptance of any changes to such concession that may be imposed by the Ministry of Communications and Transportation and 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. Our concession for the Colombian airports is scheduled to terminate, barring any of the early termination events detailed above, between 2032 and 2048, depending on revenues generated. The concession may not be extended. 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 property, including office buildings and other real estate outside of the Colombian airports.

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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 2015, 2016 and 2017, 43.6%, 46.5%, and 51.5%, 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 commercial services offered at our airports, the contracts that we have with the providers of

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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 Sociedad Operadora de Aeropuertos Centro Norte, S.A. ( 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 the stake in Airplan. Our acquisition of a controlling stake in Oriente is still pending regulatory approval. 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.

Oriente has concessions to operate the following airports in Colombia: the Simón Bolívar International Airport in Santa Marta, the Almirante Padilla Airport in Riohacha, the Alfonso López Pumarejo Airport in Valledupar, the Camilo Daza International Airport in Cúcuta, the Palonegro International Airport in Bucaramanga and the Yariguíes Airport in Barrancabermeja. We own 92.42% of the capital stock of Airplan. If the acquisition of Oriente is consummated, will own approximately 97.26% of the capital stock of Oriente.

We purchased the interest in Airplan for an aggregate price of approximately U.S.\$194.5 million (Ps.3,819.9 million at an exchange rate of Ps.19.64 as of December 29, 2017), subject to pricing adjustments and pursuant to a series of agreements with the respective shareholders of Airplan and Oriente. 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%. 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.

The agreements to purchase the interest in Oriente remain subject to regulatory approval by Colombian aviation authorities, including the National Infrastructure Agency (*Agencia Nacional de Infraestructura*), which grants airport concessions, and the Public Establishment of Olaya Herrera Airport (*Establecimiento Público de Aeropuerto Olaya Herrera*). In light of the pending regulatory approvals of the acquisition of Oriente, we and Oriente have agreed to make commercially reasonable efforts to obtain the pending approvals, and, if successful, to negotiate in good faith an adjustment to the purchase price.

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



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***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 María, 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 quarter of 2017, passenger traffic in Puerto Rico decreased 5.5% relative to the same period in 2016. Passenger traffic in Puerto Rico also decreased 25.4% in October 2017, 31.9% in November 2017, and 23.9% in December 2017 relative to the same periods in 2016.

***The remodeling and expansion of the terminal building at the Veracruz International Airport has concluded***

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.

***Terminal 4 at the Cancún International Airport has opened***

In order to accommodate projected increases in passenger traffic and operations, we begun construction of Terminal 4 at the Cancún International Airport in January 2016, in accordance with our Master Development Program in Mexico. Terminal 4 opened in October 2017 and has made Cancún International Airport the country's second busiest after Mexico City International Airport. 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.

The new terminal 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





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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 Aereoméxico and Interjet, also features 2,540 square meters of retail space with seven duty-free stores.

*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. As of April 10, 2018, however, our appeal is still pending resolution with respect to the mandatory employee statutory profit sharing regime established by Mexican federal labor laws. If we were to lose the appeal, we estimate that we would be required to pay an additional Ps.116.0 million.

*Fluctuation of the Mexican peso*

From January 3, 2017 to December 29, 2017, the Mexican peso appreciated by approximately 6.1%, from 20.906 pesos per U.S. dollar on January 3, 2017 to 19.640 pesos per U.S. dollar on December 29, 2017. International passengers and international flights pay tariffs denominated in U.S. dollars. However, these tariffs are generally collected in Mexican pesos 30 to 115 days following the date of each flight, and our maximum rates are set in pesos. Therefore, a significant depreciation of the Mexican peso as compared to the dollar during this 30 to 115 day period could result in us exceeding our maximum rates, which would be a violation of our concession. We set our dollar-denominated tariffs so as to avoid exceeding our maximum rates, and so far, the depreciation in the Mexican peso has not caused us to exceed our maximum rates or required us to issue rebates to avoid exceeding our maximum rates. However, we cannot



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assure you that the Mexican peso will not depreciate more rapidly, or that we will be able to successfully continue to set our rates so as to avoid exceeding our maximum rates.

The depreciation of the Mexican peso has also had a positive effect on our revenues from commercial operations. Certain of our contracts with commercial services providers are denominated in U.S. dollars, but are collected or converted into Mexican pesos. Therefore, depreciation in the Mexican peso as against the dollar results in us collecting more pesos for dollar-denominated contracts than before the depreciation. If the Mexican peso were to appreciate as against the dollar, however, we would collect fewer pesos in connection with dollar-denominated contracts, which would result in lower commercial revenues. In addition, although most of our operating costs are denominated in pesos, we cannot predict whether our cost of services will increase as a result of the depreciation of the Mexican peso or as a result of other factors.

**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 2015, 2016 and 2017, passenger charges represented 80.2%, 79.2% and 75.7% of our aeronautical services revenues and 35.0%, 36.8% and 39.2%, 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 2015, 2016 and 2017, approximately 44.7%, 45.6% and 46.1% of the passengers traveling through our Mexican airports were domestic. The total number of Mexican domestic passengers for 2017 increased 10.4% as compared to 2016. In 2015, 2016 and 2017, 55.3%, 54.4% and 53.9% of the passengers traveling through our Mexican airports were international. During 2015, 2016, and 2017, 21.3%, 24.4% and 26.4% of our total revenues were derived from passenger charges collected from international passengers traveling through our Mexican airports.

Of the international passengers traveling through our Mexican airports, a majority have historically traveled on flights to or from the United States. In 2015, 2016 and 2017, for example, 33.8%, 33.2% and 32.5% of the total passengers and 61.1%, 61.1% and 60.2%, 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

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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 2017, 87.9% and 12.1% 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.

For the period from June 1 through December 31, 2017, we had 4.6 million passengers travel through the LMM Airport.

***Volumes in Colombia***

The majority of passenger traffic volume in our Colombian airports consists of domestic passengers. In 2017, 83.9% and 16.1% 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.

For the period from October 19 through December 31, 2017, we had 1.9 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



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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.

In 2015, 2016 and 2017, 45.8%, 48.8% and 52.6%, respectively, of our total revenues from our Mexican operations and 7.8%, 7.4% and 7.0%, 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 2017, 46.8% 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.



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The following table sets forth our revenues for the years ended December 31, 2015, 2016 and 2017.

	2015		Year ended December 31, 2016 (millions of Mexican pesos)		2017(1)	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Regulated Revenues:</b>						
Airport Services(2)	4,115.7	45.8%	4,762.5	48.8%	6,743.8	53.6%
<b>Non-regulated Revenues:</b>						
Access fees from non-permanent ground transportation	38.5	0.4%	42.9	0.4%	47.8	0.3%
Car parking and related access fees	75.9	0.8%	83.4	0.9%	184.0	1.5%
Other fees	4.9	0.1%	8.6	0.1%	11.1	0.1%
Commercial Services	2,096.2	23.3%	2,646.1	27.1%	3,645.8	29.0%
Other Services	82.7	0.9%	93.0	1.0%	113.1	0.9%
<b>Other Revenues:</b>						
Construction Services(3)	2,580.7	28.7%	2,117.0	21.7%	1,844.2	14.6%
<b>Total</b>	<b>8,994.6</b>	<b>100.0%</b>	<b>9,753.5</b>	<b>100.0%</b>	<b>12,589.8</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 Colombia airports for the period from October 19 to December 31, 2017.

(2) 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.

(3) 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, 2018. Therefore, our aeronautical revenues are determined largely by the number of workload units at each of our Mexican airports, which is primarily 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

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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, 2018. 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 2015, 2016 and 2017, passenger charges at our Mexican airports represented 80.2%, 79.2% and 68.1% of our aeronautical service revenues and 35.0%, 36.8% and 35.3%, 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 2015, 2016 and 2017, 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 2017, passenger charges at our Colombian airports (which were included in our consolidated revenues only from October 19 to December 31, 2017), represented 2.9% of our consolidated aeronautical revenues and 1.5% 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 Resolution 04530 of 2007 and will expire between 2019 and 2032. As of December 31, 2017, the following airlines at our Colombian airports were subject to such tariffs: Avianca, Iberia, LATAM, Avior, Aeroméxico, Satena and Viva Colombia.

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



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from LMM Airport in our calculation of total regulated revenues. In 2017, passenger charges at our LMM Airport (which were included in our consolidated revenues only from June 1 to December 31, 2017), represented 4.7% of our consolidated aeronautical revenues and 2.4% of our consolidated revenues.

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

**Aeronautical Revenue**

	2015		Year ended December 31, 2016 (millions of Mexican pesos)		2017(1)	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Aeronautical Revenue:</b>						
Passenger charges	3,143.9	80.2%	3,589.2	79.2%	4,908.7	75.7%
Landing charges	216.0	5.5%	279.0	6.1%	593.6	9.2%
Aircraft parking charges	444.6	11.3%	520.9	11.5%	608.7	9.4%
Airport security charges	53.7	1.4%	67.2	1.5%	72.4	1.1%
Passenger walkway charges	63.7	1.6%	75.9	1.7%	300.8	4.6%
<b>Total Aeronautical Revenue</b>	<b>3,921.9</b>	<b>100.0%</b>	<b>4,532.2</b>	<b>100.0%</b>	<b>6,484.2</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.

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.

	2015	Year ended December 31, 2016 (millions of Mexican pesos)		2017	Change(1)
	Amount	Amount	Amount		
<b>Other Information:</b>					
Total workload units(2)	26.7	29.0	31.7		9.3%
Aeronautical revenue	3,921.9	4,532.2	5,319.5		17.4%
Aeronautical revenue per workload unit(3)	146.9	156.2	167.8		7.4%

(1) As compared to the previous year.

(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.

[REDACTED]				
(in thousands of Mexican pesos, except percentages)				
Cancún	9,659.3	10,581.2	11,639.0	10.0%
Mérida	812.0	947.4	1,045.1	10.3%
Villahermosa	634.3	619.5	630.8	1.8%
Other Mexican Airports	1,800.5	1,899.7	2,015.3	6.1%
San Juan	N/A	N/A	8,247.0	N/A
Colombia	N/A	N/A	4,999.9	N/A
<b>Total</b>	<b>12,942.1</b>	<b>14,047.8</b>	<b>28,577.1</b>	<b>103.4%</b>

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

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.

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

	2015		Non-aeronautical Revenue Year ended December 31, 2016 (millions of Mexican pesos)		2017(1)	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Non-aeronautical Services:</b>						
Commercial	2,121.3	85.1%	2,673.0	86.1%	3,693.5	86.7%
Leasing of space	2,080.1	83.5%	2,627.4	84.6%	3,578.9	84.0%
Access fee	38.5	1.5%	42.9	1.4%	47.9	1.1%
Other	2.7	0.1%	2.7	0.1%	66.7	1.6%
Non Commercial	370.6	14.9%	431.3	13.9%	567.9	13.3%
Leasing of space	93.0	3.7%	108.1	3.5%	121.4	2.8%
Access fee	148.7	6.0%	159.8	5.1%	266.8	6.3%
Other	128.9	5.2%	163.4	5.3%	179.7	4.2%
<b>Total Non-aeronautical Revenue</b>	<b>2,491.9</b>	<b>100.0%</b>	<b>3,104.3</b>	<b>100.0%</b>	<b>4,261.4</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 Colombia airports for the period from October 19 to December 31, 2017.



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

	2015	Year ended December 31, 2016		2017(1)	Change(2)
	Amount	(millions of Mexican pesos)		Amount	
	Amount	Amount	Amount		
<b>Other Information:</b>					
Total terminal passengers(3)	26.1	28.4	37.6		32.3%
Change in non-aeronautical revenue	512.2	612.4	1,157.0		88.9%
Non-aeronautical revenue per terminal passenger(4)	95.4	109.3	113.3		3.7%

(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) As compared to previous year.

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

(4) 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.

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

	2015	Year ended December 31, 2016		2017(1)	Change
	Amount	(millions of Mexican pesos)		Amount	
	Amount	Amount	Amount		
<b>Commercial Revenues:</b>					
Duty-Free Shops	531.3	640.8	881.7		37.6%
Food and Beverage	334.7	439.1	609.3		38.8%
Retail Stores	712.6	904.5	1,194.7		32.1%
Advertising Revenues	121.9	122.9	139.5		13.5%
Parking Lots	75.8	83.5	184.0		120.4%
Car Rental Companies	161.9	221.1	379.2		71.5%
Banking and Currency Exchange services	69.0	86.8	97.3		12.1%
Teleservices	8.2	10.9	13.0		19.3%
Ground Transportation	41.0	45.5	53.5		17.6%
Other Services	154.0	217.5	325.3		49.6%
<b>Total</b>	<b>2,210.4</b>	<b>2,772.6</b>	<b>3,877.5</b>		<b>39.9%</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.

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.

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	2015	Year ended December 31, 2016 (millions of Mexican pesos)	2017
<b>Non-aeronautical services(1)</b>			
Commercial	2,121.3	2,673.0	3,693.5
<b>Commercial revenues(2)</b>			
Parking lots	75.8	83.5	184.0
Other services	13.3	16.1	
<b>Total</b>	<b>2,210.4</b>	<b>2,772.6</b>	<b>3,877.5</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. In 2015, 2016 and 2017, we recorded Ps.2,580.7 million, Ps.2,117.0 million and Ps.1,844.2 million of revenues from construction services using the percentage of completion method of accounting. Revenues from construction services are not subject to regulation under our dual-till price regulation system in Mexico, Colombia and Puerto Rico.

**Operating Costs**

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).

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

**Operating Costs**

	Year ended December 31,			2017(1)	% Change
	2015	2016	2016		
	Amount	(millions of Mexican pesos)		Amount	
	Amount	Amount	Amount	Amount	% Change
<b>Operating Costs:</b>					
Cost of services:					
Employee costs	341.8	374.8	654.8		74.7%
Maintenance	213.7	228.9	400.7		75.1%
Safety, security and insurance	155.7	172.6	292.2		69.3%
Utilities	102.6	118.9	251.5		111.5%
Other	330.6	441.2	710.4		61.0%
Total cost of services	1,144.4	1,336.4	2,309.6		72.8%
Costs of construction	2,580.7	2,117.0	1,898.5		(13.9)%
Administrative expenses	197.0	204.8	204.4		(0.2)%
Technical assistance fee	239.1	288.1	346.5		20.3%
Government concession fee	291.5	344.9	468.7		35.9%
Depreciation and amortization:					
Depreciation(2)	271.3	332.0	869.7		162.0%
Amortization	197.7	197.7	296.4		49.9%
Goodwill impairment			4,719.1		
Total depreciation and amortization	469.0	529.7	5,885.2		1011.1%
<b>Total operating costs</b>	<b>4,921.7</b>	<b>4,820.9</b>	<b>11,113.0</b>		<b>130.5%</b>
<b>Other Information:</b>					
Total workload units(3)	26,728.1	29,010.7	31,709.5		9.3%
Cost of services per workload unit(4)	42.8	46.1	48.1		4.3%
Cost of services margin(5)	12.7%	13.7%	14.4%		4.9%

(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) Reflects depreciation of fixed assets.

(3) 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.

(4) 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.

(5) Cost of services divided by total revenues, expressed as a percentage.

*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

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committed, as part of our 2008 personnel reorganization, to pay each of our unionized employees a minimum payment of Ps.14,000 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 2015, 2016 and 2017, we calculated our obligations in respect of employee statutory profit sharing amount to be Ps.4.9 million, Ps.6.1 million and Ps.6.4 million, respectively. This amount is included in the Ps.16,275 to be paid to each unionized employee for the year ended December 31, 2017, 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 (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 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,

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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, 2014 and expire December 31, 2018.

*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 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.





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***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 ( LMM ) International Airport.

**Taxation**

***Taxation in Mexico***

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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 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

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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 separate taxes. We are subject to a 34.0% 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 and subsequent years is 33.0%.

The Company's overall tax provisions for 2015, 2016 and 2017 are as follows.

**Tax Provisions**

	2015	Year ended December 31, 2016 (millions of Mexican pesos)	2017(1)
<b>Income Tax</b>			
Current Income Tax	1,198.3	1,503.0	1,928.2
Deferred Income Tax	(103.4)	(101.8)	(292.8)
Total Income Tax	1,094.9	1,401.2	1,635.4
Current Asset Tax	5.3	0.9	0.9
Total Asset Tax	5.3	0.9	0.9
<b>Total Tax Provision</b>	<b>1,100.1</b>	<b>1,402.1</b>	<b>1,636.3</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.

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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 2017, 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 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.

**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.

	Year ended December 31,			
	2015	2016	2017	
Mexican inflation rate(1)	2.1%	3.4%	6.7%	
Colombian inflation rate	5.0%	7.5%	4.3%	
U.S. inflation rate(2)	0.7%	2.1%	2.1%	
Increase in Mexican GDP(3)	2.5%	2.8%	2.3%	

Increase in Colombian GDP	3.1%	2.0%	1.7%
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- (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 122.51 in 2016 and in 130.81 in 2017.
- (2) As reported by the U.S. Department of Labor, Bureau of Statistics.
- (3) In real terms, as reported by the Mexican National Statistical, Geographic and Information Institute (INEGI) as of April 20, 2018.

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.

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The following table sets forth, for the periods indicated, the percentage that the Mexican peso depreciated or appreciated against the U.S. dollar.

	2015	Year ended December 31, 2016	2017
Depreciation (appreciation) of the Mexican peso as compared to the U.S. dollar(1)	16.6%	19.9%	(4.7)%

(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 and Ps.19.640 as of December 29, 2017.

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.

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- 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 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.

**Operating Results**

	2015		Year Ended December 31, 2016		2017(1)	
	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)
<b>Cancún(3):</b>						
Revenues before solidarity agreement(4):						
Aeronautical services	2,877.9	144.6	3,341.9	154.0	3,963.3	165.6
Non-aeronautical services	2,250.7	113.1	2,823.2	130.1	3,401.2	142.2
Construction services	1,846.1	92.8	1,896.3	87.4	1,421.9	59.4
Total revenues before solidarity agreement	6,974.4	350.5	8,061.4	371.5	8,786.4	367.2
Expenses before solidarity agreement	(3,637.9)	(182.8)	(3,998.3)	(184.3)	(3,838.4)	(160.4)

<b>Net operating income before solidarity agreement</b>	<b>3,336.8</b>	<b>167.7</b>	<b>4,063.1</b>	<b>187.2</b>	<b>4,948.0</b>	<b>206.8</b>
Solidarity agreement revenues						
Solidarity agreement expenses	(245.6)	(12.3)	(280.7)	(12.9)	(224.7)	(9.4)
<b>Net operating income after solidarity agreement</b>	<b>3,091.3</b>	<b>155.4</b>	<b>3,782.4</b>	<b>174.3</b>	<b>4,723.3</b>	<b>197.4</b>
<b>Mérida:</b>						
Revenues before solidarity agreement:						
Aeronautical services	272.1	143.2	334.2	156.0	394.5	167.4
Non-aeronautical services	71.9	37.8	85.1	39.7	97.6	41.4
Construction services	204.5	107.6	98.7	46.1	46.1	19.6
Total revenues before solidarity agreement	548.5	288.6	518.0	241.8	538.2	228.4

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	2015		Year Ended December 31, 2016		2017(1)	
	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)
Expenses before solidarity agreement	(391.1)	(205.8)	(313.5)	(146.4)	(283.7)	(120.4)
<b>Net operating income before solidarity agreement</b>	<b>157.4</b>	<b>82.8</b>	<b>204.5</b>	<b>95.4</b>	<b>254.5</b>	<b>108.0</b>
Solidarity agreement revenues					9.5	4.1
Solidarity agreement expenses	(17.7)	(9.3)	(45.8)	(21.4)		
<b>Net operating income after solidarity agreement</b>	<b>139.7</b>	<b>73.5</b>	<b>158.7</b>	<b>74.0</b>	<b>264.0</b>	<b>112.1</b>
<b>Villahermosa:</b>						
Revenues before solidarity agreement:						
Aeronautical services	174.1	133.9	181.1	140.8	195.6	149.8
Non-aeronautical services	58.3	44.8	62.3	48.5	61.8	47.3
Construction services	61.7	47.5	44.9	34.9	6.3	4.8
Total revenues before solidarity agreement	294.1	226.2	288.3	224.2	263.7	201.9
Expenses before solidarity agreement	(177.3)	(136.4)	(166.0)	(129.1)	(136.2)	(104.3)
<b>Net operating income before solidarity agreement</b>	<b>116.8</b>	<b>89.8</b>	<b>122.3</b>	<b>95.1</b>	<b>127.5</b>	<b>97.6</b>
Solidarity agreement revenues						
Solidarity agreement expenses	(12.3)	(9.5)	(13.0)	(10.1)	(7.8)	(6.0)
<b>Net operating income after solidarity agreement</b>	<b>104.5</b>	<b>80.3</b>	<b>109.3</b>	<b>85.0</b>	<b>119.7</b>	<b>91.6</b>
<b>Other Mexican Airports:(5)</b>						
Revenues before solidarity agreement:						
Aeronautical services	597.8	157.3	675.0	173.6	766.1	185.9
Non-aeronautical services	111.0	29.2	133.7	34.4	149.2	36.2
Construction services	468.4	123.3	77.1	19.8	106.7	25.9
Total revenues before solidarity agreement	1,177.2	309.8	885.8	227.8	1,021.9	248.0
Expenses before solidarity agreement	(916.7)	(241.2)	(556.2)	(143.1)	(620.2)	(150.5)
<b>Net operating income (loss) before solidarity agreement</b>	<b>260.5</b>	<b>68.6</b>	<b>329.6</b>	<b>84.7</b>	<b>401.7</b>	<b>97.5</b>
Solidarity agreement revenues	103.2	27.2				

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Solidarity agreement expenses	(7.6)	(2.0)	(7.4)	(1.9)	(24.5)	(5.9)
<b>Net operating (loss) income after solidarity agreement</b>	<b>356.1</b>	<b>93.8</b>	<b>322.2</b>	<b>82.8</b>	<b>377.2</b>	<b>91.6</b>

**San Juan:**

Revenues:

Aeronautical services	N/A	N/A	N/A	N/A	939.0	N/A
Non-aeronautical services	N/A	N/A	N/A	N/A	482.6	N/A
Construction services	N/A	N/A	N/A	N/A	75.9	N/A
Total revenues	N/A	N/A	N/A	N/A	1,497.5	N/A
Expenses	N/A	N/A	N/A	N/A	(1,186.0)	N/A
<b>Net operating income</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>311.5</b>	<b>N/A</b>

**Colombia Airports(6):**

Revenues:

Aeronautical services	N/A	N/A	N/A	N/A	225.7	N/A
Non-aeronautical services	N/A	N/A	N/A	N/A	69.1	N/A
Construction services	N/A	N/A	N/A	N/A	187.3	N/A
Total revenues	N/A	N/A	N/A	N/A	482.1	N/A
Expenses	N/A	N/A	N/A	N/A	(481.3)	N/A
<b>Net operating income</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.8</b>	<b>N/A</b>

**Holding & Service**

**Companies:(7)**

Revenues before solidarity agreement:

Other(8)	1,008.8	N/A	1,108.6	N/A	1,244.9	N/A
Total revenues before solidarity agreement	1,008.8	N/A	1,108.6	N/A	1,244.9	N/A
Expenses before solidarity agreement	(807.4)	N/A	(895.5)	N/A	(994.3)	N/A

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	2015		Year Ended December 31, 2016		2017(1)	
	Airport Operating Results (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)	Airport Operating Results  (millions of Mexican pesos)	Per Workload Unit(2)  (Mexican pesos)
<b>Net operating income before solidarity agreement</b>	<b>201.4</b>	<b>N/A</b>	<b>213.1</b>	<b>N/A</b>	<b>250.6</b>	<b>N/A</b>
Solidarity agreement revenues	283.1	N/A	346.9	N/A	247.4	N/A
Solidarity agreement expenses	(103.2)	N/A		N/A		N/A
<b>Net operating income after solidarity agreement</b>	<b>381.3</b>	<b>N/A</b>	<b>560.0</b>	<b>N/A</b>	<b>498.0</b>	<b>N/A</b>
<b>Consolidation Adjustment(9):</b>						
Total Revenues	(1,395.1)	N/A	(1,455.5)	N/A	(1,501.8)	N/A
Expenses	1,395.1	N/A	1,455.5	N/A	6,319.5	N/A
<b>Total:</b>						
Revenues:						
Aeronautical services	3,921.9	146.9	4,532.2	156.3	6,484.2	N/A
Non-aeronautical services	2,491.9	93.3	3,104.3	107.0	4,261.4	N/A
Construction services	2,580.7	96.7	2,117.0	73.0	1,844.2	N/A
Total revenues	8,994.5	336.9	9,753.5	336.3	12,589.8	N/A
Expenses	(4,921.7)	(184.3)	(4,820.9)	(166.2)	(11,113.0) (10)	N/A
<b>Net operating income</b>	<b>4,072.9</b>	<b>152.6</b>	<b>4,932.6</b>	<b>170.1</b>	<b>1,476.8</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) 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) Reflects the results of operations of our Cancún airport and two Cancún airport services subsidiaries on a consolidated basis.

(4) 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.

(5) Reflects the results of operations of our airports located in Veracruz, Minatitlán, Oaxaca, Huatulco, Tapachula and Cozumel.

- (6) Reflects the results of operations of our airports located in Medellín, Rionegro, Montería, Carepa, Quibdó and Corozal.
- (7) 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.
- (8) Reflects revenues under intercompany agreements (other than the solidarity agreement) which are eliminated in the consolidation adjustment.
- (9) The consolidation adjustment affects our consolidated net income by eliminating both revenues and expenses from intercompany transactions from all segments.
- (10) 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

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services, including negotiating regulated tariffs and interfacing with regulators, leasing of commercial real estate, trademark license royalties, marketing services and employee costs. The 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 year ended December 31, 2017 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**

	2015	Year Ended December 31, 2016	2017(1)
	(thousands of Mexican pesos)		
<b>Revenues:</b>			
Aeronautical services	Ps. 3,921,949	Ps. 4,532,194	Ps. 6,484,219
Non-aeronautical services	2,491,941	3,104,343	4,261,383
Construction services	2,580,707	2,116,954	1,844,216
Total revenues	8,994,597	9,753,491	12,589,818
<b>Operating Expenses:</b>			
Cost of services	(1,144,327)	(1,336,385)	(2,309,625)
Administrative expenses	(196,990)	(204,843)	(204,418)
Costs of construction	(2,580,707)	(2,116,954)	(1,898,550)
Technical assistance fee(2)	(239,175)	(288,111)	(346,487)
Government concession fee(3)	(291,505)	(344,939)	(468,695)
Depreciation and amortization	(468,996)	(529,660)	(1,166,114)
Goodwill impairment			(4,719,096)
Total operating expenses	(4,921,700)	(4,820,892)	(11,112,985)
Net operating income	4,072,897	4,932,599	1,476,833
<b>Comprehensive Financing Result:</b>			
Interest income, net	58,701	58,383	(373,044)
Exchange gains (losses), net	(168,664)	(103,852)	141,210
Gain (loss) on valuation of financial instruments			
Net comprehensive financing income result	(109,963)	(45,469)	(231,834)
Participation in the results of joint ventures(6)	50,923	144,248	112,345
Gain from business combination			7,029,200
Income before taxes	4,013,857	5,031,378	8,386,544
Provisions for taxes	(1,100,122)	(1,402,116)	(1,636,379)



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Net income	2,913,735	3,629,262	6,750,165
<b>Other Operating Data:</b>			
Operating margin(4)	45.3%	50.6%	11.7%
Net margin(5)	32.4%	37.2%	53.6%

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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) 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.
- (3) 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.
- (4) Operating income divided by total revenues, expressed as a percentage.
- (5) Net income divided by total revenues, expressed as a percentage.
- (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.

**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 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 our San Juan and

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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, 17.6% 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 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 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

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decreased by 3.9% from Ps.241.8 in 2016 to Ps.232.4 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.

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.



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*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 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

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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% increase 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.

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.

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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.

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.

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**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.

**Results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015**

***Revenues***

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Total consolidated revenues for 2016 were Ps.9,753.5 million, 8.4% higher than the Ps.8,994.6 million recorded in 2015. The increase in total revenues resulted from increases of 15.6% in aeronautical revenues and 24.6% in non-aeronautical revenues, primarily resulting from an 8.7% increase in passenger traffic and the depreciation of the Mexican peso against the U.S. dollar, and an 18.0% decrease in revenues from construction services, primarily as a result of the decrease in construction services revenues with respect to the 2015 terminal extension at the Veracruz Airport, which featured significant work. Total revenues per workload unit decreased 0.2% from Ps.336.9 in 2015 to Ps.336.3 in 2016, due mainly to the 24.5% 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, net of rebates, increased 15.6% to Ps.4,532.2 million in 2016 from Ps.3,921.9 million in 2015, due primarily to a 8.7% increase in

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passenger traffic and the depreciation of the Mexican peso against the U.S. dollar. Revenues from passenger charges increased 14.2% to Ps.3,589.2 million in 2016 (79.2% of our aeronautical revenues during the period) from Ps.3,143.9 million in 2015 (80.2% of our aeronautical revenues during the period), reflecting the increase in passenger traffic and the annual increase in our regulated rates. Aeronautical revenues per workload unit increased 6.5% from Ps.146.7 in 2015 to Ps.156.3 in 2016.

Revenues from non-aeronautical services increased 24.6% to Ps.3,104.3 million in 2016 from Ps.2,491.9 million in 2015. The primary factors influencing the change in non-aeronautical revenue from 2015 to 2016 were an increase in commercial revenues because of higher passenger traffic during 2016, improved contractual terms for certain commercial agreements in place and the depreciation of the Mexican peso against the U.S. dollar. These factors led to a 26.9% increase in revenues from retail stores, a 20.6% increase in revenues from duty-free shops and a 41.2% increase in other income, which consisted principally of revenue from tourism services and hotel reservation providers. Increases of 36.6% in revenues from car rental companies, 25.8% in revenues from banking and currency exchange services, 31.2% in revenues from food and beverages, 0.8% in advertising revenues, 10.2% in parking lot revenues, 11.0% in revenues from ground transportation and 32.9% in teleservices revenues also contributed to the increase in revenues from non-aeronautical services. Non-aeronautical revenue per workload unit increased 14.7%, from Ps.93.3 per workload unit in 2015 to Ps.107.0 per workload unit in 2016.

Revenues from construction services decreased 18.0% to Ps.2,117.0 million in 2016 from Ps.2,580.7 million in 2015. We had fewer construction projects in 2016 than in 2015, when we engaged in significant work on Terminal 4 at the Cancún Airport and the terminal extension at the Veracruz Airport. The Cancún Airport experienced an increase in revenues from construction services in 2016, despite the overall decrease in revenues from construction services.

Our revenues from regulated sources in 2016 were Ps.4,762.5 million, a 15.7% increase compared to Ps.4,115.7 million in 2015, mainly due to the increase in total passenger traffic and the annual increase in our regulated rates. During 2016, Ps.2,874.0 million of our revenues was derived from non-regulated sources, a 25.1% increase from the Ps.2,298.1 million of revenues derived from non-regulated sources in 2015. This increase was primarily due to the 25.4% increase in commercial revenues described above, from Ps.2,210.4 million in 2015 to Ps.2,772.5 million in 2016.

*Revenues by Airport*

Aeronautical revenues increased by 16.1% from Ps.2,877.9 million in 2015 to Ps.3,341.9 million in 2016 at the Cancún Airport, mainly due to the increase of 9.3% in passenger traffic at that airport as well as the depreciation of the Mexican peso against the U.S. dollar. Non-aeronautical revenues increased at Cancún Airport by 25.4% from Ps.2,250.7 million in 2015 to Ps.2,823.2 million in 2016, due principally to the increase in passenger traffic in 2016, the increase in retail stores and the depreciation of the Mexican peso against the U.S. dollar. Construction services revenues at the Cancún Airport increased to Ps.1,896.3 million in 2016 from Ps.1,846.1 million in 2015, due to the



various expansion and renovation projects in

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progress at the Cancún Airport. Total revenues increased by 15.6% from Ps.6,974.7 million in 2015 to Ps.8,061.4 million in 2016 at the Cancún Airport, largely due to the increase in passenger traffic and improved contractual terms for certain commercial agreements in place and the increase in construction services revenues. Revenues per workload unit at the Cancún Airport increased by 6.0% from Ps.350.5 in 2015 to Ps.371.5 in 2016, primarily because of the 15.0% increase in revenues from non-aeronautical services per workload unit, as mentioned above.

Aeronautical revenues increased by 22.8% from Ps.272.1 million in 2015 to Ps.334.2 million in 2016 at the Mérida Airport, due to the depreciation of the Mexican peso against the U.S. dollar and a 16.9% increase in passenger traffic at that airport. Non-aeronautical revenues increased at Mérida Airport by 18.4% from Ps.71.9 million in 2015 to Ps.85.1 million in 2016, due principally to the increase of 21.0% in commercial revenues because of increased passenger traffic and the depreciation of the Mexican peso against the U.S. dollar. Construction services revenues decreased from Ps.204.5 million in 2015 to Ps.98.7 million in 2016. Revenues overall decreased by 5.6% from Ps.548.5 million in 2015 to Ps.518.0 million in 2016 at the Mérida Airport, due to a significant decrease in revenues from construction services from 2015 to 2016. Revenues per workload unit at the Mérida Airport decreased by 16.2% from Ps.288.6 in 2015 to Ps.241.8 in 2016, principally due to the decrease in construction services revenues.

Aeronautical revenues increased by 4.0% from Ps.174.1 million in 2015 to Ps.181.1 million in 2016 at the Villahermosa Airport, due to the depreciation of the Mexican peso against the U.S. dollar, which more than offset the decrease of 2.5% in passenger traffic at that airport. Non-aeronautical revenues increased at Villahermosa Airport by 6.9% from Ps.58.3 million in 2015 to Ps.62.3 million in 2016, due principally to the increase of 8.1% in commercial revenues and the depreciation of the Mexican peso against the U.S. dollar. Construction services revenues decreased from Ps.61.7 million in 2015 to Ps.44.9 million in 2016. Revenues decreased by 2.0% from Ps.294.1 million in 2015 to Ps.288.3 million in 2016 at the Villahermosa Airport, largely due to an decrease in construction services. Revenues per workload unit at the Villahermosa Airport decreased by 0.9% from Ps.226.2 in 2015 to Ps.224.2 in 2016 primarily due to an decrease in construction services revenues.

Aeronautical revenues at our other six Mexican airports increased by 12.9% from Ps.597.8 million in 2015 to Ps.675.0 million in 2016, due to the increase of 5.5% in passenger traffic at those airports and the depreciation of the Mexican peso against the U.S. dollar. Non-aeronautical revenues increased by 20.5% from Ps.111.0 million in 2015 to Ps.133.7 million in 2016, due to the depreciation of the Mexican peso against the U.S. dollar and new retail outlets opening in, and an increase in passenger traffic at, the Veracruz, Oaxaca, Huatulco, and Tapachula airports. Construction services revenues decreased to Ps.77.1 million in 2016 from Ps.468.4 million in 2015, due primarily to investment contracts under the Master Development Program in Mexico. Revenues decreased by 24.8% from Ps.1,177.2 million in 2015 to Ps.885.8 million in 2016 at the other six airports, due primarily to the decrease in construction services revenues. Revenues per workload unit at our other six Mexican airports decreased by 26.5% from Ps.309.8 in 2015 to Ps.227.8 in 2016 principally due to the decrease in revenues from construction services.

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Revenues from our parent holding company and our administrative services companies increased by 9.9% from Ps.1,008.8 million in 2015 to Ps.1,108.6 million in 2016, 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.4,820.9 million in 2016, a 2.0% decrease from the Ps.4,921.7 million recorded in 2015, primarily as a result of a 18.0% decrease in the cost of construction to Ps.2,117.0 million in 2016 from Ps.2,580.7 million in 2015, this decrease was partially offset by a 20.5% increase in technical assistance fees, an 18.3% increase in government concession fees, and a 4.0% increase in administrative expenses. As a percentage of total revenues, operating expenses represented 49.4% of total revenues in 2016 as compared to 54.7% of total revenues in 2015. Operating costs per workload unit decreased 9.8%, from Ps.184.3 per workload unit in 2015 to Ps.166.2 per workload unit in 2016, primarily because of the decrease in construction costs.

Cost of services increased 16.8% to Ps.1,336.4 million in 2016 from Ps.1,144.4 million in 2015. The increase was principally due to a 7.1% increase in maintenance costs, from Ps.213.7 million in 2015 to Ps.228.9 million in 2016, a 10.9% increase in safety and security costs and a 15.9% increase in utilities. Our cost of services per workload unit increased 8.0% from Ps.42.8 in 2015 to Ps.46.1 in 2016 because of an increase of 7.7% in the passenger traffic.

Administrative expenses increased 4.0% to Ps.204.8 million in 2016 from Ps.197.0 million in 2015. This increase was primarily attributable to higher professional fees and cleaning service fees paid to third parties, as well as higher technical assistance fees paid to Inversiones y Técnicas Aeroportuarias, S.A. de C.V.

Technical assistance fees increased by 20.5% to Ps.288.1 million in 2016 from Ps.239.1 million in 2015, and government concession fees increased by 18.3% to Ps.344.9 million in 2016 from Ps.291.5 million in 2015. The technical assistance fees increased in 2016 due to the corresponding increase in our consolidated earnings before comprehensive financing costs, income taxes and depreciation and amortization, which is the basis used to determine the technical assistance fee. The increase in government concession fees was primarily the result of an increase in regulated revenues, which is the basis for the calculation of the concession fee.

Construction costs were Ps.2,117.0 million in 2016 and Ps.2,580.7 million in 2015. Because we hired a third party to provide all of our construction and upgrade services, our revenues relating to construction or upgrade services are equal to our expenses for those services.

Depreciation and amortization costs increased by 12.9% to Ps.529.7 million in 2016 from Ps.469.0 million in 2015. This increase was principally due to the depreciation of new investments in fixed assets and improvements made to concessioned assets.

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*Operating Expenses by Airport*

Operating expenses for Cancún Airport were Ps.4,279.0 million in 2016, a 10.2% increase from the Ps.3,883.5 million recorded in 2015, primarily as a result of a 2.7% increase in construction costs from Ps.1,846.1 million in 2015 to Ps.1,896.3 million in 2016, a 54.2% increase in material and supplies, a 19.4% increase in safety and security costs and a 23.4% increase in professionals fees. Operating expenses per workload unit for Cancún Airport were Ps.197.2 in 2016, a 1.0% increase from the Ps.195.2 recorded in 2015.

Operating expenses for Mérida Airport were Ps.359.3 million in 2016, a 12.1% decrease from the Ps.408.8 million recorded in 2015, principally as a result of a 51.7% decrease in construction costs from Ps.204.5 million in 2015 to Ps.98.7 million in 2016. Operating expenses per workload unit for Mérida Airport were Ps.167.8 in 2016, a 22% decrease from the Ps.215.2 recorded in 2015.

Operating expenses for Villahermosa Airport were Ps.179.0 million in 2016, a 5.6% decrease from the Ps.189.6 million recorded in 2015, primarily as a result of a 27.2% decrease in construction costs from Ps.61.7 million in 2015 to Ps.44.9 million in 2016. Operating expenses per workload unit for Villahermosa Airport were Ps.139.2 in 2016, a 4.6% decrease from the Ps.145.8 recorded in 2015.

Operating expenses for our other six Mexican airports were Ps.563.6 million in 2016, a 39.0% decrease from the Ps.924.3 million recorded in 2015, principally as a result of a 83.5% decrease in construction costs from Ps.468.4 million in 2015 to Ps.77.1 million in 2016. Operating expenses per workload unit for our other six Mexican airports were Ps.145.0 million in 2016, a 40.4% decrease from the Ps.243.2 recorded in 2015.

Operating expenses for our parent holding company and our administrative services companies were Ps.895.5 million in 2016, a 1.7% decrease from the Ps.910.6 million recorded in 2015, principally due to the decrease in solidarity agreement expenses. The expenses from our solidarity agreement are intercompany and are therefore eliminated in consolidation.

*Operating Income*

Operating income increased 21.1% to Ps.4,932.6 million in 2016 from Ps.4,072.9 million in 2015. This increase in operating income was primarily a result of the 15.6% increase in aeronautical revenues, the 24.6% increase in non-aeronautical revenues due to higher passenger traffic, an increase in commercial revenues due to improved terms of commercial agreements and the depreciation of the Mexican peso against the U.S. dollar.

*Operating Income by Airport*

Operating income for Cancún Airport increased by 22.4% to Ps.3,782.4 million in 2016 from Ps.3,091.3 million in 2015, primarily because of the 16.1% increase in aeronautical revenues due to higher passenger traffic and the depreciation of the Mexican peso against the U.S. dollar. Operating income per workload unit at Cancún Airport increased 12.2% from Ps.155.4 in 2015 to Ps.174.3 in 2016.

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Operating income for Mérida Airport increased by 13.6% to Ps.158.7 million in 2016 from Ps.139.7 million in 2015, mainly because of the 22.8% increase in aeronautical revenues due to higher passenger traffic and the depreciation of the Mexican peso against the U.S. dollar. Operating income per workload unit at Mérida Airport increased 0.7% from Ps.73.5 to 2015 to Ps.74.0 to 2016.

Operating income for Villahermosa Airport increased by 4.6% to Ps.109.3 million in 2016 from Ps.104.5 million in 2015, primarily because of the 4.0% increase in aeronautical revenues due to higher passenger traffic and the depreciation of the Mexican peso against the U.S. dollar. Operating income per workload unit at Villahermosa Airport increased 5.9% from Ps.80.3 in 2015 to Ps.85.0 in 2016.

Operating income for our six other airports decreased by 9.5% to Ps.322.2 million in 2016 from Ps.356.1 million in 2015, principally due to the solidarity revenues in the airports of Veracruz and Tapachula in 2015, as well as electric energy, technical assistance and concession fees. Operating income per workload unit at the other six airports decreased 11.7% from Ps.93.8 in 2015 to Ps.82.8 in 2016.

Operating income for our parent holding company and our administrative services companies increased by 46.8% to Ps.560.0 million in 2016 from Ps.381.3 million in 2015 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.45.5 million in 2016 as compared to a loss of Ps.109.9 million in 2015. This decrease in net comprehensive financing loss is primarily due to an increase in interest income of 18.5%, from Ps.155.7 million in 2015 to Ps.184.6 million in 2016, and a 38.4% decrease in the exchange rate loss, from Ps.168.7 million in 2015 to Ps.103.8 million in 2016. The decrease in the exchange rate loss in 2016 compared to 2015 is mainly due to the decrease in the net passive monetary position, despite the increase in the percentage of the loss of value of the peso against the dollar.

**Taxes**

In 2016, our current income tax provision increased 25.4%, from Ps.1,198.3 million in 2015 to Ps.1,503.0 million in 2016, primarily due to higher net income before taxes caused by certain of our subsidiaries, including the Cancún Airport, Veracruz Airport and taxable income at Huatulco Airport.

Our deferred income tax provision decreased from a deferred income tax gain of Ps.103.4 million in 2015 to Ps.101.8 million in 2016, mainly due to the recognition of the effects of inflation in the fiscal tax balance of our airports and recognition of deferred income tax at Huatulco Airport.

Our asset tax provision in 2016 was Ps.0.9 million and was Ps.5.3 million in 2015. The Company submitted a request to the Mexican Ministry of Finance and Public Credit to receive an opinion on whether we can retain the right to recover part of the asset tax that was paid in prior



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years. As of April 2010, the Ministry of Finance and Public Credit has refused to issue such an opinion to us. We are currently appealing this decision in Mexican federal court.

Our overall effective tax rate in 2016 increased from 27.4% to 27.9%, primarily as a result of the increase in the taxable base of Cancún Airport and Cancún Airport Services and initial recognition of deferred income tax at the Huatulco Airport.

**Net Income**

Net income increased 24.6% to Ps.3,629.3 million in 2016 from Ps.2,913.7 million in 2015. This was mainly the result of the 21.1% increase in operating income, which more than offset the 25.4% increase in income taxes.

**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 2015, 2016 and 2017, 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 2015, we used Ps.1,530.0 million to pay dividends. In 2016, we used Ps.1,683.0 million to pay dividends. In 2017, we used Ps.1,848.0 million to pay dividends. As of December 31, 2017, we had Ps.4,677.5 million in cash and cash equivalents.

*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 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

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Ps.275.4 million and Ps.259.7 million in loans collected from our joint venture and interest received, respectively.

*Cash Flows for the year ended December 31, 2016 as compared to cash flows for the year ended December 31, 2015*

In 2016, we generated Ps.4,509.4 million in cash flow from operating activities, an increase of 23.4% from Ps.3,653.6 million in 2015, primarily due to an increase in income before income taxes. As of December 31, 2016, income before income taxes was Ps.5,031.4 million, reflecting a 25.4% increase from 2015.

Cash flow used in financing activities in 2016 was Ps.1,789.9 million, an increase of Ps.162.9 million, or 10.0%, from 2015, due largely to our distribution of Ps.1,683.0 million paid in dividends in 2016, as compared to Ps.1,530.0 million paid in dividends in 2015.

Cash flow used in investing activities in 2016 was Ps.1,366.7 million, principally as a result of investments in concessioned assets for Ps.1,814.5 million in 2016, a 37.6% decrease from 2015, which was offset by the partial collection of the loan granted from Aerostar of Ps.325.7 million in 2016.

*Indebtedness*

As of December 31, 2017, we had Ps.17,644.0 million in outstanding indebtedness. As of December 31, 2017, 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 the interest in Airplan for an aggregate price of approximately U.S.\$194.5 million (Ps.3,819.9 million at an exchange rate of Ps.19.64 as of December 29, 2017), 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%. 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



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dividends to our shareholders. As of the date of this report, we were in compliance with these covenants.

*Indebtedness in Puerto Rico*

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 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 is 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 will be made. The loans are denominated in U.S. dollars and charge interest at a rate equal to the LIBO rate determined for the interest period then in effect plus the applicable margin of 1.525%. This facility may be used for general corporate purposes, and we have 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 have guaranteed our Cancún airport subsidiary's obligations under this facility.

While the BBVA Bancomer and Merrill Lynch facility is 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. Additionally, the credit facility requires 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, this facility restricts our ability to pay dividends to our shareholders. Additionally, 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.

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

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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 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*

In June 2015, our subsidiary Airplan entered into a series of 10-year syndicated credit facilities with Bancolombia, Banco de Bogotá, Corpbanca Colombia, Banco Davivienda, Banco de Occidente, Banco Popular and Banco AV Villas. The terms include an interest rate based on the *Depósitos Termino Fijo*, or Fixed Term Deposits ( DTF ), plus 4.0% and quarterly principal payments. Airplan also entered into two short-term loans with Bancolombia and one short-term loan with Banco de Bogotá in August, September and November 2017. The terms include an interest rate based on Colombia's banking reference index, the *Indicador Bancario de Referencia* ( IBR ), plus 2.6% and annual principal payments.

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 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 DTF 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.

On September 27, 2017, Airplan entered into a short-term loan with Bancolombia of COP\$5,000.0 million and on August 18, 2017, Airplan entered into a short-term loan with Bancolombia of COP\$10,000.0 million. The main terms of these short-term loans include the issuance of a blank promissory note, an interest rate based on the IBR plus 2.75%, monthly interest payments and an annual principal payment on the due date. In each case, failure to make

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payments on a timely basis would result in all amounts owed under the facility becoming due and payable immediately.

On October 25, 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 include 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. Failure to comply with payments would result in all amounts owed under the facility becoming due and payable immediately.

**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 improvements. Once approved by the Ministry of Communications and Transportation, these commitments become binding obligations under the terms of our concessions.

In December 2013, 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, 2014 and will be in effect until December 31, 2018.

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 2017 and 2018, José María Córdova International Airport has committed investments of U.S.\$35.1 million and U.S.\$14.6 million, respectively. For 2017, Enrique Olaya Herrera Airport has committed investments of U.S.\$14.9 thousand, Los Garzones Airport has committed investments of U.S.\$1.1 million and El Caraño Airport has committed investments of U.S.\$16.1 million. For additional information see Item 4 Information on the Company Colombian Regulatory Framework Committed Investments.





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The following table sets forth our historical investments in Mexico in the periods indicated.

Year ended December 31,	(thousands of Mexican pesos)
2015	3,102,523
2016	1,902,275
2017	1,288,006

In 2017, we spent Ps.1,288.1 million 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 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**

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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.

Aeronautical services revenues consist of passenger charges for departing passengers (excluding diplomats, infants, and transfer and transit passengers), landing charges based on the

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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, at the time of landings 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. 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. We currently perform an estimate for the last days of the month to determine the monthly percentage of income. We have compared the estimated bases with the real billing and concluded that there were no significant differences.

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 in as Construction services and expenses related to construction and upgrade services are presented as Costs of construction. We use the percentage of completion method of accounting to estimate and recognize our revenues and related costs as the construction projects are being undertaken. 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 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

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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.

***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.

***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



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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.

***Contingent Liabilities***

We are a party to a number of legal proceedings. Under IFRS, liabilities are recognized in the financial statements when a loss is both estimable and probable. If the loss is neither probable nor estimable or if the likelihood of a loss is remote, no amounts are recognized in the financial statements. Based on legal advice we have received from our U.S., Mexican and Colombian counsel and other information available to us, we have not recognized any losses in the financial statements as a result of these proceedings.

***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.

- IAS 7, Disclosure Initiatives

Amendments to IAS 7 require an explanation of any changes in liabilities arising from financing activities, including changes arising from cash flows and non-monetary changes such as acquisitions, disposals, interest accrued and unrealized exchange differences. Changes in financial assets must be included in the disclosure if cash flows were, or will be, included in cash flows from financing activities. The Company evaluated has evaluated the effects of the application of IAS 7 and determined that it had no significant effects on the reporting of its consolidated financial statements.

- IFRS 9, Financial Instruments

Effective January 1, 2018, IFRS 9 replaces the classification and measurement models of IAS 39 Financial Instruments: Recognition and Measurement with a single model with two classification categories: amortized cost and fair value. Classification of debt assets are driven by the entity's business model for managing the financial assets and the characteristics of the contractual cash flows of the financial assets.

IAS 39 sets forth single model that initially has two classification categories: amortized cost and fair value. The classification of debt assets will be conducted by the entity's business model to manage the financial assets and the characteristics of the contractual cash flows of the

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financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to maintain the financial asset for obtaining contractual cash flows, and b) the contractual cash flows of the instrument merely represent payments of principal and interest. The remainder of the debt and equity instruments, including investments in complex debt and equity instruments, must be recognized at fair value. All financial assets movements are recorded in the income statement, except for equity instruments that are not held for sale, which can be recorded in the income statement or in the respective reserves (without being recycled later to the income statement).

For financial liabilities measured at fair value, entities must recognize a portion of the changes in fair value arising from changes in credit risk in the other comprehensive income instead of the income statement. The new hedge accounting rules (issued in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting. The new standard also introduces requirements for additional disclosures and changes in presentation. In June 2014, the IASB made further changes to the measurement and classification rules and introduced a new impairment model. With these modifications, IFRS 9 is now complete. The changes introduce: a third category of measurement (fair value through OCI) for certain financial assets that are capital instruments; a new model of expected loan losses involving a three-stage approach whereby financial assets go through all three phases as their credit quality changes. The phase dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financial component (*e.g.*, accounts receivable). During initial recognition, the entities record losses of day one equal to the expected credit losses over 12 months (or the life of the expected credit losses from accounts receivable), unless the assets are considered impaired credit. For financial periods beginning before February 1, 2015, entities may elect for early application of IFRS 9 for the following: credit risk requirements for financial liabilities; classification and measurement requirements for financial assets and liabilities and hedge accounting.

The Company initially recognizes bank loans obtained at their fair value, net of the costs incurred in the transaction; the loans are subsequently recorded at their amortized cost. As a result, the Company does not consider the adoption of IFRS 9 to have a significant effect on its accounting records. Nonetheless, the Company continues to evaluate the effects of the adoption of this new standard in its accounts receivable and within the assessment of the elements of the standard. The Company has considered that the new standard could have a non-significant impact within the determination of the estimate for losses of accounts receivable, which will be determined on expected losses, and not incurred. The Company is in the process of determining the monetary impact of this change and is analyzing each receivable to determine the probable effect of non-recovery. There is no impact due to the new hedging rules, as the Company does not hold any instruments subject to this accounting treatment.

Our application of IFRS 9 is effective as of January 1, 2018 and was approved by our Audit Committee.

- IFRS 15, Revenue from Contracts with Customers



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Effective January 1, 2018, IFRS 15 replaced IAS 18 and IAS 11, which cover contracts for goods and services and construction contracts, respectively. The new standard is based on the principle that revenue is recognized when control of a good or service is transferred to a customer. A five-step process must be applied before recognizing revenue: (i) identifying contracts with respective customers; (ii) identifying the separate yield obligation; (iii) determining the contract's transaction price; (iv) assigning the transaction price of each yield obligation; and (v) recognizing income when each yield obligation is met.

The key change is that any distinguishable product or service package must be recorded separately, and any discount or price mark-down in the contract must be assigned to each of the elements identified separately. Revenue can be recognized earlier than required by the current rules if the consideration varies for any reason (incentives, rebates, performance charges, royalties, success in the result, etc.). Minimum amounts must be recorded if there is no significant risk of reversal as defined by IFRS 15. The point at which income can be recognized may vary. A portion of the revenue that is currently recognized at a point in time at the end of a contract may need to be recognized over the term of the contract and vice versa.

Entities must apply IFRS 15 using one of the following two methods:

- **Retrospective method:** requires applying IFRS 15 to each report period, *i.e.*, restating prior periods in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors.
- **Modified retrospective method:** requires applying IFRS 15 only on the date of adoption and no previous reporting periods would be adjusted. Under this method, entities will recognize the cumulative effect of the initial application of IFRS 15 as an adjustment to the initial balance of retained earnings (or some other capital component, as appropriate) in the initial application period. Comparative periods presented do not require adjustments. For example, if an entity adopts IFRS 15 on January 1, 2018, the accumulated effect would have to be recognized in retained earnings on January 1, 2018.

In 2017, our management carried out an inventory survey of all customer contracts. Management verified the satisfaction of the performance obligations of the contract and validation of the prices stipulated by the type of service provided identified in the contract. Based on the results, our management believes the adoption of IFRS 15 will not have a significant impact on the consolidated financial statements. In addition, the Company is analyzing whether regulated monthly income could have an impact on its recognition during interim periods throughout the year. The Company will apply IFRS 15 using the modified retrospective method.

As of January 1, 2018, there are immaterial changes due to the adoption of IFRS 15, as changes to the new standard refer to reclassifications in various headings in the statement of comprehensive income with no effects on the valuation. Therefore, there is no change in net income for the year 2016, the amount of which is included in the accumulated results of the comparative financial statements as of December 31, 2017.

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Amendments to IFRS 15 Revenue from contracts with customers (effective as of January 1, 2018) include guidelines for identifying yield obligations, accounting for intellectual property licenses and evaluation of principal versus agent (presentation of gross income versus reporting of net income), including additional practical files related to the transition to the new standard.

Our application of IFRS 15 is effective as of January 1, 2018 and was approved by our Audit Committee.

- IFRS 16, Leases

In January 2016, the IASB issued a new standard for lease accounting. This standard will replace IAS 17, which classifies leases as financial and operational. IAS 17 identifies leases as financial when the risks and benefits of an asset have been transferred, and as operational for all other leases. IFRS 16 eliminates the financial and operational classification and requires the recognition of an asset derived from the right to use for most leases, and of a liability reflecting future payments. The IASB has included exceptions in short-term leases and low-value assets. These changes are applicable for a lessee's accounting books, while the guidelines for the lessor are similar to those currently in force. The most significant effect of the new requirements would be reflected in an increase in lease assets and liabilities, with an effect on the income statement in the depreciation and financing expenses for the assets and liabilities recognized, and a decrease in expenses related to leases previously recognized as operational. The operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. This standard is effective for periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 is also adopted. As of the date of issuance of the consolidated financial statements, the Company is in the process of evaluating, identifying and quantifying the leases in the balance sheet and income statement. The Company expects to conclude its analysis during the next year.

**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, 2017.

	Total	Payments due by period (millions of Mexican pesos)			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
<b>Mexican Contractual Obligations</b>					
Mexican Master Development Plans(1)	340.6	340.6			
Technical Assistance Agreement(2)	316.0	82.8	116.6	116.6	
Operating Leases	12.4	5.3	7.1		
<b>Colombian Contractual Obligations</b>					
Purchase Obligations	272.3	272.3			
Operating Leases	0.5	0.5			
<b>Puerto Rican Contractual Obligations</b>					
Purchase Obligations					
Operating Leases					
<b>Total</b>	<b>941.8</b>	<b>701.5</b>	<b>123.7</b>	<b>116.6</b>	

	Total	Payments due by period (millions of Mexican pesos)			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
<b>Financial Liabilities</b>					
Bank Loans and Interest	13,810.7	783.5	880.4	5,480.5	6,666.3
Long-Term Debt	12,730.6	654.9	633.1	654.9	10,787.7
Suppliers	428.9	428.9			
Accounts payable and accrued expenses	1,175.3	1,175.3			
<b>Total</b>	<b>28,145.5</b>	<b>3,042.6</b>	<b>1,513.5</b>	<b>6,135.4</b>	<b>17,454.0</b>

(1) As of December 31, 2017, 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, 2018. The plans also contain indicative investments for calendar years 2018 through 2028, 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:

<b>Name</b>	<b>Title</b>	<b>Director Since</b>
Fernando Chico Pardo(1)	President	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 20, 2017.

(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, 2017.

**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 66 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 69 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 62 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 69 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 90 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 77 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 66 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 45 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 46 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:

<b>Name</b>	<b>Principal Occupation</b>	<b>Executive Officer Since</b>
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
Agustín Arrelano Rodríguez	Chief International Affairs Officer	August 15, 2013
Alejandro Pantoja López	Chief Infrastructure and Compliance Officer	August 15, 2013

(1) Elected by ITA as holder of Series BB shares.

(\*) Owner of less than 1.0% of our outstanding shares as of April 15, 2018.

**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 53 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 54 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 61 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 66 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 54 years old.

**Agustín Arellano Rodríguez.** Mr. Arellano was appointed as our Chief International Affairs Officer in August, 2013. Mr. Arellano was previously the company's Chief Infrastructure and Regulations Officer (from 2010). Prior to joining ASUR, Mr. Arellano held a series of positions within the Mexican Air Traffic Control Service, SENEAM, including those of Technical Director and General Director. He has also been a member of the Boards of Directors of Aeropuertos y Servicios Auxiliares, the Mexican state-owned airport operator and Mexico City International Airport. Mr. Arellano is currently seconded to our Puerto Rican subsidiary, Aerostar, where he is serving as Chief Executive Officer. He is 61 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.

**Share Ownership of Directors and Senior Management**

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With the exceptions of Fernando Chico Pardo (see Item 7. Major Shareholders and Related Party Transactions Major Shareholders ) and Carlos Trueba Coll, directors and senior management do not own shares of ASUR. There are no compensation arrangements under which employees may acquire capital stock of ASUR.

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**Compensation of Directors and Senior Management**

Members of our Board of Directors and the members of our committees received Ps.4.9 million in aggregate compensation for the year ended December 31, 2017. We paid an aggregate amount of approximately Ps.84.6 million in 2017 for the services of our executive officers.

No amount has been set aside by ASUR or its subsidiaries for pension, retirement or similar benefits.

**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

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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.

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 2015, 2016 and 2017.

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	2015	As of December 31, 2016	2017
<b>Administrative Employees(1)</b>			
Servicios Aeroportuarios del Sureste, S.A. de C.V.	136	140	136
Mexico			
Cancún Airport	227	234	281
Cozumel Airport	27	27	27
Huatulco Airport	20	23	21
Mérida Airport	52	55	57
Minatitlán Airport	20	19	20
Oaxaca Airport	23	23	24
Tapachula Airport	25	23	23
Veracruz Airport	34	34	34
Villahermosa Airport	30	32	34
<b>Total Mexico</b>	<b>594</b>	<b>610</b>	<b>657</b>
Colombia			
Airplan (Corporate Office)			70
Carepa Airport			26
Corozal Airport			20
Medellín Airport (Enrique Olaya Herrera)			53
Rionegro Airport (José María Córdova)			137
Montería Airport			54
Quibdó Airport			29
<b>Total Colombia</b>			<b>389</b>
San Juan Airport			88
<b>Total Administrative Employees</b>	<b>594</b>	<b>610</b>	<b>1,134</b>
<b>Unionized Employees(2)</b>			
Mexico			
Cancún Airport	127	131	141
Cozumel Airport	36	36	34
Huatulco Airport	20	20	20
Mérida Airport	45	44	45
Minatitlán Airport	16	16	17
Oaxaca Airport	22	22	23
Tapachula Airport	24	24	24
Veracruz Airport	28	26	27
Villahermosa Airport	28	29	29
<b>Total Mexico</b>	<b>346</b>	<b>348</b>	<b>360</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>346</b>	<b>348</b>	<b>360</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, 2015, 2016 and 2017, we had 940, 958 and 1,494 employees, respectively.

24.1% of our employees on December 31, 2017 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 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 2016. 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 25, 2018, 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%	
Remer Soluciones, 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 6, 2018

(7) Grupo ADO, S.A. de C.V. indirectly owns 50.0% of ITA and directly owns 99.0% of Remer Soluciones, which owns 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, 2015, 2016 and 2017, the accounts pending payment with related parties are as follows:

	2015	At December 31, 2016 (millions of Mexican pesos)	2017
<b>Accounts Payable:</b>			
Inversiones y Técnicas Aeroportuarias, S.A.P.I. de C.V.(2)	59.3	71.4	82.7
Lava Tap de Chiapas, S. A. de C. V.(1)	0.5	0.3	1.0
Autobuses de Oriente, S.A. de C.V(2)			
CAH Colombia, S.A.(2)			4.1
<b>Total Accounts Payable</b>	<b>59.8</b>	<b>71.7</b>	<b>83.7</b>

(1) Affiliate of key management personnel

(2) Shareholder

During the years ending December 31, 2015, 2016 and 2017, the following transactions with related parties were carried out:

	2015	Year Ended December 31, 2016 (millions of Mexican pesos)	2017
Commercial revenues	Ps. 14.0	Ps. 15.7	Ps. 18.3
Interest income		83.5	69.2
Technical assistance	(239.2)	(288.1)	(346.5)
Administrative services			
Leases	(4.1)	(4.8)	(5.0)
Cleaning services	(9.1)	(9.5)	(10.2)
Investment (transport equipment)			
Others	(0.9)	(2.5)	

**Arrangements with ITA**

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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 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

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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.\$10.4 million, U.S.\$10.5 million and U.S.\$13.5 million, respectively, pursuant to the technical assistance agreement plus additional expenses owed to ITA of approximately U.S.\$0.050 million, U.S.\$0.008 million in 2015 and 2016, respectively. We did not owe ITA additional expenses in 2017.

**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 2015, we provided Ps.34.7 million in compensation to key management personnel and Ps.6.0 million in compensation to the Board of Directors and the committees of the Board of Directors. 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.

**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.



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At present, two 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.116.0 million. As of December 31, 2017, we have not established a provision for this item.

The municipalities of Cancún, Cozumel, Huatulco, Mérida, Minatitlán, Veracruz and Villahermosa have given us notice requesting that we pay property tax (*predial*) for the property on which these airports are located. However, we believe that the request to pay this tax is not in accordance with applicable law relating to property in the public domain, which includes the airports we currently operate under concessions. We filed a protective action in court against the attempt to collect the tax by the municipal treasuries in each of these cities. Our cases against the municipalities of Cancún, Cozumel, Mérida, Minatitlán, Veracruz and Villahermosa were decided in our favor. The legal proceeding involving Huatulco is still in progress.

The Mexican Department of Civil Aviation ( DGAC ) has filed 12 administrative lawsuits against us based on a series of audits carried out from 2004 to 2006. We have begun counter-proceedings because we believe that these lawsuits are invalid due to the inappropriateness of the procedures followed by the DGAC. In the case of Cozumel Airport, the authorities have declared that the verification procedure has expired. Since these lawsuits make no reference to the number of observations that have not been resolved or to the possible penalties that might be applied, it is not possible to estimate the potential consolidated financial effect.

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.1,075.0 million (which includes the required allocation corresponding to year 2016 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 2013, 2014 and 2015 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 2017, 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, 2017, we had Ps.11,704.7 million of distributable earnings, Ps.8,951.9 million of 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.

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.

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.

Table of Contents**Item 9. The Offer and Listing****Stock Price History**

The following table sets forth, for the periods indicated, the high and low closing prices for (i) the ADSs on the New York Stock Exchange in U.S. dollars and (ii) our common shares on the Mexican Stock Exchange in Mexican pesos. For more information, see Item 10. Additional Information Exchange Controls for the exchange rates applicable during the periods set forth below. The information set forth in the table below reflects actual historical amounts at the trade dates and has not been restated in constant pesos.

The annual high and low market prices for (i) our common shares on the Mexican Stock Exchange in pesos and (ii) the ADSs on the New York Stock Exchange in U.S. dollars over the five most recent financial years is as follows:

Years ended December 31,	U.S.\$ per ADR (1)		Pesos per Series B Share	
	Low	High	Low	High
2013	99.96	141.50	133.76	173.96
2014	107.00	136.35	142.48	199.43
2015	126.03	165.82	186.63	272.99
2016				
First Quarter	121.43	150.71	223.32	260.95
Second Quarter	142.94	160.00	250.47	294.05
Third Quarter	140.18	164.28	276.29	298.03
Fourth Quarter	135.52	164.30	281.45	311.03
2017				
First Quarter	134.27	178.95	295.44	335.21
Second Quarter	179.71	213.76	336.12	382.92
Third Quarter	190.75	228.06	346.59	400.00
Fourth Quarter	168.20	192.97	320.53	358.07

Monthly Prices	U.S.\$ per ADR(1)		Pesos per Series B Share	
	Low	High	Low	High
October 2017	175.72	192.97	328.85	352.73
November 2017	168.20	182.15	320.53	349.43
December 2017	175.58	185.82	330.72	358.07
January 2018	188.04	201.93	358.53	377.71
February 2018	174.26	199.00	329.89	365.39
March 2018	167.07	181.37	306.42	338.77
April 2018 (through April 19)	167.27	180.99	306.41	327.47

(1) 10 Series B shares per ADR.

Sources: Mexican Stock Exchange and the New York Stock Exchange.

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**TRADING ON THE MEXICAN STOCK EXCHANGE**

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1894, it ceased operations in the early 1900s, and was reestablished in 1907. The Mexican Stock Exchange is organized as a corporation whose shares are publicly traded but are mainly held by brokerage firms. These firms are exclusively authorized to trade on the floor of the Exchange. Trading on the Mexican Stock Exchange takes place exclusively through an automated inter-dealer quotation system known as SENTRA, which is open between the hours of 8:30 a.m. and 3:30 p.m., Mexico City time, each business day. Each trading day is divided into six trading sessions with ten-minute periods separating each session. Trades in securities listed on the Mexican Stock Exchange can, subject to certain requirements, also be effected off the Exchange. Due primarily to tax considerations, however, most transactions in listed Mexican securities are effected through the Exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility. The suspension procedures will not apply to shares that are directly or indirectly (through ADSs or CPOs) quoted on a stock exchange outside Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even if by mutual agreement, is not permitted without the approval of the CNBV. Most securities traded on the Mexican Stock Exchange are on deposit with S.D. Ineval Instituto para el Depósito de Valores, S.A. de C.V., a privately-owned central securities depository that acts as a clearing house, depository, custodian and registrar for Mexican Stock Exchange transactions, eliminating the need for the physical transfer of shares.

The Mexican Stock Exchange is one of Latin America's largest exchanges in terms of market capitalization, but it remains relatively small and illiquid compared to major world markets, and therefore subject to greater volatility.

As of December 31, 2017, 141 Mexican companies, excluding mutual funds, had equity listed on the Mexican Stock Exchange. In 2017, the 10 most actively traded equity issues (excluding banks) represented 65.4% of the total volume of equity issues traded on the Mexican Stock Exchange. Although the public participates in the trading of securities, a major part of the activity of the Mexican Stock Exchange reflects transactions by institutional investors. There is no formal over-the-counter market for securities in Mexico.

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries and in the United States. In 2008, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially following declines in the international securities markets.

**Item 10. Additional Information**

**Bylaws**

This section summarizes certain provisions of Mexican law and our *estatutos sociales* (bylaws).





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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:

- 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

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- 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.

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;

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- 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;
- 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;

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- 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;
  
- 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.



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**Our Capital Stock**

The following table sets forth our authorized capital stock and our issued and outstanding capital stock as of April 25, 2018:

**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.

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

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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,
- 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.

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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.

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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 depository for distribution to the holders of ADSs. Holders of ADSs are entitled to instruct the depository as to the exercise of voting rights pertaining to the Series B shares.

*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

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- 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;