# Aleatica, S. A. B. de C. V. and Subsidiaries
**(Subsidiary of Magenta Infraestructura, S.L.U.)**

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report Dated February 19, 2019

# Aleatica, S. A. B. de C. V. and Subsidiaries
**(Subsidiary of Magenta Infraestructura, S.L.U.)**

# Independent Auditors' Report and Consolidated Financial Statements as of December 31, 2018 and 2017

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# Independent Auditors' Report to the Board of Directors and Stockholders of Aleatica, S.A.B. de C.V.

***Opinion***

We have audited the consolidated financial statements of Aleatica, S.A.B. de C.V (the Company or Entity) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the consolidated statements of income and other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Responsibilities of Independent Auditors' for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the *Ethics Code issued by the Mexican Institute of Public Accountants, A.C. (IMCP Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA and IMCP Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis Paragraph***

As discussed by the Company's Management in Note 1 to the accompanying consolidated financial statements, during 2015, the National Banking and Securities Commission (the Commission) performed an inspection visit to the Company. As a result of this and the process that the Company carried out with the Commission, on March 10, 2016, the Commission issued several rulings, which concluded with the imposition of administrative fines for different matters of the consolidated financial statements for the years 2014, 2013 and 2012, including, among others, the application of accounting principles accepted by such Commission, and the records related to the concessions which recognize a return on their investment in conformity with that established in the Concession Titles and respective laws. On March 15, 2016 the Commission requested, through official notices, the filing of the Company's consolidated financial statements for 2015, without considering the recording of the return on the investment, and to do so on a comparative basis with 2013 and 2014.

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On March 18, 2016, the Company filed letters informing the Commission of the form and terms under which it would address the observations contained in the official notices described above, for which reason it was requested to continue presenting in its consolidated financial statements the recognition of its investment in concessions and their return in a form consistent with the previous years and to show in a note to the comparative consolidated financial statements for 2015, 2014 and 2013 the effects which would arise from applying the accounting treatment requested by the Commission until such time as the aforementioned reasonable presentation was defined.

On March 23, 2016, the Commission authorized the remediation plan discussed in the preceding paragraph.

The information described above was presented for the year 2015 and until the third quarter of 2016.

On February 17, 2017, the Company filed a follow-up letter informing the Commission of how the record of its investment in concessions and their respective return will be made in accordance with *IFRIC 12 Service Concession Arrangements* (IFRIC 12), considering the nature and terms of the Concession Titles and the laws applicable thereto.

On February 21, 2017, the Commission acknowledged the receipt of the follow-up letter in conformity with the official notices described in the preceding paragraphs.

Our opinion is not modified in respect of this matter.

***Other issues***

As mentioned in Note 1 to the accompanying consolidated financial statements, on July 9, 2018, a Stockholders' Special Meeting approved to change the official name from OHL México, S.A.B. de C.V. to Aleatica, S.A.B. de C.V., as a result of which the stockholders approved an amendment to Clause 1 of the Company's bylaws.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the following key audit matters are the ones that should be included in our report.

*Investment in concessions and compliance with laws and regulations*

As discussed in the emphasis paragraph of this report, on February 17, 2017, the Company filed a letter informing the Commission of the way in which the accounting of its investment in concessions and their return would be made in accordance with IFRIC 12, considering the nature and terms of the concession titles and the laws applicable thereto.

For the aforementioned, as of December 31, 2018, the Company has identified two types of concessions based on the economic nature and specific characteristics of each Concession Title, as discussed below:

a) Concessions whose Concession Titles establish that the deficit determined between the investment in infrastructure, plus the return established in the Concession Titles themselves, compared with the toll flows obtained during the concession period is recovered through the granting entity, in conformity with applicable legal provisions.

b) Concession titles which establish that the recovery of the investment in infrastructure and the return established in the titles themselves will be recovered only by the toll flows.

The assets related to Concession Titles whose recovery is through the toll flows and, if, at the end of the concession period there were a deficit to be recovered through the granting entity, are recorded 1) based on the future discounted flows equivalent to the fair value expected to be received directly from the users of the service, and 2) as applicable, the defined deficit assumed by the granting entity as established in paragraph 16 of IFRIC 12.

The assets related to Concession Titles which establish that the recovery of the investment in infrastructure will be through toll flows, are recorded at their investment cost, which is amortized over the concession period.

*How our audit addressed the Key Audit Matter*:

We focused our audit tests on ascertaining and inquiring the following:

1. In relation to the concessions whose Concession Titles establish that the deficit determined between the investment in the infrastructure plus the return established in the concession titles themselves, compared to the toll flows obtained during the concession period is recovered through the granting entity, in accordance with applicable legal provisions, we performed the following:

    a) We confirmed with the Company's Management that the Concession Titles and their modifications were in effect up to the date of the consolidated financial statements of the Entity.

    b) We reviewed the modifications to the Concession Titles since the granting until the date of the consolidated financial statements and their impact on the accounting treatment defined by the Company.

    c) We obtained from the Company written opinions of their outside legal advisers on the rights and obligations of the Company included in the Concession Titles. We confirmed the independence of the aforementioned outside legal advisers of the Company.

    d) We obtained a written opinion from an independent attorney as an expert of the auditor on the rights and obligations established in the Concession Titles. Furthermore, they confirmed to us that there were no changes in the applicable laws. We confirmed their independence from both the Company and ourselves.

    e) We reviewed the accounting policy defined by the Company, which is included in the notes to the consolidated financial statements, for the accounting recognition of these concessions based on IFRS.

    f) For the projection of future toll flows, Management was assisted by independent specialized experts. We confirmed their independence from the Company.

    g) With the support of specialists from our audit team, we reviewed the financial model used as the basis for determining the financial projections.

    h) We reviewed the financial projections prepared by the Company, including the assumptions used in their preparation.

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2. In relation to the concessions whose Concession Titles establish that the recovery of the investment in infrastructure and the return established in the titles themselves will be recovered only by the toll flows, we carried out the following:

   a) We confirmed with the Company's Management that the Concession Titles and their modifications were in effect up to the date of the consolidated financial statements of the Company.

   b) We reviewed the modifications to the Concession Titles made during the period from January 1 to December 31, 2018 and their impact on the accounting treatment defined by the Company.

   c) We reviewed the probable impairment indicators in the investment of the concession which might require modification to the amount of the investment recorded in the consolidated financial statements.

   The results of our tests were satisfactory.

***Other information***

The Company's Management is responsible for the other information. The other information will include the information that will be incorporated into the annual report which the Company is required to prepare in accordance with Article 33, section I, subsection b) of Title Fourth, Chapter First of the General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico and the instructions accompanying such provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report.

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

In relation to our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it is available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or appears to contain a material misstatement. When we read the Annual Report we will issue a declaration on its reading, as required in Article 33, section I, sub-section b) numeral 1.2 of the Provisions.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

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

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

***Responsibilities of Independent Auditors' for the Audit of the Consolidated Financial Statements***

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

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

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

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

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

***Other matter***

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Carlos Alberto Torres Villagómez
February 19, 2019

**Aleatica, S. A. B. de C. V. and Subsidiaries**
**(Subsidiary of Magenta Infraestructura, S.L.U.)**

# Consolidated Statements of Financial Position

**As of December 31, 2018 and 2017**
**(In thousands of Mexican pesos)**

| Assets | Notes | 12/31/2018 | 12/31/2017 |
|---|---|---|---|
| Current assets: | | | |
| Cash, cash equivalents and trust funds | 5 | $ 10,422,538 | $ 11,735,640 |
| Accounts receivable for services | 2.2, 6 | 287,097 | 297,331 |
| Due from related parties | 17 | 294,673 | 688,333 |
| Recoverable taxes | 7 | 425,740 | 410,395 |
| Other accounts receivable and other assets | 8 | 260,442 | 144,924 |
| Total current assets | | 11,690,490 | 13,276,623 |
| Non-current assets: | | | |
| Long-term trust funds and cash restricted | 5 | 3,424,967 | 1,897,366 |
| Investment in recoverable infrastructure through future toll flows | | 52,996,249 | 51,999,005 |
| Portion of intangible asset recoverable through future toll flows | | 58,189,593 | 52,834,794 |
| Concessions intangible asset | | 111,185,842 | 104,833,799 |
| Deficit by the grantor, net | | 36,583,430 | 26,693,358 |
| Total investment in concessions | 9 | 147,769,272 | 131,527,157 |
| Advances to suppliers for construction work | | 1,012,849 | 1,068,326 |
| Due from related parties | 17 | 746,838 | 1,296,912 |
| Office furniture and equipment, net | | 41,768 | 31,951 |
| Derivative financial instruments | 15 | 631,685 | 344,005 |
| Investment in shares of associated entity and joint ventures | 10 | 7,976,330 | 8,230,432 |
| Other assets, net | | 140,663 | 291,049 |
| Total non-current assets | | 161,744,372 | 144,687,198 |
| Total assets | | $ 173,434,862 | $ 157,963,821 |

| Liabilities and stockholders' equity | Notes | 12/31/2018 | 12/31/2017 |
|---|---|---|---|
| Current liabilities | | | |
| Current portion of long-term debt | 12 | $ 1,895,874 | $ 998,041 |
| Trade accounts payable to suppliers, taxes payable and accrued expenses | 11 | 1,906,718 | 3,118,645 |
| Provision for major maintenance | 13 | 704,386 | 251,638 |
| Accounts and notes payable to related parties | 17 | 562,383 | 224,319 |
| Total current liabilities | | 5,069,361 | 4,592,643 |
| Non-current liabilities: | | | |
| Long-term debt | 12 | 35,929,381 | 35,300,451 |
| Notes payable to related parties | 17 | - | 1,327,617 |
| Provision for major maintenance | 13 | 461,435 | 715,507 |
| Employee benefits | 14 | 63,653 | 74,874 |
| Consolidated income tax | | 487,785 | 648,786 |
| Deferred income taxes | 19 | 25,032,853 | 20,728,275 |
| Total non-current liabilities | | 61,975,107 | 58,795,510 |
| Total liabilities | | 67,044,468 | 63,388,153 |
| Stockholders' equity: | 16 | | |
| Capital stock | | 15,334,502 | 15,334,502 |
| Additional paid-in capital | | 10,270,547 | 10,270,547 |
| Retained earnings | | 59,321,586 | 50,551,073 |
| Effect on the valuation of derivative financial instruments | | 249,566 | 155,200 |
| Reserve for employee retirement benefits | | (1,440) | (12,583) |
| Stockholders' equity attributable to controlling interest | | 85,174,761 | 76,298,739 |
| Non-controlling interest | | 21,215,633 | 18,276,929 |
| Total stockholders' equity | | 106,390,394 | 94,575,668 |
| Total liabilities and stockholders' equity | | $ 173,434,862 | $ 157,963,821 |

The accompanying notes are part of these consolidated financial statements.

**Aleatica, S. A. B. de C. V. and Subsidiaries**
**(Subsidiary of Magenta Infraestructura, S.L.U.)**

# Consolidated Statements of Income and Other Comprehensive Income

**For the years ended December 31, 2018 and 2017**
**(In thousands of Mexican pesos, except earnings per common share)**

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Revenues: | | | |
| Tolls | | $ 7,076,389 | $ 6,055,494 |
| Revenues from valuation of intangible assets | | 5,354,798 | 5,790,771 |
| Adjustment for valuation of the deficit by the grantor | | 9,963,027 | 10,493,053 |
| Total revenues from concession operation | | 22,394,214 | 22,339,318 |
| Construction | | 1,028,254 | 425,422 |
| Services and others | | 140,424 | 136,065 |
| | | 23,562,892 | 22,900,805 |
| Costs and expenses: | | | |
| Costs of construction | | 1,028,254 | 425,422 |
| Costs and operating expenses | 18 | 1,863,223 | 1,667,008 |
| Amortization of investment in concessions and depreciation | | 69,714 | 77,560 |
| Impairment of deficit by the grantor | | 47,224 | - |
| General and administrative expenses | 18 | 539,967 | 638,847 |
| | | 3,548,382 | 2,808,837 |
| Other expenses (income), net | | 23,776 | (132,895) |
| Financing cost | | 4,925,363 | 5,046,650 |
| Financing interest | | (1,100,776) | (831,998) |
| Foreign exchange (gain) loss, net | | (24,725) | 49,856 |
| Effect on the valuation of derivative financial instruments | 15 | 302 | 35,449 |
| | | 3,800,164 | 4,299,957 |
| Equity in income of associated entity and joint ventures | 10 | 908,728 | 1,054,731 |
| Income before income taxes | | 17,099,298 | 16,979,637 |
| Income taxes | 19 | 4,520,976 | 4,093,116 |
| Consolidated net income for the year | | 12,578,322 | 12,886,521 |
| Other components of comprehensive income, net of income taxes: | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Effect from the valuation of derivative financial instruments | | 177,042 | 19,209 |
| Effect from deferred tax of derivative financial instruments | | (53,113) | (5,763) |
| | | 123,929 | 13,446 |

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial loss (profit) on defined benefit plans | | 6,027 | (5,966) |
| Effect of deferred tax on actuarial losses on defined benefit plans | | (1,808) | 1,790 |
| | | 4,219 | (4,176) |
| Net comprehensive income | | $ 12,706,470 | $ 12,895,791 |
| Net income for the year attributable to: | | | |
| Controlling interest | | $ 9,568,931 | $ 10,603,873 |
| Non-controlling interest | | 3,009,391 | 2,282,648 |
| | | $ 12,578,322 | $ 12,886,521 |
| Net comprehensive income for the year attributable to: | | | |
| Controlling interest | | $ 9,666,008 | $ 10,592,865 |
| Non-controlling interest | | 3,040,462 | 2,302,926 |
| | | $ 12,706,470 | $ 12,895,791 |
| Basic earnings per common share: | | | |
| Net income attributable to controlling interest | | $ 5.5242 | $ 6.1217 |
| Net income attributable to non-controlling interest | | $ 5.5882 | $ 6.1926 |
| Weighted average shares outstanding | | 1,732,185,269 | 1,732,185,269 |
| Weighted average of shares outstanding without buyback shares | | 1,712,338,896 | 1,712,338,896 |

(Concluded)

The accompanying notes are part of these consolidated financial statements.

**Aleatica, S. A. B. de C. V. and Subsidiaries**
**(Subsidiary of Magenta Infraestructura, S.L.U.)**

# Consolidated Statements of Changes in Stockholders' Equity

**For the years ended December 31, 2018 and 2017**
**(In thousands of Mexican pesos)**

| | Notes | Capital stock | Additional paid-in capital | | Retained earnings | Reserve for employee retirement benefits | Effect on the valuation of derivative financial instruments | Stockholders' equity attributable to controlling interest | Non-controlling interest | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | From sale of shares | Upon replacement of repurchased shares | | | | | | |
| Beginning balances as of January 1, 2017 | | $ 15,334,502 | $ 10,270,165 | $ 382 | $ 42,743,569 | $ (8,491) | $ 132,632 | $ 68,472,759 | $ 7,656,755 | $ 76,129,514 |
| Sale of subsidiary shares | 16.j | - | - | - | (87,231) | - | 29,484 | (57,747) | 8,345,946 | 8,288,199 |
| Expenses from sale of subsidiary shares | | - | - | - | (2,024,202) | - | - | (2,024,202) | - | (2,024,202) |
| Dividends declared and paid to non-controlling interest | 16.d,f. | - | - | - | - | - | - | - | (28,698) | (28,698) |
| Dividends paid | 16.i | - | - | - | (684,936) | - | - | (684,936) | - | (684,936) |
| Consolidated comprehensive income: | | | | | | | | | | |
| Consolidated net income for the year | | - | - | - | 10,603,873 | - | - | 10,603,873 | 2,282,648 | 12,886,521 |
| Reserve for employee retirement benefits, net of taxes | | - | - | - | - | (4,092) | - | (4,092) | (84) | (4,176) |
| Effect on the valuation of derivative financial instruments, net of taxes | | - | - | - | - | - | (6,916) | (6,916) | 20,362 | 13,446 |
| Consolidated comprehensive income for the year | | - | - | - | 10,603,873 | (4,092) | (6,916) | 10,592,865 | 2,302,926 | 12,895,791 |
| Balances as of December 31, 2017 | | 15,334,502 | 10,270,165 | 382 | 50,551,073 | (12,583) | 155,200 | 76,298,739 | 18,276,929 | 94,575,668 |
| Initial recognition impairment for expected loss, net of taxes | 2.1. b) | - | - | - | (18,241) | - | - | (18,241) | (1,830) | (20,071) |
| Dividends declared and paid to non-controlling interest | 16.c,e.g. | - | - | - | - | - | - | - | (99,869) | (99,869) |
| Dividends declared | 16.h. | - | - | - | (770,552) | - | - | (770,552) | - | (770,552) |
| Reserve for employee retirement benefits, net of taxes | | - | - | - | (9,625) | 6,924 | - | (2,701) | (59) | (2,760) |
| Consolidated comprehensive income: | | | | | | | | | | |
| Consolidated net income for the year | | - | - | - | 9,568,931 | - | - | 9,568,931 | 3,009,391 | 12,578,322 |
| Reserve for employee retirement benefits, net of taxes | | - | - | - | - | 4,219 | - | 4,219 | 1,508 | 5,727 |
| Effect on the valuation of derivative financial instruments, net of taxes | | - | - | - | - | - | 94,366 | 94,366 | 29,563 | 123,929 |
| Consolidated comprehensive income for the year | | - | - | - | 9,568,931 | 4,219 | 94,366 | 9,667,516 | 3,040,462 | 12,707,978 |
| Balances as of December 31, 2018 | | $ 15,334,502 | $ 10,270,165 | $ 382 | $ 59,321,586 | $ (1,440) | $ 249,566 | $ 85,174,761 | $ 21,215,633 | $ 106,390,394 |

The accompanying notes are part of these consolidated financial statements.

## Aleatica, S. A. B. de C. V. and Subsidiaries
**(Subsidiary of Magenta Infraestructura, S.L.U.)**

# Consolidated Statements of Cash Flows

**For the years ended December 31, 2018 and 2017**
**(In thousands of Mexican pesos)**
**(Indirect Method)**

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Consolidated income before income taxes | $ 17,099,298 | $ 16,979,637 |
| Revenues from valuation of the intangible asset | (5,354,798) | (5,790,771) |
| Adjustment for valuation of the deficit by the grantor | (9,963,027) | (10,493,053) |
| Impairment of deficit by the grantor | 47,223 | - |
| Equity in income of associated entity and joint ventures | (908,728) | (1,054,731) |
| Amortization of investments in concessions and depreciation | 69,714 | 77,560 |
| Major maintenance | 538,031 | 558,307 |
| Interest income | (6,793) | (149,280) |
| Interest income from joint venture | (132,838) | (118,363) |
| Interest income from third parties | - | (35,620) |
| Unrealized foreign exchange | (2,177) | 48,800 |
| Unrealized interest expense | 4,925,363 | 5,024,110 |
| Interest expense from joint ventures | - | 22,540 |
| Effect on the valuation of derivative financial instruments | 302 | 35,449 |
| | 6,311,570 | 5,104,585 |
| Changes in working capital: | | |
| Due from and due to related parties, net | 104,439 | 251,706 |
| Recoverable taxes | (15,345) | (17,030) |
| Other accounts receivable and other assets | (7,884) | (47,289) |
| Trade accounts payable to suppliers, taxes and accrued expenses | 391,206 | 31,362 |
| Major maintenance | (339,355) | (321,340) |
| Employee benefits | (8,251) | 11,588 |
| Income taxes paid | (2,026,225) | (171,001) |
| Net cash generated by operating activities | 4,410,155 | 4,842,581 |
| **Cash flows from investing activities:** | | |
| Acquisition of office furniture and equipment and other asset | (64,902) | (20,494) |
| Reimbursement of common stock contributions in joint venture | 1,020,000 | - |
| Investment in bonds issued by joint venture | (250,000) | - |
| Interest collected on bonds issued by joint venture | 13,117 | - |
| Dividends collected from joint venture | 135,150 | - |
| Investment in concessions and advances to suppliers for construction work | (1,020,913) | (1,220,615) |
| Loans to joint ventures | (83,640) | (421,290) |
| Interest collected from joint ventures | 38,331 | 63,019 |
| Interest collected from related parties | - | 35,533 |
| Loans made to related parties | - | (740,000) |
| Loans collected from related parties | - | 666,282 |
| Loans collected from joint ventures | 991,224 | 308,584 |
| Net cash flows generated (used) in investing activities | 778,367 | (1,328,981) |
| | 5,188,522 | 3,513,600 |

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Reduction of contributions for future capital increases of the non-controlling interest | (803,649) | (505,809) |
| Increase of contributions for future capital increases of the non-controlling interest | - | 805,232 |
| Sale of subsidiary shares to non-controlling interest | - | 8,288,200 |
| Expenses from the sale of subsidiary shares to non-controlling interest | - | (6,172) |
| Borrowing costs | (13,497) | (178,614) |
| Dividends paid to non-controlling interest | (99,869) | (28,698) |
| Dividends paid | (770,552) | (684,936) |
| Interest paid to joint ventures | - | (41,904) |
| Loans paid to joint ventures | - | (690,610) |
| Loans obtained from joint ventures | - | 207,000 |
| Payment of securitized certificates | (81,040) | (71,766) |
| Loans paid to financial institutions | (818,953) | (329,200) |
| Loans obtain from financial institutions | 291,823 | - |
| Interest paid | (2,615,553) | (2,476,707) |
| (Payment) collected of forward financial instruments | (62,733) | 7,903 |
| Net cash (used in) provided by financing activities | (4,974,023) | 4,293,919 |
| Net increase in cash, cash equivalents and trust funds, short and long-term | 214,499 | 7,807,519 |
| Short and long-term cash, cash equivalents and trust funds at beginning of year | 13,633,006 | 5,825,487 |
| Short and long-term cash, cash equivalents and trust funds at end of year | $ 13,847,505 | $ 13,633,006 |

The accompanying notes are part of the consolidated financial statements.

(Concluded)

# Notes to the Consolidated Financial Statements

**For the years ended December 31, 2018 and 2017**
**(In thousands of Mexican pesos, except as otherwise indicated)**

## 1. Activities and significant operations

*Activities* - Aleatica, S. A. B. de C. V. ("Aleatica" or the "Entity"), subsidiary of Magenta Infraestructura, S.L.U., was incorporated in Mexico on March 31, 2005. Its main activity is to invest in shares of companies engaged in the design, operation and construction of road infrastructure projects, airports and ports, as well as to enter into contracts related to the above activities (see Note 9).

The Entity's address is Avenida Paseo de la Reforma 222, 25$^{th}$. floor, Colonia Juárez, CP 06600, Mexico, City, Mexico, and is a traded stock corporation, whose shares are traded in the Mexican Stock Exchange, which after the Public Bid, mentioned below, represent 14.15%.

On July 9, 2018, a Stockholders' Special Meeting approved the change of business name from OHL México, S.A.B. de C.V. to Aleatica, S.A.B. de C.V., as a result of which the stockholders approved an amendment to Clause 1 of the Entity's bylaws.

*Significant operations*

***IFM Global Infrastructure Fund ("IFM GIF") transfers its equity holding in Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. ("OPI") and OPCEM, S.A.P.I. de C.V. to Caisse de Dépôt et Placement du Québec ("CDPQ")***

On May 9 and 10, 2018, the Entity was informed by IFM GIF that on those dates, IFM GIF, through its subsidiaries, Global InfraCo Spain, S.L.U. and Copper Infrastructure, S.A. de C.V., transferred its holding of 10.01% and 38.99%, respectively, in the equity of OPI and OPCEM, S.A.P.I. de C.V. to CDPQ, through its affiliates. CDPQ is an institutional investor with long-term investments.

**Notice of Results and Settlement of the Compulsory Purchase Public Bid to Acquire up to 100% of Aleatica's Public Shares**

On May 8, 2018, in accordance with the information on results provided by Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte, in its capacity as broker of the Bid (the "Broker"), to the Bidder, and by the Bidder to the Entity, the results of the Bid are presented below:

- Number of public shares of Aleatica subject of the Bid: 242,323,653.
- Total amount of the Bid: Up to $6,542,739.
- Number of shares of Aleatica owned by Bidder and its affiliates before the conclusion of the Bid: 1,470,015,243.
- Number of public shares of Aleatica offered and delivered as part of the Bid: 37,253,042.
- Number of shares of Aleatica that would be owned by Bidder and its affiliates as a result of the Bid: 1,507,268,285.
- Percentage of shares of Aleatica that would be owned by Bidder and its affiliates as a result of the Bid (excluding the Treasury Stock of Aleatica): 88.02%.

Given the above, in accordance with the Applicable Provisions: (i) Bidder will not be required to pay or deliver any consideration to the Holders who offered and delivered their Public Shares of Aleatica as part of the Bid (the Holders); and (ii) the Holders will not be entitled to file any claim against Bidder as a result of the conclusion of the Bid.

Furthermore, the Broker will then return the public shares of Aleatica that were offered and delivered to the Broker by the Holders, through the custodians and/or with ownership endorsed, as part of the Bid, under the terms of the Applicable Provisions.

Consequently, the percentage of shares of Aleatica that will be owned by Bidder and its affiliates after the termination of the Bid, bearing in mind that Bidder has terminated the Bid, will be 85.85% (not including the Treasury Stock of Aleatica).

As already mentioned, the acquisition of OHL Concesiones, S.A.U. ("OHLC") has been satisfactorily completed. As a result, IFM GIF is the indirect holder of 85.85% of the shares of Aleatica, while 14.15% of the shares of Aleatica remain distributed among small investors (not including the Treasury Stock of Aleatica). After the conclusion of the Bid, Aleatica remains a public entity.

**Close of sale and transfer of 100% of the common stock of OHLC by Obrascón Huarte Lain ("OHL") to IFM GIF**

On April 12, 2018, Aleatica reported that it completed the sale and transfer of 100% of common stock of OHLC by Aleatica to IFM GIF.

**Magenta Infraestructura, S.L.U. launches a Compulsory Purchase Public Bid to acquire up to 100% of Aleatica's public shares**

On April 9, 2018 Aleatica informed the general investing public that Magenta Infraestructura, S.L.U. ("Bidder"), in accordance with Articles 98, section II, 99, 100, paragraph 1 and other applicable statutes of the Mexican Stock Market Law ("LMV") and, in relation to the acquisition by IFM GIF (collectively, with any of its affiliates, "IFM") of 100% of the total common stock of OHLC and, consequently, indirect control of Aleatica, has launched a compulsory purchase public bid ("Bid"), through the BMV, to acquire up to 100% of the shares of Aleatica, held by the general investing public, who may decide whether to accept the Bid or not.

**Oversight by the National Banking and Securities Commission (the "Commission")**

On May 15, 2015, the Entity reported through a significant event that the National Banking and Securities Commission (the "Commission" or "CNBV"), based on Article 359 of the LMV, and in the exercise of its official powers and its continued oversight functions of issuers listed on the Mexican Stock Market, initiated an inspection visit of the Entity to ascertain compliance with that established in the LMV and in the applicable provisions, for purposes of protecting the interests of investors and the market in general.

As a result of the aforementioned inspection initiated by the Commission, on October 23, 2015, the Commission granted the right to a hearing to the Entity, and the different officers of the Entity, in order to address certain administrative proceedings initiated against them (the "Administrative Proceedings").

As part of the Administrative Proceedings, the Commission alleges noncompliance with applicable regulations, including among others; (a) inappropriate application of accounting principles accepted by the Commission, including the records related to the concessions which recognize guaranteed profitability and the fact that, according to the Commission, such recognition is invalid; (b) supposed improper information to the market related to the current traffic levels and their projections in the concessions of the Entity; (c) verifiability in certain operations and; (d) noncompliance in the authorization processes for transactions with related parties.

On November 25, 2015, the Entity responded to the questions raised by the Commission.

On March 10, 2016, the CNBV issued official notices to the Entity.

The rulings on the Administrative Proceedings establish the following:

1. With regard to the Administrative Proceedings related to the application of accounting principles recognized by CNBV for certain accounting records relative to the guaranteed profitability of the concessions of its subsidiaries, the CNBV concluded that during the years 2012, 2013 and 2014, the Entity inappropriately recorded the guaranteed profitability, in accordance with its interpretation of IFRIC 12 (Service Concessions Agreements). After considering the extenuating circumstances described above, the CNBV levied an administrative penalty of the Entity and some of its executives for such information.

2. In the ruling on the Administrative Proceedings related to information on the traffic levels in its concessions, the CNBV ruled that there was an inconsistency in the description of one of the processes included in the section of the Principal Accounting Policies of the financial statements of the Entity in comparison with the rest of the information disclosed by the Entity. The CNBV, after considering the extenuating circumstances described above, levied an administrative penalty on the Entity and some of its executives for such violation.

3. In relation to the Administrative Proceedings on the verifiability in the recording of certain operations of the Entity, the CNBV ruled that the respective support documentation was not provided in every case. The CNBV, after considering the extenuating circumstances described above, levied an administrative penalty on the Entity and some of its executives for such violation.

4. In accordance with the ruling on the Administrative Proceeding related to the authorization procedure for certain transactions with related parties of the Entity, the CNBV ruled that not all of the documentation was provided to certify that the formalities in such authorization procedure had been effectively fulfilled. The CNBV, after considering the extenuating circumstances described above, levied an administrative penalty on the Entity. No individuals were summoned as part of this Administrative Proceeding.

After considering the extenuating circumstances in this case, specifically the absence of deceit, fraud or any impact on the Mexican financial system or third parties, the CNBV levied administrative penalties on the Entity and the individuals for a total amount of $61.2 million for the Entity, and the amount of $10.2 million for the individuals who are currently directors of the Entity.

By the same token, on March 15, 2016, the CNBV issued official notices instructing changes to the consolidated financial statements of the Entity for 2013, 2014 and 2015, granting a deadline of 5 days to submit to the Commission the form and terms under which compliance with the official notices would be accomplished.

Notwithstanding, as the interpretations that the Entity and their outside advisers gave to the accounting provisions applicable to the recording of the guaranteed profitability in their financial statements are not consistent with the interpretation of the CNBV, with the aim of improving transparency for small investors, providing comparable financial information and, considering that the accounting treatment for the guaranteed profitability does not have and has not had any effect on the cash flows of the Entity, the latter proposed to the CNBV the remediation process described in the following paragraph.

On March 18, 2016, the Entity submitted letters informing the CNBV of the form and terms in which it would comply with the observations contained in the official notices, offering as a remediation process to review the way in which it must carry out the recording of the guaranteed profitability by considering the nature and terms of the Concession Titles, in order to seek an interpretation of the recording of the guaranteed profitability in accordance with IFRIC 12 which would be reasonable for the CNBV, for which reason it was requested to continue presenting in its consolidated financial statements the recognition of the guaranteed profitability consistently with previous years and show in a note to the financial statements the effects which would arise from applying the accounting treatment required by the CNBV until such time as the aforementioned reasonable presentation for the CNBV was determined.

On March 23, 2016, the CNBV approved the proposal submitted by the Entity as follows:

(i) In the 2015 audited financial statements of the Entity, the recording of the guaranteed profitability as a financial asset will be maintained and a note with financial information for the respective periods will be included in the section "Notes to the Financial Statements", solely for comparative purposes, reflecting the record of the guaranteed profitability in accordance with the accounting treatment requested by the CNBV;

(ii) In the 2015 annual report, the financial statements of the last three years in which the recording of the guaranteed profitability is kept as a financial asset will be included, and a note with information for the respective periods will be included in the section "Notes to the Financial Statements", solely for comparative purposes, reflecting the record of the guaranteed profitability in accordance with the accounting treatment requested by the CNBV, both in the notes to the financial statements attached to the annual report, and in the section "Selected Financial Information"; and

(iii) In the quarterly and annual consolidated financial reports, beginning in the first quarter of 2016 (a) the recording of the guaranteed profitability as a financial asset will be maintained and (b) a note with comparative information for the respective periods will be included in the section "Notes to the Financial Statements", solely for comparative purposes, reflecting the record of the guaranteed profitability in accordance with the accounting treatment requested by the CNBV, until such time as the form in which the record of the guaranteed profitability must be made in the financial statements of the Entity is determined in conformity with IFRIC 12.

(iv) On February 17, 2017, the Entity filed a letter informing the CNBV of the form in which the recording of its investment in concessions and their return will be made, by considering the economic nature and the terms established in the Concession Titles and the laws applicable thereto, in accordance with that established in IFRIC 12.

Therefore, the information described in subsection (iii) above was presented for the year 2015 and until the third quarter of 2016.

On February 21, 2017, the Commission admitted the follow-up letter in accordance with the official instruction notices described in the preceding paragraphs.

## 2. Basis of presentation

### 1) *Application of new and revised International Financial Reporting Standards*

#### a. *Application of new and revised International Financial Reporting Standards ("IFRS" or "IAS") and interpretations that are mandatorily effective for the current year*

In the current year, the Entity has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

*New and amended IFRS Standards that are effective for the current year*

*Impact of initial application of IFRS 9 - Financial Instruments*

In the current year, the Entity has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Entity has elected to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Entity adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, that were applied to the disclosures about 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Entity's consolidated financial statements are described below.

The Entity has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) ***Classification and measurement of financial assets***

The date of initial application is January 1, 2018. Accordingly, the Entity has applied the requirements of IFRS 9 to instruments that continue to be recognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Entity may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and

- the Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Entity has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at FVTOCI are subject to impairment. See (b) below.

It was reviewed and assessed the Entity's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Entity's financial assets as regards their classification and measurement:

- Financial assets classified as held for maturity. loans and accounts receivable in accordance with IAS 39 that were measured at amortized cost, continue to be measured at amortized cost because they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding;

The application of IFRS 9 has not had any effect on the classification and measurement of the Entity's financial assets, because they are managed to recover contractual cash flows related to the payment of principal and interest.

(b) ***Impairment of financial assets***

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Entity to recognize a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortized cost or at FVTOCI,
(2) Lease receivables,
(3) Trade receivables and contract assets, and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

With regard to the impairment model based on expected losses, the requirement of initial adoption of IFRS 9 is retrospective and establishes the option of doing so without modifying the financial statements from previous years, by recognizing the initial effect in retained earnings as of the adoption date.

Because the Entity has elected no to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognized on the date of initial application of IFRS 9 (January 1, 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at January 1, 2018.

The result of the assessment is as follows:

| Financial Assets existing at 01/01/18 subject to IFRS 9 impairment provisions | Credit Risk Attributable to 01/01/18 and 12/31/2018 | Accumulated ECL recorded at | |
|---|---|---|---|
| | | 01/01/18 | 31/12/18 |
| Financial Assets in accordance with IFRIC 12 paragraph 16 (Deficit by the grantor) | Management has elected to apply the general model which allows for the use of an expected loss approach for the counterparty in the next 12 months, by considering that the credit risk thereof has not increased significantly since recognition of the aforementioned deficit, which will allow the Entity to choose the model to be used, as established in paragraph 5.5 of IFRS 9. | $ 25,730 | $ 47,224 |

The new impairment model of financial assets established in IFRS 9 introduces the expected loss model. To calculate the expected loss, the formula regularly used is as follows:

Expected Loss = Probability of Default x Loss Given Default x Financial Assets.

With regard to the financial assets that would be analyzed according to the definition of the standard, Management has considered its application to the financial asset named "Deficit by the grantor", and for the Entities which, while not included in the consolidation by the global integration method, are consolidated under the equity method and also include the concept of "Deficit by the grantor".

Management has elected to apply the general model which allows the issuer to use an expected loss approach for the counterparty in the next 12 months, by considering that the related credit risk has not increased significantly since the recognition of the aforementioned deficit, which allows the Entity to choose the model to be used, as established in paragraph 5.5 of IFRS 9.

To determine the expected loss, the Entity has taken into consideration the following variables, probability of default (PD) and Loss Given Default (LGD).

In this regard, when calculating the total impact as of December 31, 2018, firstly the impact to be recorded with a charge to retained earnings has been identified, based on the data already indicated as of January 1, 2018 (PD, LGD and balance of financial assets) in order to quantify the effect in retained earnings and, subsequently, the calculation of the effect as of December 31, 2018 on the data as of that date. In this way, the difference between both amounts is that recognized in the results for the year.

The behavior of credit risk during the year 2018 for Mexico has been evaluated, and it remains at the same level of investment, so maintaining the model (analysis of the expected loss at 12 months) is considered adequate.

The recognized effects derived from the initial adoption of IFRS 9 are as follows:

The insolvency derived from the credit risk of $25,730 as of January 1, 2018 has been recognized in retained earnings, net of the respective deferred tax effect for $7,719, generating a net reduction in retained earnings of $18,011 as of January 1, 2018 between the controlling and non-controlling interest. Additionally, on January 1, 2018 the Entity recognized a net effect in retained earnings derived from the adoption of IFRS 9 in Investment in associated company, by the equity method, for the amount of $2,060.

(c) *Classification and measurement of financial liabilities*

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no effect on the classification and measurement of the Entity's financial liabilities, because they are managed to recover cash flows which refer to the payment of principal and interest.

(d) ***General hedge accounting***

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Entity's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Entity has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on January 1, 2018. The Entity's qualifying hedging relationships in place as at January 1, 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on January 1, 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Entity has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 *Presentation of Financial Statements* and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Entity's practice prior to the adoption of IFRS 9.

Consistent with prior periods, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Entity has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

When the option contracts are used to hedge the forecast transactions, the Entity designates only the intrinsic value of the options as the hedging instrument. Under IAS 39 the changes in the fair value of time value of option (non-designated component) were recognized immediately in profit or loss. Under IFRS 9, the changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized in other comprehensive income and accumulated in the cost of hedging reserve within equity. The amounts accumulated in equity are either reclassified to profit or loss when the hedged item affects profit or loss or removed directly from equity and included in the carrying amount of non-financial item. IFRS 9 requires that the accounting for non-designated time value of option should be applied retrospectively. This only applies to hedging relationships that existed at January 1, 2017 or were designated thereafter.

Therefore, the application of the hedge accounting requirements of IFRS 9 has had no impact on the Entity's results and financial position. Furthermore, for purposes of hedge accounting, the Entity has elected to continue applying the requirements of IAS 39.

(e) ***Disclosures in relation to the initial application of IFRS 9***

There were no financial assets or financial liabilities which the Entity had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Entity has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Entity has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the Entity's consolidated cash flows.

***Impact of application of IFRS 15 Revenue from Contracts with Customers***

In the current year, the Entity has applied IFRS 15 *Revenue from Contracts with Customers* which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Entity's consolidated financial statements are described below.

The Entity has applied IFRS 15 in accordance with the modified prospective transition approach and used the practical recourse for contracts completed in IFRS 15: C5 (a), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, that is January 1, 2018.

The adoption of IFRS 15 has had no impact on the Entity, because the methodology used for recognition of the related revenues and costs is in line with such standard.

The Entity's accounting policies are described in detail in Note 3 below.

***Impact of application of Other amendments to IFRS Standards and Interpretations***

In the current year, the Entity has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

***New and revised IFRS Standards in issue but not yet effective***

At the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 16 | *Leases* |
| Amendments to IAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| Annual Improvements to IFRS Standards 2015–2017 Cycle | *Amendments to* IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes and* IAS 23 *Borrowing Costs* |
| Amendments to IAS 19 *Employee Benefits* | *Plan Amendment, Curtailment or Settlement* |
| IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* |
| IFRIC 23 | *Uncertainty over Income Tax Treatments* |

The directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Entity in future periods, except as noted below:

***IFRS 16 Leases***

<u>*General impact of application of IFRS 16 Leases*</u>

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Entity will be January 1, 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

<u>*Impact of the new definition of a lease*</u>

The Entity will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and

- The right to direct the use of that asset.

The Entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Entity.

<u>*Impact on Lessee Accounting*</u>

*Operating leases*

IFRS 16 will change how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Entity will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of income and other comprehensive income;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

As at December 31, 2018, the Entity has non-cancellable operating lease commitments of $350,367.

A preliminary evaluation indicates that $337,659 of these agreements is related with leases different from the short-term leases and the leases of low value assets, and so the Entity will recognize an asset for use right of $240,418, and the respective leasing liability of $240,418 with regard to all of these leases. The effect on the profit or loss is to reduce Operating costs and expenses by $337,659, increase depreciation by $240,418, and increase interest expense by $97,241.

The preliminary assessment indicates that $12,708 of these arrangements relate to short-term leases and leases of low-value assets.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by $337,659 and to increase net cash used in financing activities by the same amount.

*Finance leases*

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Entity recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Entity will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Entity's finance leases as at December 31, 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Entity have assessed that the impact of this change will not have an impact on the amounts recognized in the Entity's consolidated financial statements.

*Impact on Lessor Accounting*

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change the Entity will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue (recognized in financing income).

*Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

**Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs**

The *Annual Improvements* include amendments to 4 Standards.

IAS 12 *Income Taxes*
The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 *Business Combinations*

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11 *Joint Arrangements*

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after January 1, 2019 and generally require prospective application. Earlier application is permitted.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

*Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement*

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after January 1, 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

**IFRS 10** ***Consolidated Financial Statements*** **and IAS 28 (amendments)** ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Entity anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

**IFRIC 23** ***Uncertainty over Income Tax Treatments***

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as an entity; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

2) *Reclassification of account receivable for services*

Up to December 31, 2017 the Entity presented under Other accounts receivable and other assets, the accounts receivable mainly for interoperability. For purposes of better presentation, it decided to separate this caption as Accounts receivable for services, for which purpose it reclassified the figures reported as of December 31, 2017, as follows:

| Consolidated statement of financial position as of December 31, 2017 | Figures as presented | Reclassification | Figures originally presented |
|---|---|---|---|
| Current assets: | | | |
| Accounts receivable for services | $ 297,331 | $ 297,331 | $ - |
| Other accounts receivable and other assets | 144,924 | (314,132) | 459,056 |
| Current liabilities: | | | |
| Trade accounts payable to suppliers, taxes payable and accrued expenses | $ 3,118,645 | $ (16,801) | $ 3,135,446 |

## 3. Significant accounting polices

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with IFRS released by IASB.

b. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis except for that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost - Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Entity and entities (including structured entities) controlled by the Entity and its subsidiaries. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Entity's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

As of December 31, 2018 and 2017, the equity in the capital stock of the principal subsidiaries are shown below:

| Subsidiaries | Activity | Direct and Indirect Ownership Participation % | |
|---|---|---|---|
| | | 2018 | 2017 |
| Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. and subsidiary ("OPI" and subsidiary) (1) (2) | Holder of 99.99% shares of Concesionaria Mexiquense, S.A. de C.V. ("Conmex") | 51.00 | 51.00 |
| Grupo Autopistas Nacionales, S.A. ("GANA") | Owner of the Amozoc-Perote Highway concession | 69.18 | 69.18 |
| Viaducto Bicentenario, S.A. de C.V. ("VIADUCTO BICENTENARIO") | Owner of the Viaducto Elevado concession in the State of Mexico | 99.99 | 99.99 |
| Autovías Concesionadas OHL, S.A. de. C.V. ("AUTOVIAS") (6) | Realized assignment of the Concession of the Viaducto Elevado de Puebla to Libramiento Elevado de Puebla, S.A. de C.V. | 99.99 | 99.99 |

| Subsidiaries | Activity | Direct and Indirect Ownership Participation % 2018 | 2017 |
|---|---|---|---|
| OHL Toluca, S.A. de C.V. ("OHL TOLUCA") | Investment of the Toluca Airport concession | 99.99 | 99.99 |
| Construcciones Amozoc Perote, S.A. de C.V. ("CAPSA") | Constructor | 69.18 | 69.18 |
| Operadora Concesionaria Mexiquense, S.A. de C.V. ("OPCOM") | Operating services provider to the toll road concessions | 99.99 | 99.99 |
| Autopista Urbana Norte, S.A. de C.V. ("AUNORTE") | Owner of the Vía Periferia Elevada concession | 99.99 | 99.99 |
| Latina México, S.A. de C.V. ("LATINA") | Constructor | 99.99 | 99.99 |
| Seconmex Administración, S.A. de C.V. ("SECONMEX") | Professional, technical and administrative services | 98.00 | 98.00 |
| Concesionaria AT-AT, S.A. de C. V. | Owner of the North Bypass Atizapán- Atlacomulco concession | 99.99 | 99.99 |
| OPCEM, S.A.P.I. de C.V. (2) | Service provider operating the Circuito Exterior Mexiquense | 51.00 | 51.00 |
| Conservación MM, S.A. de C.V. (3) | Operating services provider to VIADUCTO BICENTENARIO and AUNORTE | 99.99 | - |
| Manop, S.A. de C.V. (4) | Operating services provider to GANA | 69.18 | - |
| OTM Servicios de Pago, S.A. de C.V. (5) | Operating services provider to Televía | 99.99 | - |

(1) Direct and indirect equity of the Entity in the concession for the Circuito Exterior Mexiquense ("CEM").

(2) On April 12, 2017, the Entity reached an agreement that consisted in to the indirect sale of additional equity of CONMEX, holder of the concession for the CEM, through the sale by Aleatica of 14% of its holding in the common stock of OPI, which included 14% of Contributions for Future Common Stock Increases ("AFACS") in OPI, sub-holding company of CONMEX to IFM GIF, as well as 14% of the common stock shares of OPCEM, a subsidiary of Aleatica, where the operating and major and minor maintenance services of the CEM are concentrated. The second phase of the operation, which concluded successfully on November 13, 2017, consisted of an increase in the holding of IFM GIF in the common stock of OPI by an additional 10.01% to reach 49%. The price paid by IFM GIF for the first and second phases of the transaction was $9,093,433, including the AFACS. After completion of the second phase, IFM GIF increased its indirect holding in OPI from 38.99% to 49%, and the Company still has control with the remaining 51%. On May 9 and 10, 2018, through its subsidiaries, IFM GIF has transferred its 49% holding in the equity of OPI to Caisse de Dépôt et Placement du Québec ("CDPQ").

(3) On April 23, 2018, Conservación MM, S.A. de C.V. was incorporated.
(4) On April 23, 2018, Manop, S.A. de C.V. was incorporated.
(5) On October 24, 2018, OTM Servicios de Pago, S.A. de C.V. was incorporated.
(6) On January 14, 2019, the change of official name was made from Autovías Concesionadas OHL, S.A. de. C.V. to Autovías Concesionadas, S.A. de C.V.

A summary of the consolidated financial information of OPI, which has a significant non-controlling interest, is detailed below. The summary of the financial information which is presented below represents the amounts before intercompany eliminations.

In thousands of Mexican pesos:

| OPI and Subsidiary | 2018 | 2017 |
|---|---|---|
| Current assets | $ 1,378,458 | $ 1,512,901 |
| Non-current assets | $ 82,515,639 | $ 74,084,553 |
| Current liabilities | $ 1,970,012 | $ 968,516 |
| Non-current liabilities | $ 39,204,370 | $ 37,873,557 |
| Stockholders' equity attributable to controlling interest | $ 42,719,715 | $ 36,755,381 |
| Revenues | $ 12,425,093 | $ 12,542,835 |
| Costs and expenses | $ 1,260,640 | $ 997,510 |
| Financing cost | $ 2,975,011 | $ 3,274,103 |
| Income taxes | $ 2,281,735 | $ 2,292,168 |
| Net income | $ 5,907,707 | $ 5,979,054 |
| Other comprehensive result | $ 60,338 | $ 106 |
| Net comprehensive income | $ 5,968,045 | $ 5,979,160 |
| Net cash generated by operating activities | $ 3,419,745 | $ 2,721,312 |
| Net cash flows used in investing activities | $ (102,336) | $ (24,302) |
| Net cash flows used in financing activities | $ (3,268,860) | $ (2,655,963) |
| Net increase in cash, cash equivalents and trust funds | $ 3,055,460 | $ 3,006,911 |

The reconciliation of the financial information above summarized, of the book value of the non-controlling interest in OPI, was recognized in the consolidated financial statements:

| | 2018 | 2017 |
|---|---|---|
| OPI's net assets | $ 42,719,715 | $ 36,755,381 |
| Attributable to non-controlling interest of OPI | 20,932,660 | 18,010,137 |
| OPI's controlling interest book value | $ 21,787,055 | $ 18,745,244 |

*Subsidiaries -*

Subsidiaries are companies over which the Entity exercises control. The existence and effects of the potential voting rights which are currently exercisable or convertible are considered when the Entity evaluates if it controls the investee. Subsidiaries are consolidated from the date on which their control is transferred to Entity, and they cease to consolidate from the date on which control is lost.

The accounting policies of the subsidiaries have been modified to conform to the policies adopted by the Entity.

*Investments in associates and joint ventures -*

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

d. ***Trusts Funds*** - The Entity presents as long-term in the consolidated statement of financial position, the cash deposited in the Funds as reserves to service the debt, which will not be used within the 12 months following the end of the period reported. Those funds that will be used in the following year or whose dispositions are unrestricted, are classified as short-term.

e. ***Other financial assets*** - The investments in debt instruments managed under a business model whose purpose is to collect the contractual cash flows, which are exclusively payments of principal and interest on the unpaid balance, are generally measured at amortized cost at the end of the subsequent accounting periods.

They are initially valued and recorded at fair value. The transaction costs which are directly attributable to the acquisition of the investments, are added to or subtracted from the fair value of the financial assets, as the case may be, in the initial recognition.

Investments of debt bonds which the Entity has contracted are subsequently valued at amortized cost using the effective interest method, less impairment. Interest income is recognized by applying the effective interest rate. The yields generated are recognized in results as they are accrued, as part of interest income.

f. ***Investment in concessions*** - For accounting purposes the Entity recognizes the investments made in infrastructure projects in accordance with Interpretation No. 12 of the Interpretation Committee of the International Financial Reporting Standards *"Services Concession Agreements"* ("IFRIC 12").

IFRIC 12 refers to the recording by private sector operators involved in providing infrastructure assets and services to the public sector established in concession agreements, classifying the assets into financial assets, intangible assets or a combination of both.

In accordance with IFRIC 12, the Entity records the investment in concessions in two captions based on the economic nature and characteristics of the concession titles, as follows:

1 Concession Titles which establish that the deficit between the investment in infrastructure and the return established in the Concession Titles themselves, compared to the real cash flows, is recovered through the granting entity. The assets recorded in this caption are valued 1) based on discounted future flows, equivalent to their fair value which is expected to be received for tolls collected directly from users of the service, in what is known as an intangible asset; and 2) the defined deficit assumed by the granting party, which refers to a financial asset as established in paragraph 16 of IFRIC 12. These concessions are valued at present value as of the date of the consolidated financial statements.

   The determination of the amount defined as intangible assets, in accordance with IAS 38, *Intangible Assets* involves the use of financial projections which are prepared together with management experts and independent outside experts. Such financial projections are prepared annually, and will be updated in the event of indicators or events which significantly affect the assumptions used for their preparation.

   The revenues from valuation of intangible assets are determined based on the future toll flows discounted at an appropriate discount rate. The revenues from valuation of the deficit assumed by the granting party are determined based on the difference between the total return established under the concession title and the revalued book value determined for intangible assets in each period.

2 Concession Titles which establish that the recovery of the investment in infrastructure and the return established in the titles themselves will be recovered only from the toll flows. These concessions are recorded as intangible assets.

   The intangible asset from concessions where the recovery is only through future toll flows and there is no supplemental liability assumed by the granting entity, is valued at cost and is amortized by the units of activity method and are subject to quarterly impairment testing.

   IFRIC 12 establishes that in the concession titles the infrastructure assets should not be recognized as property, plant and equipment by the operator.

   The revenues and costs related to the construction or improvements are recognized in revenues and costs during the construction phase. The interest cost accrued during the construction period is capitalized in the case of concessions classified as intangible assets.

   Construction revenues are recognized by the percentage of completion method, whereby the revenue is matched with the costs incurred to reach the stage of progress required to terminate the concession, resulting in the recording of revenues and costs attributable to the percentage of work finished at the close of each year. To construct the highways for which it holds concessions, in general the Entity and its subsidiaries subcontract related parties or independent construction companies; as a result of the construction subcontracts signed, the builders are responsible for the performance, termination and quality of the work. The contracting prices with the subcontracting companies are at fair market values, for which reason the Entity does not recognize a profit margin in its consolidated statements of income and other comprehensive income for the performance of such construction work. The construction subcontracts do not release the Entity from its obligations acquired in relation to the concession titles. For those works that are carried out directly by the Entity, utility margins are recognized in its construction.

g. ***Advances to suppliers for construction work*** - Advances to suppliers correspond to payments made for specific works that will be carried out in the near future for the construction of infrastructure under the concessions. Amounts are recorded as advances given that the risks and rewards of the assets or services to be acquired or received have not yet been transferred to the Entity.

h. *Government grants and government assistance* - Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions corresponding IAS 20, "*Government grants*" and that the grants will be received.

Based on the application of IAS 20, such government assistance is deducted systematically from the value of the related investment in infrastructure asset.

Grants for the acquisition of assets are presented net against the related asset, and are applied to results over the same period and using the same amortization criteria as that of the related asset.

i. *Office furniture and equipment and other assets* - Office furniture and equipment are recorded at cost less depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated under the straight-line method based on useful life, as follows:

| | Annual percentage % |
|---|---|
| Computer equipment | 30 |
| Transportation equipment | 25 |
| Office equipment | 10 |
| Machinery | 10 |
| Road signs and signals | 10 |
| Electrical power equipment | 10 |
| Installation expenditures in leased facilities | 10 |

Residual values, useful lives and depreciation methods are reviewed at the end of each year, and the effect of any change in the estimate is recognized on a prospective basis.

An element of furniture and equipment and other assets is derecognized when sold or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising from the sale or retirement of an item of furniture and equipment, is calculated as the difference between the resources received from sales and the carrying amount of the asset and is recognized in the consolidated statement of income and other comprehensive income.

j. *Borrowing costs* - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

k. *Impairment of long-lived assets in use* - Management periodically evaluates the impairment of long-lived assets in order to determine whether there is evidence that those assets have suffered an impairment loss. If impairment indicators exist, the recoverable amount of assets is determined, with the help of independent experts, to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

l. ***Other assets*** - Other assets mainly includes costs incurred on the electronic toll project and other development costs. Costs incurred with respect to these assets, which give rise to future economic benefits and meet certain requirements for recognition are capitalized and amortized over their useful lives. Costs that do not comply with the criteria to be capitalized are recognized directly in the consolidated statements of income and other comprehensive income.

m. ***Provisions*** - Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, at the end of the reporting period. When a provision is valued using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the value of money over time is material).

n. ***Provision for major maintenance*** - The Entity records the provision of major maintenance of road sections based on its best estimate of the cost of major maintenance, on a straight-line basis, from the last maintenance incurred, in order to comply with contractual obligations that require the Entity to return the infrastructure assets to the government in optimal working conditions at the end of the concession term.

The Entity performs an analysis of the major maintenance work it will carry out in the 12-month period following the financial statements date, quantifying the estimated accounts to be incurred, which are presented as short-term.

The amount recognized in this provision is the best estimate of the disbursement required to settle the present obligation, at the end of the reporting period, bearing in mind the risks and uncertainties surrounding the obligation. When a provision is valued using the estimated cash flows to settle the present obligation, its book value represents the present value of such cash flows (when the effect of the value of money over time is material).

o. *Employee benefits*

*Employee benefits from termination and retirement*

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item employee benefits expense within other operating costs and expenses. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short-term employee benefits

A liability is recognized for employee benefits in relation to wages and salaries, annual vacations, paid leave, vacations and vacation premium.

The liabilities recognized for short-term employee benefits are valued at the amount not discounted for the benefits expected to be paid for this service.

Statutory employee profit sharing (PTU)

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses and cost line item in the consolidated statement of income and other comprehensive income.

Based on the 2014 Income Tax Law, as of December 31, 2018 and 2017, PTU is determined based on taxable income, according to Section I of Article 9 of the same Law.

p. *Income taxes -*

The expense for income taxes represents the sum of current income taxes and deferred income taxes.

On March 14, 2014, Aleatica, S,A.B. de C.V. filed a letter reporting that it elects to be taxed under this new Optional Regime for Groups of Companies referred to in Chapter VI of Title II of the Income Tax Law, for which reason as of this date the Entity is taxed under this new regime.

1. Current tax

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The management of the Entity reviewed the Entity's investment property portfolios and concluded that none of the Entity's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, management has determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Entity has not recognized any deferred taxes on changes in fair value of the investment properties as the Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

3. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

q. ***Fund for repurchase and sale of own shares*** - Shares acquired are shown as a decrease in the fund for repurchase of shares included in the consolidated statement of financial position in the line of retained earnings and are valued at acquisition cost.

In the case of a resale of shares from the fund for repurchase of shares, the amount received in excess or deficit of the historical cost is recognized in the premium on sale of repurchased shares.

r. ***Recognition of revenues from toll fees and services*** - Toll revenues are recognized at the time the service is rendered to the customer, which is when the user enters the Concessioned Highway. The Entity satisfies the performance obligation by permitting use of the highway.

The basis of the charge (collection) is determined according to the toll rate in effect at the time of entry, whether in cash or by interoperability within the next 24/48 hours by electronic transfer.

A part of the toll rates from vehicle flows earned at the GANA and CONMEX concessions belongs to Caminos y Puentes Federales ("CAPUFE"), and are not recognized as the Entity's own revenues. Such charges which belong to CAPUFE for the years ended December 31, 2018 and 2017 were $551,508 and $510,988, respectively.

s. ***Basic and diluted earnings per share*** - Basic and diluted earnings per share is computed by dividing consolidated net income of the controlling interest available to common stockholders by the weighted average number of common shares outstanding during the year. The Entity does not have any potentially dilutive instruments, for which reason diluted earnings per share is equal to basic earnings per share.

t. ***Financial instruments*** - Financial assets and liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

u. *Financial assets*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Entity may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*(i) Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

*(ii) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i)) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i)) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'foreign exchange (gain) loss' line item.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'foreign exchange (gain) loss' line item;

- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'foreign exchange (gain) loss' line item.

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'foreign exchange (gain) loss' line item; and

- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

*Impairment of financial assets*

The Entity always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;

- Significant increases in credit risk on other financial instruments of the same debtor;

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii)* *Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii)* *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

*(iv)* *Write-off policy*

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

*(v)* *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

*Financial liabilities and equity*

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

v. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of an Entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at FVTPL are recognized in profit or loss.

*Financial liabilities measured subsequently at amortized cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'foreign exchange (gain) loss' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

*Derecognition of financial liabilities*

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

w. *Derivative financial instruments*

The Entity obtains financing under different conditions. When financing is obtained under a variable interest rate, the Entity attempts to minimize the potential negative effects of the risk of fluctuations in the interest rate by entering into interest rate "SWAPS" and/or CAPS, which convert the variable profile of interest payments from variable to fixed, and attempts to minimize the potential negative effects of the risk of security exchange by entering into "FORWARD" which convert the variable profile of interest payments from variable to fixed. The Entity only enters into derivative transactions with institutions of recognized solvency and limits have been established for each institution. The Entity's policy is not to enter into derivative transactions for speculative purposes.

The Entity recognizes all assets or liabilities arising from derivative transactions in the consolidated statement of financial position at fair value, regardless of the purpose for which they are held. Fair value is determined based on recognized market prices, when the instrument is not traded in an active market, fair value is determined based on valuation techniques accepted in the financial community.

When derivatives are entered into to hedge certain risks and the derivative instrument complies with all accounting hedge requirements, their designation as a hedging instrument is documented at the start of the hedge transaction, documenting the objective, characteristics, accounting recognition and how the effectiveness will be measured for such transaction.

Accounting for the changes in the fair value of derivatives designated as hedges depends on the type of hedge transaction: (1) for fair value hedges, fluctuations in the fair value of both the derivative and the hedged item are recognized in current earnings; (2) for cash flow hedges, the effective portion is recognized temporarily in other comprehensive income within stockholders' equity and is reclassified to current earnings when affected by the hedged item; the ineffective portion is recognized immediately in current earnings.

For interest rate CAPS that are designated as hedges and which establish a ceiling, the effective portion of the CAP is determined by the intrinsic value of the CAP or the amount that exceeds the ceiling. With respect to measuring effectiveness, the Entity opted to exclude the time value of money (extrinsic value), which such effect is recognized directly in results.

The Entity suspends accounting for hedges when the derivative has matured, has been sold, is canceled or exercised, when the derivative does not reach a sufficiently high effectiveness to offset the changes in fair value or cash flows of the hedged item, or when the Entity decides to cancel the hedge designation.

When discontinuing hedge accounting for cash flow hedges, any amounts recorded in stockholders' equity as part of other comprehensive income remain in equity until the effects of the forecasted transaction or firm commitment affect the current earnings. If it is no longer probable that the firm commitment or forecasted transaction will occur, the gains or losses that were accumulated in other comprehensive income are recognized immediately in results. If the forecasted transaction will occur but subsequently it becomes ineffective, the gains or losses that were accumulated in other comprehensive income are recognized proportionally in results.

Even though certain derivatives are contracted for hedging purposes from an economic standpoint, because they do not comply with all the requirements for hedge accounting established in financial reporting standards, they have been designated as trading derivatives for accounting purposes. The fluctuation in fair value of these derivatives is recognized in interest expense or income.

x. *Foreign currencies* - In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos, using exchange rates prevailing at the end of each reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

y. ***Financial assets and liabilities denominated in UDIS*** – The Entity presents in the consolidated statements of income and other comprehensive income, as part of the financial costs or revenues, the valuation effect of the UDI on its financial assets and liabilities denominated in this value unit.

## 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, the management of the Entity is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the management of the Entity has made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Management has decided not to recognize a profit margin on the construction revenues and costs in its concessionaire subsidiaries, because the amount of such revenues and costs is substantially the same and has no effect on the Entity's net income.

- Management has decided to recognize the asset generated on the investments in concessions and the return stipulated in the concession titles whose recovery is through the operation of the concessions themselves, during the concession term and the extensions granted, by considering the future toll flows and the deficit to be recovered through the granting government when so established in the Concession Titles themselves and applicable laws.

The sources of key uncertainty in the estimates made at the date of the consolidated statement of financial position, and which have a significant risk of resulting in an adjustment in the carrying values of assets and liabilities during the following financial period, are as follows:

- The Entity has accumulated recoverable tax losses, whose recoverability has been assessed, and has concluded that it is appropriate to recognize a deferred income tax asset.

- The Entity prepares valuations of its financial derivatives which are contracted to mitigate the risk of interest rate fluctuations. The transactions which comply with the requirements for using hedge accounting have been designated as cash flow hedges. Note 16 describes the valuation techniques and methods of the financial derivatives.

- The Entity revises the estimate of the useful life and amortization method of its assets due to investment in concessions at the end of each reporting period and the effect of any change in the estimate is recognized prospectively. Furthermore, at the end of each period, the Entity revises the book values of its investment in concessions in order to determine whether there is an indication that they have suffered any loss from impairment.

- The concessions in which the recovery of the investment in infrastructure and of the return established in the Concession Titles themselves is made from its operation during the concession terms and the extensions granted and, if the deficit to be recovered through the granting entity were not fully recovered from the operation, are valued at their present value at the date of the financial statements. To determine the amount identified as intangible assets, projections are used which are prepared together with management experts and independent outside expert. Such financial projections are prepared annually except when there are indicators or events which significantly affect the assumptions used in their preparation.

- Management prepares an estimate to determine and recognize the provision to cover the major maintenance expenses of the concessioned routes, which affect the results of the periods from the time the concessioned highways are available for use until the major maintenance works are performed.

## 5. Cash, cash equivalents and trust funds

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts and cash. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Cash and bank deposits | $ | 1,371,173 | $ | 2,518,454 |
| Cash equivalents (overnight investments) | | 5,438,838 | | 6,251,818 |
| Cash for prepayments and post-payment [7] | | 246,035 | | 149,967 |
| Trust funds (additional revenues) [1A] | | 6,461 | | 6,309 |
| Cash restricted (letter of credit) [8] | | 1,350,000 | | - |
| Trust funds [1] [2] [3][4][5][6] | | 5,434,998 | | 4,706,458 |
| | | 13,847,505 | | 13,633,006 |
| Less: Long-term portion of trust funds | | (3,424,967) | | (1,897,366) |
| Current portion of cash, cash equivalents and trust funds | $ | 10,422,538 | $ | 11,735,640 |

Trust funds are as follows:

(1) **CONMEX:** Funds held in administration trust number 429 and a fund for the easement of rights-of-way held in administration trust number 406, both Trusts were entered with Banco Invex, S. A.

The balances of the trust were as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Reserve fund for debt service | $ | 1,561,084 | $ | 1,426,133 |
| Fund for major maintenance | | 149,387 | | 178,511 |
| Hub fund (Invex 429) | | 602,614 | | 546,796 |
| Hub fund (Additional revenues) [A] | | 6,461 | | 6,309 |
| Fund for release of right-of-way | | 343 | | 8,257 |
| Hub fund for debt service of the Notes Zero Coupon (Invex 15580) | | 51,631 | | 51,952 |
| Hub fund for of excessive cash (Invex 15575) | | 5,964 | | 5,083 |
| Total trust funds | | 2,377,484 | | 2,223,041 |
| Trust CPac (Concesionaria Pac, S.A. de C.V.) | | 9,200 | | 9,200 |
| Total trust funds | | 2,386,684 | | 2,232,241 |
| Total long-term trust funds | | (1,561,427) | | (1,434,390) |
| Total funds in short-term trust funds | $ | 825,257 | $ | 797,851 |

On October 7, 2004, in compliance with the obligations derived from the financing agreement, the Entity, in its capacity as trustor and second beneficiary, entered into irrevocable trust number 429 with Banco Invex, S.A., as fiduciary institution and BBVA Bancomer, S. A., Banco Nacional de Obras y Servicios Públicos, S. N. C. ("BANOBRAS") and the Instituto de Crédito Oficial ("ICO"), as first beneficiaries. The purpose of the trust was to administer the totality of the resources derived from the operation of the concession, and the other resources from the concessioned route. The trust agreement was modified and updated to ensure compliance with all obligations related to the financing agreement signed on August 29, 2014, and to establish new conditions that the trust has to guarantee. CONMEX undertakes to hold in trust the totality of the amounts resulting from the concession's operation, which will be administered, based on the terms established in the financing agreement and which CONMEX will be able to pay the Notes.

As a result of the issuance of the UDI Notes and the Zero Coupon Notes, a debt service fund was established, whereby based on the debt service hedge ratio (RCSD) for the benefit of the lenders under those notes and the credit line issued by CONMEX, as well as any indebtedness derived from the refinancing and any additional senior debt. However, this account will not be available to guarantee the hedge obligations or the obligations derived from the termination of the CONMEX's hedges. The RCSD will be financed quarterly in advance by an amount equivalent to the interest and payments required for the UDI Notes, the Zero-Coupon Notes and the installment credit line over the next 12 months (the "Requirement of the Debt Service Reserve"). If the Requirement of the Debt Service Reserve is not fully financed, the available cash after covering the debt service in accordance with the Installment Credit Line and the Notes will be deposited in the RCSD to fulfill the Requirement of the Debt Service Reserve according to the Cash Flow Waterfall.

*(A)* This amount related to Sistema de Verificación de Aforo Vehicular SIVA/Additional revenues.

(2) **VIADUCTO BICENTENARIO:** Funds held in administration trust fund number 915, contracted with Invex, S. A. and funds held for administration and payment for easement of rights-of-way in trust fund 11032265, which was executed with Scotiabank Inverlat.

The fund balances in those trusts are as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Invex Bank Trust | $ | 335,591 | $ | 256,426 |
| Fund for release of right of way | | 26 | | 26 |
| Total trust funds | $ | 335,617 | $ | 256,452 |

(3) **GANA:** Management trust number F/2001293, with Banco Santander (México) Institución de Banca Múltiple, Grupo Financiero Santander, S. A. ("Santander"), whose purpose is to administer all the resources derived from operation of the concession, as well as the other resources related to the route under concession and the Perote Bypass over the term of the concessions.

Management trust number F/300861, with HSBC México, S. A., whose purpose is to provide the administration, and establish the program to issue debt up to $1,700 million or the equivalent in 370,225,400 UDIS and receive any other resource from the operation of the concession and use it to fund the payments of such related debt.

The fund balances in those trusts are as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Operation fund | $ | 764,108 | $ | 377,528 |
| Maintenance fund | | 226,954 | | 187,732 |
| HSBC trust fund | | 168,169 | | 171,455 |
| Consolidation bank | | 20,307 | | 12,573 |
| Fund for release of right of way | | 11 | | 10 |
| Total trust funds | | 1,179,549 | | 749,298 |
| HSBC long-term trust fund | | (168,169) | | (171,455) |
| Total short-term trust funds | $ | 1,011,380 | $ | 577,843 |

(4) **AUNORTE:** Irrevocable Payment Trust F/834 with IXE Banco, S. A. Institución de Banca Multiple, IXE Grupo Financiero, Division Fiduciaria, which is to cover the expenses related to technical supervision and project construction.

Irrevocable guarantee of payment trust, management trust and source of payment trust No. 1177 with Bank Invex, S. A. Institución de Banca Multiple, Invex Grupo Financiero, which is to cover the expenses related to technical supervision and project construction.

As December 31, the balance of the trust is as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| INVEX Trust Fund | $ | 83,162 | $ | 40,184 |
| INVEX Trust Fund reserve | | 85,229 | | 83,084 |
| INVEX Major Maintenance Fund | | 15,359 | | 14,789 |
| INVEX IVA Fund | | 35 | | 6,516 |
| IXE Trust Fund | | 4 | | 4 |
| Total short-term trust funds | $ | 183,789 | $ | 144,577 |

(5) **OPI:** On December 13, 2013, Guarantee Trust Contract No. 2001 was executed with Banco INVEX, S.A. Institución de Banca Múltiple, Invex Grupo Financiero as the resource administrator (Trustee), Banco Monex, S.A. Institución de Banca Múltiple, Monex Grupo Financiero as the security agent, trust beneficiary and for the representation and benefit of Goldman International, which is intended to administer and guarantee the debt service payment.

The trust balance is composed as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| INVEX Consolidation Trust | $ | 114,221 | $ | 63,477 |
| Trust 2001 Invex - debt service reserve fund | | 345,371 | | 291,511 |
| | | 459,592 | | 354,988 |
| Long-term debt service reserve fund | | (345,371) | | (291,511) |
| Total short-them trust funds | $ | 114,221 | $ | 63,477 |

(6) **AT- AT:** Administrative trust number 1760 and right of way release fund, executed with Banco Monex, S. A.

The trust balance is composed as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Right of way release fund | $ | 896,227 | $ | 975,212 |

Right of way release fund number 1760 created on April 21, 2014, executed by AT-AT in its capacity as trustor with Banco Monex, S. A. as the trustee, which is primarily intended to administer all the resources received as part of the trust's net worth, including those derived from the operation of the concession, while ensuring compliance with the obligations established by the concession title and bases.

(7) **OPCOM:** Cash received for prepayments by the users for utilization of the concession routes, which will be paid by OPCOM to the concessionaires when the users actually utilize such routes for $33,013 and $27,372 as of December 31, 2018 and 2017.

(8) Restricted cash related to the issuance of a letter of credit to guarantee the venture capital in the Atizapán-Atlacomulco project for $1,350,000.

## 6. Other accounts receivable

| | 2018 | 2017 |
|---|---|---|
| For interoperability | $ 258,830 | $ 200,344 |
| For toll services | 112,349 | 113,788 |
| | 371,179 | 314,132 |
| Allowance for bad debts from interoperability | (84,082) | (16,801) |
| | $ 287,097 | $ 297,331 |

Aging of accounts receivable for interoperability:

| | 2018 | 2017 |
|---|---|---|
| 0-90 days | $ 121,187 | $ 23,338 |
| 91-120 days | 2,730 | 24,589 |
| More than 121 days | 134,913 | 152,417 |
| Total | $ 258,830 | $ 200,344 |

Aging of accounts receivable for toll services:

| | 2018 | 2017 |
|---|---|---|
| 0-90 days | $ 63,631 | $ 99,912 |
| 91-120 days | 5,818 | 4,926 |
| More than 121 days | 42,900 | 8,950 |
| Total | $ 112,349 | $ 113,788 |

Recognition of the allowance for doubtful accounts from interoperability was:

| | 2018 | 2017 |
|---|---|---|
| Balance at the beginning of the year | $ 16,801 | $ 5,702 |
| Charge to results | 73,218 | 19,087 |
| Application | (5,937) | (7,988) |
| Balance at the end of the year | $ 84,082 | $ 16,801 |

## 7. Recoverable taxes

| | 2018 | 2017 |
|---|---|---|
| Value-added tax | $ 162,472 | $ 283,957 |
| Income tax | 263,268 | 126,438 |
| | $ 425,740 | $ 410,395 |

## 8. Other accounts receivable and other assets

| | 2018 | 2017 |
|---|---|---|
| Sundry debtors | $ 5,805 | $ 7,728 |
| Prepaid expenses | 122,682 | 101,538 |
| Guarantee deposits | 9,984 | 10,813 |
| Due to Constructora de Proyectos Viales de México, S.A. de C.V. | 89,973 | - |
| Others | 31,998 | 24,845 |
| | $ 260,442 | $ 144,924 |

## 9. Investment in concessions

| Intangible assets from concessions | 2018 | 2017 |
|---|---|---|
| Civil works completed | $ 45,244,654 | $ 45,123,344 |
| Construction in-progress | 4,043,044 | 3,112,909 |
| Initial contribution | 1,827,949 | 1,827,949 |
| Capitalized loan cost | 3,235,969 | 3,259,159 |
| Other investment assets | 310,462 | 310,462 |
| | 54,662,078 | 53,633,823 |
| Federal Infrastructure Fund ("FINFRA" for its acronym in Spanish) contribution received | (1,159,412) | (1,159,412) |
| Accumulated amortization | (506,417) | (475,406) |
| Investment in recoverable infrastructure through future toll flows | 52,996,249 | 51,999,005 |
| Portion of intangible asset recoverable through future toll flows | 58,189,593 | 52,834,794 |
| Intangible asset by concessions | 111,185,842 | 104,833,799 |
| Deficit by the grantor | 36,656,384 | 26,693,358 |
| Impairment of deficit by the grantor | (72,954) | - |
| Total investment in concession | $ 147,769,272 | $ 131,527,157 |

Below is a composition of the total investment by concession:

| As of December 31, 2018 | CONMEX | VIADUCTO | AUNORTE | GANA | AT-AT | Total |
|---|---|---|---|---|---|---|
| Investment in recoverable infrastructure through future toll flows | $ 24,938,660 | $ 11,768,822 | $ 11,533,873 | $ 1,392,887 | $ 3,362,007 | $ 52,996,249 |
| Portion of intangible asset recoverable through future toll flows | 46,341,873 | 1,921,078 | 9,926,642 | - | - | 58,189,593 |
| Intangible asset by concessions | 71,280,533 | 13,689,900 | 21,460,515 | 1,392,887 | 3,362,007 | 111,185,842 |
| Deficit by the grantor | 9,007,449 | 15,182,845 | 12,466,090 | - | - | 36,656,384 |
| Impairment of deficit by the grantor | (17,927) | (30,217) | (24,810) | - | - | (72,954) |
| Total investment in concession | $ 80,270,055 | $ 28,842,528 | $ 33,901,795 | $ 1,392,887 | $ 3,362,007 | $ 147,769,272 |

| As of December 31, 2017 | CONMEX | VIADUCTO | AUNORTE | GANA | AT-AT | Total |
|---|---|---|---|---|---|---|
| Investment in recoverable infrastructure through future toll flows | $ 24,836,303 | $ 11,749,871 | $ 11,533,781 | $ 1,423,897 | $ 2,455,153 | $ 51,999,005 |
| Portion of intangible asset recoverable through future toll flows | 41,721,149 | 2,724,388 | 8,389,257 | - | - | 52,834,794 |
| Intangible asset by concessions | 66,557,452 | 14,474,259 | 19,923,038 | 1,423,897 | 2,455,153 | 104,833,799 |
| Deficit by the grantor | 5,536,106 | 11,702,140 | 9,455,112 | - | - | 26,693,358 |
| Total investment in concession | $ 72,093,558 | $ 26,176,399 | $ 29,378,150 | $ 1,423,897 | $ 2,455,153 | $ 131,527,157 |

A description of the Entity's primary concessions is provided as follows:

**I. CONMEX - Sistema Carretero del Oriente del Estado de México**

On February 25, 2003, the Government of the State of Mexico (GEM), as a grantor, granted a concession to CONMEX, for the construction, operation, conservation and maintenance of the Sistema Carretero del Oriente del Estado de México (the Highway System in the Eastern Portion of the State of Mexico or "El Sistema Carretero" for its name in Spanish) which is comprised of the following four sections or phases:

I. Phase I – Integrated for the highway located between Mexico – Queretaro highway and Peñón-Texcoco highway, with a length of 52 kilometers. The construction of this phase started in the last quarter of 2003 and began commercial operation in November 2005.

II. Phase II – is the continuation to the south of the Phase I, with a length of 38 kilometers and is integrated by three toll sections.

- Section 1, is the continuation of Phase I southwards and links such section on the Autopista Peñón-Texcoco, for a length of 7 km, as far as the Carretera Bordo-Xochiaca, to provide service to the Nezahualcóyotl region. This section went into operation in December 2009.

- Section 2A, which covers the section from the Entronque Lago Nabor Carrillo to the federal highway Los Reyes-Texcoco, for a length of 11 km. This section went into operation on April 29, 2011, together with Section 2B.

- Section 2B, which covers the section from the highway Los Reyes-Texcoco to the Carretera Federal México-Puebla, for a length of 20 km. This section went into operation on April 29, 2011, together with Section 2A.

III. Phase III – to link the Phase I in Tultepec with the Mexico-Queretaro highway and the Chamapa- Lechería highway, is integrated by two toll sections and is the link between the North of the Mexico City and the Northwest.

- Section 1, which links the Autopista Chamapa-Lechería with the Vialidad Mexiquense, for a length of 9.4 km. This section went into operation in October 2010.
- Section 2, which links the Vialidad Mexiquense with Phase I (Crucero Tultepec), for a length of 10.6 km. This section went into operation in April 2011.

IV. Phase IV, which links the Mexico-Puebla Highway with the border of the State of Morelos. The Entity has not yet begun the construction for this phase, which will commence, as established in the concession title, when the traffic flow for Federal Highway 115 Mexico-Cuautla has reached specified levels that will guarantee the projected return established in the concession.

On August 7, 2009, Agreement 01/2009 to the Concession Title was signed, in which the Entity agreed to purchase specialized machinery for traffic handling for up to $500,000 and to carry out additional construction work for up to $350,000. Such amounts will be recognized as part of the investment; also, the Concessionaire will have the right to an additional extension of three years, once the Concession's term has ended. Between the years 2009 and 2012 the Entity acquired the specialized machinery and carried out the additional construction work, for which reason as of this date there are no pending commitments.

On December 14, 2012 a Fifth Amendment to the Concession Title was signed, extending the Concession's term up to December 31, 2051; a 6% increase in real terms is permitted to the authorized rate from 2013 to 2021, except for 2016 and 2017, where the authorized maximum increase is 4%. Furthermore, a consideration of $58,000 was considered in favor of the GEM, which was settled in the year 2013.

In accordance with article 17.42 of the Administrative Code of Mexico State, the useful life of the concession may only be extended for a maximum of one additional period equal to the term originally granted. The Concession Title establishes that the minimum proprietary financing that the concessionaire will have to contribute in the project is equal to 20% of its own funds, and the concessionaire may make combinations of resources at its discretion, as long as the aforementioned percentages are fulfilled. This means that the concessionaire may become indebted and reduce its own resources until they reach the minimum required under the concession title.

Pursuant to clauses third and eighth of the Concession Title, if as part of the highway operation the vehicle flows were less than that established in the projected vehicle flows, CONMEX will be entitled to request the extension of the concession term in order to obtain the total recovery of the investment made, plus the return stipulated in the concession title itself. For such purpose, it must submit to the Infrastructure Department of The State of Mexico ("SAASCAEM") the respective studies to support such circumstance or, if the concessionaire is unable to operate the system partially or totally for a period of one year for reasons not attributable thereto, the deadline will be extended so that the damage may be redressed.

Pursuant to nineteenth clause of the concession title, in its sixth amendment, the maximum authorized rate will be increased automatically based on the Mexican National Consumer Price ("INPC") each year or when it reflects an increase greater than 5% as of the last adjustment.

In accordance with the concession title and applicable laws, the amount of the investment in infrastructure and the amount of the return stipulated in such title, which cannot be recovered through toll flows during the concession term and its respective extensions, will be recovered through the granting entity, which constitutes the deficit assumed by the granting party described in these consolidated financial statements.

As part of the work performed in the construction of the Concessioned Highway, the Entity has payment commitments with third parties using its proprietary funds, in which the settlement is subject to compliance with certain conditions on the part of the creditors themselves.

## II. VIADUCTO BICENTENARIO - Viaducto Elevado

On April 21, 2008, the GEM, through the SAASCAEM as the grantor, awarded the concession for the VIADUCTO BICENTENARIO to the Entity as concessionaire, which related to the construction, operation, conservation and maintenance of the Viaducto Elevado in the following sections: from the Periférico Manuel Ávila Camacho, beginning in the Toreo de Cuatro Caminos in Naucalpan to Valle Dorado in Tlalnepantla (km. 23+000 of the Mexico-Querétaro Highway) and from km. 23+000 to km. 44+000 of the Mexico-Querétaro Highway, in Tepotzotlán.

Viaducto Bicentenario is comprised of the following three phases:

I. Phase I, which consists of 21.8 kilometers from the Toreo de Cuatro Caminos to Tepalcapa (a reversible route that will operate south-north in the afternoons/evenings and north-south in the mornings), which went into as operation as follows:

  - A stretch from El Toreo to Lomas Verdes with a length of approximately 4 km, which went into operation on September 21, 2009.
  - A section from Lomas Verdes to Lago de Guadalupe with a length of approximately 11 km, which went into operation on September 2, 2010.
  - A section from Lago de Guadalupe to Tepalcapa with a length of approximately 6 km, which went into operation on November 23, 2010.

II. Phase II, which doubles Phase I with three additional lanes in the north-south direction to eliminate the need to make Phase I reversible; this phase links the "Tepalcapa" exit with the "Toreo Cuatro Caminos" exit, for a length of 21.8 km. - Section Toreo to 1° de Mayo with four lanes and an approximate distance of 900 m, starting up on February 24, 2014.

  - Section 1° de Mayo to Lomas Verdes with four lanes and an approximate distance of 2.51 km, starting up on December 23, 2014.

  - Section Lomas Verdes-Tepalcapa. The Entity has not yet begun with the construction of this section.

III. Phase III extends Phase I and Phase II and connects the Tepalcapa exit with the "Tepotzotlán" exit, for a length of 10 km. The Entity has not yet begun construction of this section. The obligation to construct Phase III and the supplement of Phase II will arise once the traffic levels established in the Concession are reached.

The duration of the concession is for 30 years.

In accordance with article 17.42 of the Administrative Code for Mexico State, the concession term may only be extended for one maximum additional term equal to the period originally granted. The concession title establishes that the minimum proprietary financing that the concessionaire will have to contribute to the project will be equivalent to 20% of its own resources, and the concessionaire may make combinations of resources at its discretion, as long as the aforementioned percentages are fulfilled. This means that the concessionaire may possibly become indebted and reduce its own resources until they reach the minimum required under the concession title.

In accordance with fortieth clause of the concession title, the concessionaire certifies that for reasons not attributable thereto, it has not recovered its investment plus the return stipulated in the concession title itself, the SAASCAEM must grant the respective extension; if the Department believes that it is not advisable to grant the respective extension, it may be released from the obligation established in the preceding paragraph through the payment to the concessionaire of the investment made in the concession plus the return stipulated in the title itself which has not been recovered.

Pursuant to clause twelve of the concession title, in the operation of the concession it may apply the toll rates which do not exceed the maximum authorized rates. The maximum authorized rates will be increased based on the INPC each year in January using a pre-established formula in the concession title itself.

If the increase in the INPC exceeds 5% before one year elapses since the last restatement, the concessionaire will present to SAACAEM an analysis to justify the advance application of rates with the accumulated inflation percentage, which is subject to the approval of the SAACAEM.

Consequently, based on the concession title and applicable laws, the amount of the investment in infrastructure and the return stipulated in the title itself which cannot be recovered through the toll flows during the concession term and its extensions, would be recovered through the granting entity, which constitutes the deficit assumed by the granting entity mentioned in these consolidated financial statements.

**III. GANA - Carretera de altas especificaciones Amozoc-Perote**

On November 24, 2003, the Mexican Federal Government, through the Ministry of Communication and Transportation ("SCT" for its acronym in Spanish) as the grantor, awarded to GANA, as concessionaire, the concession for the construction, operation, conservation and maintenance of the Carretera de Altas Especificaciones de Jurisdicción Federal (the High-Specification Federal Highway) with a length of 104.9 km, from the Amozoc III Junction, located at kilometer 137+455 of the Mexico-Orizaba Highway, ending at the Perote III Junction, located at kilometer 104+971 of the Amozoc-Perote Highway, in the states of Puebla, Tlaxcala and Veracruz. ("Carretero System or Via Concesionada") and operate, conserve, exploit and maintain the Perote Bypass.

The Amozoc-Perote highway is divided into three sections:

Section I, which links the Entronque Amozoc III and the Entronque Cuapiaxtla, with a length of 39.74 km. This section went into operation in January 2007.

Section II, which links the Entronque Cuapiaxtla and the Entronque Oriental-Libres, with a length of 21.72 km. This section commenced operations in October 2008.

Section III, which links the Entronque Oriental and the Entronque Perote III, with a length of 43.51 km. This section commenced operations in June 2008.

The Libramiento Perote, with a length of 17.6 km, starting at kilometer 94+000 of the Acatzingo-Zacatepec-Perote-Jalapa federal highway and ending at kilometer 111+581 of the same highway, in the State of Veracruz. The Libramiento Perote commenced operations in September 2004.

The construction of the entire concessioned route was concluded in October 2008.

The effective concession term is 60 years for the Entronque Amozoc III, ending at the Entronque Perote III, and 40 years for the Libramiento Perote of the Acatzingo-Zacatepec-Perote-Jalapa federal highway.

On May 20, 2016 the SCT granted the second amendment to the Concession Title under the following terms:

i) The concessions are extended up to a term equal to the original period: for the Highway, 30 years expiring in 2063; and for the Perote Bypass, 20 years expiring in 2043.

ii) The Maximum Average Rate (TPM) is given a 36% increase, applicable in six annual stages. The first adjustment is for 6%, beginning July 1, 2016.

iii) The commitment is made to perform the necessary work for the installation and operation of the automated toll collection and video surveillance systems under the technical specifications determined by the SCT.

***Government grants*** - As part of the concession agreement, FINFRA agreed to make an initial contribution to be used in the construction of the concessioned route. As such, on October 14, 2005, GANA entered into a Contribution Agreement related to the Highway System of the States of Puebla, Tlaxcala and Veracruz, which includes the Amozoc-Perote section, with INVEX, under the management trust number 392; and with Banco Nacional de Obras y Servicios Públicos, S. N. C., Institución Fiduciaria, under the FINFRA trust. The purpose of the contributions from FINFRA to these funds was to provide financial viability for the construction of the concessioned route. FINFRA contributed $1,116,749 (restated for inflation through September 2005).

As of December 31, 2018 and 2017, the Entity has utilized funds of $1,159,412 for construction works. If revenue generated by the concession highway exceeds the projected amount and, as a result, GANA attains the internal rate of return ("TIR") over its capital risk, established in the concession agreement, before the end of the concession period, the generated economic surpluses will be shared between GANA and FINFRA based on a calculation detailed in the concession agreement. The Entity has not recognized a liability for this item at December 31, 2018 and 2017, because it has not yet attained the project TIR.

***Capital at risk*** - On November 22, 2010, the SCT, based on official document No. 3.4.105.665 the Dirección General de Desarrollo Carretero ("D.G. of D.C.") approved the protocols for the valuation of capital at risk based on UDIS and the proposed application of the TIR and the recovery of capital at risk and its related returns. As of December 31, 2018 and 2017 the authorized capital and performance risk thereof is $5,377,704,403 (863,661,971 UDIS) and $4,451,013 (750,016,656 UDIS), respectively. This amount will be updated monthly as stipulated in the concession agreement and the procedures authorized by the SCT.

## IV. AUTOVIAS - Viaducto Elevado de Puebla

On August 18, 2014, the Puebla State Government granted a concession to AUTOVIAS for the construction, operation, conservation and maintenance of an Elevated Roadway Viaduct on the Mexico City-Puebla Highway, from kilometer 114+000 to kilometer 129+300 in the Puebla metropolitan zone.

Subsequently, authorization was requested to assign the concession title granted by the State Government of Puebla through the decentralized government agency "Carreteras de Cuota-Puebla, to Libramiento Elevado de Puebla, S.A. de C.V. ("LEP").

The State of Puebla authorized Autovías Concesionadas, S.A. de C.V. to grant the concession title to LEP.

Aleatica has executed an agreement with Promotora y Operadora de Infraestructura, S.A.B. de C.V. to establish the terms and conditions applicable to the development of this alternative project, in which Aleatica will hold 51% equity, while Promotora y Operadora de Infraestructura, S.A.B. de C.V. will hold the remaining 49%, share control of the operation of concession.

## V. AUNORTE - Vía Periferia Elevada

On July 16, 2010, the GDF, granted a concession to AUNORTE for the construction, use, exploitation, operation, and administration of the infrastructure of public domain of the Vía Periferia Elevada in the upper of the Periférico Manuel Ávila Camacho (Anillo Periférico), in the section between the Distribuidor Vial San Antonio which ends at the boundary between the State of Mexico and the Federal District, on Manuel Ávila Camacho at Parque de Chapultepec Avenue ("Concessioned route") of 9.8 kilometers.

The AUNORTE highway has the following sections, which are now in operation:

On November 3, 2011, was opened the first stretch of highway known as North Urban Section 0 was opened, which connects Mexico City with the State of Mexico.

On December 14, 2011, was opened Phase I of Section I of the Urban Highway North in the Federal District was opened. This section is from the Ingenieros Militares peripheral side in the Federal District at the height of the Ejército Nacional avenue.

On April 2, 2012, a new section within Section 1 of the Autopista Urbana Norte was opened. This section links up with the two others already opened, allowing for a continuous connection from the Viaducto Elevado as far as Palmas and includes the junction at Conscripto avenue.

October 29, 2012, Phase III of the Autopista Urbana Norte was opened to the public, running from San Antonio to Alencastre in both directions.

On December 4, 2012, Phase II of the Autopista Urbana Norte went into operation, running from Avenida de las Palmas to Alencastre in both directions (this section includes the tunnel at the Petróleos fountain).

The duration of the concession is for 30 years.

Furthermore, the concession title establishes that if during its term, the concessionaire does not recover its total investment plus the return stipulated in the concession title, the GDF undertakes to: i) extend the term of the concession for the time necessary for the concessionaire to recover the total investment, plus the return stipulated in the concession title, or ii) provide the resources necessary for the concessionaire to recover the total investment and the return stipulated in the concession title that is still pending on the termination date of the concession.

Consequently, in accordance with the concession title and applicable laws, the amount of the investment in infrastructure and the return stipulated in the title itself which cannot be recovered through the toll flows during the concession term and its extensions, will be recovered through the granting entity, which constitutes the deficit assumed by the granting entity mentioned in these consolidated financial statements.

In conformity with thirteenth clause of the concession title, to maintain the balance and financial viability of the concession, every calendar year the base average rates will be adjusted automatically in accordance with the INPC, so that inflation will not decrease the value of the base average rates in real terms over the term of the concession. For such purposes, on January 15 each year the amount of rates in effect at that time will be multiplied by the restatement factor obtained from dividing the INPC in effect at the time by the INPC in effect on January 15 of the immediately previous year.

The support agency may authorize adjustments before the established dates for such purpose if 1) at least three months have elapsed since the last adjustment, and 2) the INPC has registered an increase of more than 5% compared to the INPC used in the previous restatement, provided there is justified cause evidenced in a study prepared by the concessionaire.

The concession title establishes a minimum of 20% of its own financing which the concessionaire will have to contribute to the project.

## VI. AT-AT - Autopista de altas especificaciones Atizapán - Atlacomulco

On April 25, 2014, through the SCT, the Federal Government, in its capacity as the grantor, awarded a concession to AT-AT (the "concession holder") for the construction, conservation and maintenance of a high-specification, 77 kilometers section of the Atizapán - Atlacomulco federal highway, starting at kilometer 19+620 of the Chiluca junction, located at kilometer 14+500 of the Chamapa - Lechería highway, and ending at kilometer 100+046 of the Atlacomulco junction, located at the intersection of the Atlacomulco – Maravatío highway, the Mexico City Bypass and the Atlacomulco – Palmillas highway in Mexico State.

The AT-AT highway has the following sections,

I. Section I, comprised of 21.19 km from the Chiluca junction to the Villa del Carbón junction, in four lanes (two in each direction).

II. Section II, comprised of 32.38 kilometers from the Villa del Carbón junction to the Ixtlahuaca junction, in four lanes (two in each direction).

III. Section III, comprised of 23.63 kilometers from the Ixtlahuaca junction to the Atlacomulco junction, in four lanes (two in each direction).

On March 31, 2016, the SCT, through the Highway Development Agency, granted the Entity: "Authorization to Begin Construction" for the work on the Atizapán-Atlacomulco Highway in Mexico State, with construction due to begin on April 1, 2016, on the Ixtlahuaca Junction of Section 3, located at approximately kilometer 76+200, in accordance with fifth clause of the Concession Title. At the date of this report, the highway is in the construction stage.

The effective term will be 30 years computed as of the date on which the Concession Title is delivered, and may be extended when, for reasons not attributable to the Entity, delays are generated in the delivery of the scheduled easement works, such as the impossibility of operating the highway, or modifications are made to the project and/or delays arise due to natural disasters which could not have been prevented in accordance with prudent industry practices, armed conflict or trade barriers which limit the availability of materials and inputs for construction of the highway. The extension term will be computed provided that it exceeds 10 consecutive days; for such purpose the SCT and the Concessionaire will issue a fact-finding report for each event with the aim of counting the days which, in the judgment of the SCT, will not be considered in the computation of the 30 years effective duration of the concession. Due to delays in the delivery of the scheduled easement works by the SCT, on September 11, 2017 the SCT authorized the new highway construction program for the Entity, which considers a new scheduled construction termination date of June 30, 2019, and a new starting date for full operation of July 1, 2019.

Currently 75.68 km have been released by way of delivery/reception of easement, equivalent to 98.03% of the total 77.209 km, leaving 1.52 km (1.97%) still pending. The delivery/reception certificates form part of an administrative procedure independent from the legal and administrative possession, which are obtained when the promise of purchase and sale agreements and pre-occupancy agreements are signed.

Due to delays in delivery of the easement and the definition of social projects with the communities adjacent to the project, the respective section was rerouted to avoid crossing through a zone of freshwater springs, which required a change in the length, leaving it at 77.209 kilometers, as a result, the Concessionaire conducted a new revaluation, based on completion of the project and authorization by the SCT of the Executive Project, and the possible impacts of the changes, at the date of issuance of this report the Entity is still reviewing the updates to the construction program in order to define the new starting date of operations with the SCT.

## 10. Investment in shares of associated entity and joint ventures

a. As of December 31, 2018 and 2017, investment in associated entities and joint arrangements are as follows:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| Entities | Activities | Percentage of equity % | Investment in shares | Equity in results |
| Administradora Mexiquense del Aeropuerto Internacional de Toluca, S.A. de C.V. ("AMAIT") (1) | Administer, operate, construct and/or operate the International Airport "Adolfo López Mateos". | 49.00 | $ 1,821,055 | $ 25,095 |
| Controladora Vía Rápida Poetas, S.A.P.I. de C.V. ("POETAS") (2) (3) | Viaducto concession, beginning at Centenario Av. and ending at Luis Cabrera Av. | 50.00 | 5,318,325 | 923,466 |
| Coordinadora Vía Rápida Poniente, S.A.P.I. de C.V. ("PONIENTE") (4) | Construction company | 50.00 | 14,216 | (27,545) |
| Prestadora de Servicios Vía Rápida Poniente, S.A.P.I. de C.V. ("PSVRP") | Provider of professional, technical administrative services. | 50.00 | 2,850 | 510 |
| Operadora Vía Rápida Poetas, S.A.P.I. de C.V. ("OVRP") | Provider of operating services for the concessioned highways | 50.00 | 39,085 | 9,705 |
| Libramiento Elevado de Puebla, S.A. de C.V. ("LEP") (5) (6) | Concession for the Elevated Viaducto of the Mexico City-Puebla highway. | 51.00 | 699,009 | (27,986) |
| Constructora del Libramiento Elevado de Puebla, S.A. de C.V. ("CLEP") (8) | Builder of the Elevated Viaduct of the Mexico City-Puebla highway | 51.00 | 78,196 | 3,469 |
| Operadora del Libramiento Elevado de Puebla, S.A. de C.V. ("OLEP") (9) | Provider of operating services for the Elevated Viaduct of the Mexico City-Puebla | 51.00 | 3,594 | 2,014 |
| | | | $7,976,330 | $ 908,728 |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| Entities | Activities | Percentage of equity % | Investment in shares | Equity in results |
| Administradora Mexiquense del Aeropuerto Internacional de Toluca, S.A. de C.V. ("AMAIT") (1) | Administer, operate, construct and/or operate the International Airport "Adolfo López Mateos". | 49.00 | $ 1,801,580 | $ 95,004 |

| Entities | Activities | December 31, 2017<br>Percentage of equity % | Investment in shares | Equity in results |
|---|---|---|---|---|
| Controladora Vía Rápida Poetas, S.A.P.I. de C.V. ("POETAS") (2) (3) | Viaducto concession, beginning at Centenario Av. and ending at Luis Cabrera Av. | 50.00 | 4,396,920 | 933,280 |
| Coordinadora Vía Rápida Poniente, S.A.P.I. de C.V. ("PONIENTE") (4) | Construction company | 50.00 | 41,761 | (3,626) |
| Prestadora de Servicios Vía Rápida Poniente, S.A.P.I. de C.V. ("PSVRP") | Provider of professional, technical administrative services. | 50.00 | 2,340 | 390 |
| Operadora Vía Rápida Poetas, S.A.P.I. de C.V. ("OVRP") | Provider of operating services for the concessioned highways | 50.00 | 29,380 | 7,976 |
| Libramiento Elevado de Puebla, S.A. de C.V. ("LEP") (5) | Concession for the Elevated Viaducto of the Mexico City-Puebla highway. | 51.00 | 1,746,996 | 57,984 |
| Constructora del Libramiento Elevado de Puebla, S.A. de C.V. ("CLEP") (7) (8) | Builder of the Elevated Viaduct of the Mexico City-Puebla highway | 51.00 | 209,877 | (37,830) |
| Operadora del Libramiento Elevado de Puebla, S.A. de C.V. ("OLEP") (9) | Provider of operating services for the Elevated Viaduct of the Mexico City-Puebla | 51.00 | 1,578 | 1,553 |
| | | | $8,230,432 | $ 1,054,731 |

1) AMAIT was incorporated on December 19, 2003 as a majority-owned entity by the Government of the State of Mexico, whose primary activity is to construct, administer and operate the International Airport "Adolfo López Mateos" located in the city of Toluca (the "Airport") and to provide airport, complementary and commercial services for the exploitation of such Airport. Accordingly, in September 2005, the SCT granted AMAIT the concession to administer and operate, and, as the case may be, construct the Airport for a 50 years period.

   The investment in AMAIT includes intangible assets which as of December 31, 2018 and 2017 total $264,147, less accumulated amortization as of December 31, 2018 and 2017 of $62,290 and $56,202, respectively.

2) On April 6, 2010, the GDF, granted a concession to POETAS for the construction of the infrastructure project related to the use, operation and management of the state-owned asset identified as the urban toll route, with a length of 5 km, starting at the junction with Avenida Centenario in the Álvaro Obregón Alcaldía, and ending at the junction with Avenida Luis Cabrera, in the Magdalena Contreras Alcaldía in Mexico City, and the junctions with the following avenues, Luis Cabrera, Las Torres, Las Águilas and Centenario ("the Concessioned Route"). The term of the concession is 30 years.

3) For the years ended December 31, 2018 and 2017, POETAS has recognized as revenues from valuation of intangible assets and adjustment for valuation of the deficit by the grantor $2,821,829 y $2,770,722, respectively.

4) During the year ended December 31, 2016, Coordinadora Vía Rápida Poniente, S.A.P.I. de C. V. ("PONIENTE") declared dividends of $16,500. During 2017 the declared dividends were canceled.

5) On August 18, 2014, LEP was established for the construction, exploitation, conservation, and maintenance of the Elevated Viaducto over the Mexico City-Puebla federal highway, from kilometer 115 to kilometer 128+300 in the metropolitan area of Puebla.

   Aleatica executed an agreement with Promotora y Operadora de Infraestructura, S.A.B. de C.V., to establish the terms and conditions for the performance of the LEP alternate project, in which Aleatica has 51% of the equity and Promotora y Operadora de Infraestructura, S.A.B. de C.V. has 49%, shared control of the operation of the concession.

6) On May 28, 2018 the Entity received a reimbursement of its holding in the equity of LEP for $1,020,000.

7) On November 26, 2014, CLEP was established.

8) On December 20, 2018, CLEP distributed $135,139 of dividends to the Entity.

9) On April 11, 2016, OLEP was established.

b. The financial information related to the Entity's associated companies is summarized below:

The financial information summarized below represents the amounts in thousands of pesos shown in the consolidated financial statements:

| AMAIT | 2018 | 2017 |
|---|---|---|
| Current assets | $ 453,123 | $ 473,769 |
| Non-current assets | $ 3,694,293 | $ 3,676,783 |
| Current liabilities | $ 93,377 | $ 100,724 |
| Non-current liabilities | $ 752,796 | $ 800,918 |
| Stockholders' equity attributable to the controlling interest | $ 3,301,243 | $ 3,248,909 |
| Revenues | $ 233,360 | $ 242,770 |
| Costs and expenses | $ 241,270 | $ 223,716 |
| Financing cost | $ 15,707 | $ 18,634 |
| Net loss | $ (23,617) | $ (19,578) |

The reconciliation of the financial information summarized below of the book value of the equity in AMAIT, was recognized in the consolidated financial statements:

| | 2018 | 2017 |
|---|---|---|
| Net assets of associated | $ 3,301,243 | $ 3,248,909 |
| Percentage of the Entity's equity in AMAIT | 1,617,609 | 1,591,965 |
| Intangible asset | 207,946 | 207,946 |
| Insufficiency from valuation in investment in shares | (4,500) | 1,669 |
| Book value of the Entity's equity in AMAIT | $ 1,821,055 | $ 1,801,580 |

| POETAS, PONIENTE, PSVRP, OVRP | 2018 | 2017 |
|---|---|---|
| Current assets | $ 926,709 | $ 851,259 |
| Non-current assets | $ 20,624,622 | $ 17,847,246 |
| Current liabilities | $ 931,703 | $ 707,575 |
| Non-current liabilities | $ 9,870,674 | $ 9,050,125 |
| Stockholders' equity | $ 10,748,954 | $ 8,940,804 |
| Revenues | $ 3,924,149 | $ 3,710,386 |
| Costs and expenses | $ 592,643 | $ 356,659 |
| Financing cost | $ 623,145 | $ 608,444 |
| Income taxes | $ 865,557 | $ 869,749 |
| Net income | $ 1,842,804 | $ 1,876,041 |

The reconciliation of the financial information summarized below of the book value of the equity in POETAS, PONIENTE, PSVRP and OVRP, was recognized in the consolidated financial statements:

| | 2018 | 2017 |
|---|---|---|
| Net assets of joint ventures | $ 10,748,954 | $ 8,940,804 |
| Percentage of the Entity's equity in POETAS, PONIENTE, PSVRP and OVRP | 5,374,476 | 4,470,401 |
| Book value of the Entity's equity in POETAS, PONIENTE, PSVRP y OVRP | $ 5,374,476 | $ 4,470,401 |

| LEP, CLEP y OLEP | | |
|---|---|---|
| Current assets | $ 1,509,500 | $ 2,687,072 |
| Non-current assets | $ 9,366,369 | $ 9,032,915 |
| Current liabilities | $ 4,917,236 | $ 7,879,888 |
| Non-current liabilities | $ 4,427,654 | $ - |
| Stockholders' equity | $ 1,530,979 | $ 3,840,100 |
| Revenues | $ 1,790,970 | $ (238,442) |

| | 2018 | 2017 |
|---|---|---|
| Costs and expenses | $ 1,414,840 | $ (291,854) |
| Financing cost | $ 319,212 | $ 54,904 |
| Income taxes | $ 17,422 | $ 9,469 |
| Net income | $ 39,496 | $ 6,111 |

The reconciliation of the financial information summarized below of the book value of the equity in LEP, CLEP and OLEP, was recognized in the consolidated financial statements:

| | 2018 | 2017 |
|---|---|---|
| Net assets of joint ventures | $ 1,530,979 | $ 3,841,000 |
| Percentage of the Entity's equity in LEP, CLEP and OLEP | 780,799 | 1,958,451 |
| Book value of the Entity's equity in LEP, CLEP and OLEP | $ 780,799 | $ 1,958,451 |

## 11. Trade accounts payable to suppliers, taxes payable and accrued expenses

| | 2018 | 2017 |
|---|---|---|
| Trade accounts payable to suppliers | $ 1,323,660 | $ 972,961 |
| Trade accounts payable (Additional revenues) | 6,461 | 6,309 |
| Taxes payable | 278,831 | 201,950 |
| Income taxes | 271,048 | 1,917,739 |
| Accrued expenses | 25,607 | 16,885 |
| Statutory employee profit sharing | 1,111 | 2,801 |
| | $ 1,906,718 | $ 3,118,645 |

## 12. Long-term debt

a. The long-term debt is as follows:

| | 2018 | 2017 |
|---|---|---|
| **CONMEX** | | |
| (1) On August 29, 2014, UDI denominated securitized certificates were issued for the amount of $7,546,435, equal to (1,464,078,000 UDIS), with maturity in 2046, which were placed with a discount as they will not pay a coupon or interest during their term. At December 31, 2018 and 2017 the value of the senior secured notes was $9,116,272 and $8,688,644 respectively equal to (1,464,078,000 UDIS), with a discount of 5,998,230 (963,318,853 UDIS) and $6,101,960 (1,028,209,380 UDIS), respectively. | $ 3,118,042 | $ 2,586,684 |

| | 2018 | 2017 |
|---|---|---|
| **CONMEX** | | |
| (2) On December 18, 2013, UDI senior secured notes were issued for the historical amount of $8,250,669, equal to (1,663,624,000 UDIS), with maturity in 2035 and a fixed interest rate of 5.95%. At December 31, 2018 and 2017 the value of the secured notes was $10,171,972 and $9,694,823, respectively, equal to (1,633,624,000 UDIS), with a discount of $1,238,294 (198,870,670 UDIS) and $1,321,188 (222,626,497 UDIS), respectively. | 8,933,678 | 8,373,635 |
| On December 18, 2013, Zero Coupon Notes were issued for $10,541,862 (2,087,278,000 UDIS) with maturity in 2046, which such notes will not accrue interest during their term. On August 29, 2014, a portion of the notes were refinanced with the zero coupon UDI senior notes mentioned above. At December 31, 2018 and 2017 the value of the secured notes was $3,880,436 and $3,698,412, respectively, equal to (623,200,000 UDIS) and with a discount of 2,956,696 (474,846,891 UDIS) and $2,987,384 (503,388,444 UDIS), respectively. | 923,740 | 711,028 |
| On December 18, 2013 CONMEX entered into a loan agreement with Goldman Sachs Bank USA, in which it was granted a line of credit of up to $6,465,000. This line of credit must be paid over a term of 14 years (matures in 2027) accruing interest during the first part of the term of the loan stage at the 91 days TIIE plus 2.10 percentage points (from December18,2013 to December 15,2027). As of January 2018, monthly payments of $287,692 are being made to principal, for which reason the balance as of December 31, 2018 is $6,177,308. As of December 31, 2018 and 2017, the discount is $270,471 and $325,408, respectively. | 5,906,837 | 6,139,592 |
| **OPI** | | |
| On March 31, 2015, through its subsidiary OPI, the Entity issued securitized certificates denominated in UDIS for the amount of 773,908,000 UDIS, equivalent to $4,100,000, at an interest rate of 6.95%, maturing in 2035. As of December 31, 2018 and 2017, the value of the securitized certificates was $4,818,836 and $4,592,795 equal to (773,907,555 UDIS), respectively. | 4,818,836 | 4,592,795 |
| **VIADUCTO BICENTENARIO** | | |
| On November 27, 2009, VIADUCTO BICENTENARIO held simple credit facilities with BANOBRAS and FONADIN. | | |
| BANOBRAS (preferential credit A) | | |
| The amount of $2,000,000 credit was destined to pay the initial contribution to GEM, payment of the investments made and to be undertaken in connection with the construction of the project. This facility must be paid within 15 years through 60 exhibits and bears interest at 8.2550% plus a spread (ranging from 2.75% to 4.5%). As of December 31, 2018 and 2017, repayments have been made for $372,400 and $238,800, respectively. | 1,627,600 | 1,761,200 |

| | 2018 | 2017 |
|---|---|---|
| FONADIN (subordinated loan)<br>The maximum amount of credit extended to VIADUCTO BICENTENARIO is $1,500,000. The amount of $1,200,000 of the loan was to cover partial payment of principal and interest on the loans, preferential payment of the costs of derivative contracts, payment of commissions for the subordinated loan, the capitalization of interest on the subordinated loan and accrued and unpaid expenses of structuring this contract, including without limitation, fees and expenses FONADIN advisers. The remaining $300,000 was earmarked to pay the costs of the work, studies, permits, control equipment and other costs associated with project construction.<br><br>This facility must be paid within 15 years through 60 exhibits, the amortization of the credit line will start from March 2014, according to the sixth clause of the credit agreement, and accrues interest based on the 91 days TIIE plus certain percentage points (in a range of 2.75% to 4.5%) which vary during the term of financing. The balance payable at December 31, 2018 and 2017, includes capitalized interest of $1,096,603 and $723,284, respectively. No payments have been made as of the date of these consolidated financial statements. | 2,596,603 | 2,223,284 |
| On March 16, 2010, VIADUCTO BICENTENARIO entered into a loan agreement with Banco Inbursa, S. A. (Inbursa), in which it was granted a line of credit of up to $2,000,000. This line of credit must be paid over a term of 15 years through 60 payments, taking the unpaid balance of the credit disposed at the date of the payments and accruing interest at the 91 days TIIE, plus a spread which varies over the term of the financing (ranging from 2.75% to 4.5%) which vary during the term of financing. As of December 31, 2018 and 2017, payments of $372,400 and $233,800, respectively, have been made. | 1,627,600 | 1,761,200 |
| **AUNORTE**<br>On August 11, 2011, AUNORTE entered into a loan agreement with BBVA Bancomer, S.A. and BANOBRAS, which granted a line of credit of up to $5,300,000. | - | - |
| After the end of the grace period the borrower must pay the line of credit (the sum of unpaid principal) through 58 consecutive quarterly payments from March 15, 2014 until September 15, 2028, accruing interest at the 91 days TIIE, plus a spread (ranging from 2.75% to 4.00%) which vary during the term of financing. As of December 31, 2018 and 2017, payments of $967,000 and $739,500, respectively, have been made. | 4,333,000 | 4,560,500 |

| | 2018 | 2017 |
|---|---|---|
| On August 11, 2011, AUNORTE entered into loan agreements in which the lender is Banco Nacional de Obras y Servicios Públicos, S. N. C. in its capacity as fiduciary institution in trust number "1936" denominated FONADIN and BBVA Bancomer, S.A. acting as the agent bank; this credit is divided into two tranches, (i) the tranche "A" for a maximum amount of $690,000 and (ii) the tranche "B", for up to a maximum amount of $1,450,000. The credit term will be 20 years computed as of the first disposition; accruing interest at the 91 days TIIE rate plus 1.75% base points plus a spread (ranging from 2.75 % to 4.00%) that will vary over the term of the loan. As of December 31, 2018 and 2017 the total amount of the credit for Section "A" has been exercised, plus the respective commissions and interest, for $821,930 and $600,507, respectively. The part applicable to Section "B" is intended for debt servicing and has not been exercised. | 1,511,930 | 1,290,507 |
| **GANA** | | |
| On April 19, 2011, GANA issued Fiduciary Securitized Certificates ("Securitized Certificates") in the Mexican debt market for the amount of $1,700 million or its equivalent in UDIS (370,225,400 UDIS) with a maximum term of 20 years and an interest rate of 6.64%. The resources from the Securitized Certificates were used by GANA to refinance the existing debt in relation to its toll road concession of the Autopista Amozoc-Perote and the Libramiento de Perote, mainly. The balance as of December 31, 2018 and 2017 are 306,176,375 UDIS and 319,504,596 UDIS, respectively. | 1,906,447 | 1,896,116 |
| **ALEATICA** | | |
| On March 6, 2012, Aleatica entered into an investment agreement with COFIDES in which the latter agrees to invest a maximum of €25 million euros, disbursed capital funds as are necessary for the development of concession, representing an approximate percentage of 11% stake in AUNORTE. | | |
| Aleatica will pay as equivalent to the amount paid by COFIDES investment, in accordance with certain fixed ratios in the investment contract referenced to the behavior of the traffic volumes of AUNORTE. The payment term is 5 years from the date of the first withdrawal (on April 27, 2012, the first withdrawal was made). As of December 31, 2013, COFIDES has paid $425,445 historical, (€25 million euros). On April 26, 2017 it was expired. | | |
| On April 27, 2017, an amendment novation was made to the investment contract with COFIDES, bearing in mind that the investment project has been significantly extended in relation to the existing provisions, for which reason the parties may renew up to a term of two more years with an expiration date of April 26, 2019, using a variable rate of the EURIBOR Index plus 4 percentage points. | 586,728 | 588,905 |

| | 2018 | 2017 |
|---|---|---|
| **AT-AT** | | |
| Syndicated Loan for the investment project (excluding IVA). On September 25, 2017, AT-AT entered into a simple credit opening agreement with Santander, Inbursa and Banobras, which granted it a line of credit of up to $5,310 million pesos, in order to finance any cost or expense related to the highway startup (Construction of the Investment Project). The credit term will be up to 20 years computed as of the first drawdown, and will earn interest based on the 28 days TIIE rate, (within a range of between 2.75 % and 4%) that varies over the term of the financing. As of December 31, 2018, this credit has been arranged $245,145. | 245,145 | - |
| IVA Credit | | |
| On September 25, 2017, AT-AT entered into an unsecured loan agreement with Inbursa and Banobras which granted it a line of credit of up to $1,165,000, in order to finance the Value Added Tax (IVA) generated during the construction of the Investment Project. The loan term will be up to 20 years computed as of the first drawdown and will earn interest based on the 28 days TIIE rate (within a range of between 2.75% and 4%), that varies over the term of the financing. As of December 31, 2018, $46,678 has been arranged, of which $36,560 was paid in the same year. | 10,118 | - |
| Interest and fees on bank debt and senior notes | 261,045 | 252,174 |
| Borrowing costs – net | (582,095) | (439,128) |
| | 37,825,254 | 36,298,492 |
| Current portion of long-term debt | (1,141,857) | (861,489) |
| Current portion of interest and fees for long-term debt and senior notes | (246,517) | (237,107) |
| Current portion of COFIDES | (602,815) | - |
| Current portion of borrowing costs | 95,316 | 100,555 |
| | $ 35,929,381 | $ 35,300,451 |

(1) The resources obtained from the UDI-denominated securitized certificates were used to partially pay the Zero Coupon Notes for 1,464,078,000 UDIS, issued by CONMEX on December 18, 2013.

(2) The Issuer will have the right and the option to redeem a portion or all of the series of unpaid Notes at any time for a redemption price equal to the Cancellation Amount of the Zero-Coupon, or the Cancellation Amount of the UDI Notes, as the case may be, plus the interest accrued and payable in the case of the UDI Notes and, in both cases, any Additional Amounts related to the principal amount on the date of redemption or reimbursement.

The Notes will be subject to a compulsory redemption that will be paid (on a prorated basis with the Installment Credit Line, the securitized certificates issued to repurchase the Zero-Coupon Notes not sold and kept by the Initial Buyer after the Closing Date and the Hedge Agreements, apart from those detailed in the "Description of the Notes-Account to Accrue Excess Cash Flows").

Notwithstanding the above, at any time during and as of 2016, the Issuer will be able to make Restricted Payments for an amount up to $400,000 a year as long as (i) the Debt Service Hedge Ratio is greater than 1.75 to 1.00 and lower than or equal to the ratio of 2.00 to 1.00 on the last day of each Fiscal Quarter during the last four most recent consecutive Quarterly Test Periods before making such Restricted Payment, and (ii) the ProForma Debt Service Hedge Ratio is greater than 1.75 to 1.00 or lower than or equal to a ratio of 2.00 to 1.00 at the end of the Fiscal Quarter which ended most recently before making such Restricted Payment (such as the limited payments of dividends or other capital distributions (the "Limited Amount of the PR").

The Notes are mainly secured by i) the collection rights of CEM toll rates; such route is concessioned to CONMEX, ii) the related rights of the CEM and iii) 100% of its common stock shares.

(3) **CONMEX**; The Notes are mainly secured by i) the collection rights to the toll rates of the CEM; such route is concessioned to CONMEX, ii) the related rights of the CEM and iii) 100% of its common stock shares.

On January 7, 2014, CONMEX, in its capacity as pledgor, and the guarantee broker Conmex, in its capacity as pledgee, executed a pledge agreement without transfer of possession with the guarantee broker Conmex as first beneficiary (acting on behalf and for the benefit of preferred creditors of Conmex) on all the tangible and intangible assets of CONMEX, excluding; ia) assets and rights belonging to the patrimony in the Conmex payment trust and ib) assets to be transferred in conformity with the Conmex payment trust provided the assets are not reversed in favor of CONMEX, ic) the rights of CONMEX beneficiaries under the Conmex payment trust and, id) assets and rights granted as time collateral in conformity with any other Conmex guarantee document and ii) any assets or rights requiring authorization from the State of Mexico Transportation Department belonging to CONMEX, whatever their location, if they exist, will exist, or will be acquired. In this regard, the "Circuito Exterior Mexiquense" brand owned by CONMEX, is part of the assets subject to the pledge.

**OPI**; the securitized certificates are secured in accordance with the Payment Trust of OPI and the other OPI Surety Documents. Furthermore, the OPI Payment Trust will constitute the source of payment of the Securitized Certificates. The holders of the Securitized Certificates will share the OPI Surety (as well as the source of payment) on an equal basis with the OPI Preferred Creditors, and in certain circumstances with Banobras, in its capacity as third-party surety under the Contract with GPO Banobras.

**VIADUCTO BICENTENARIO;** the financing terms required the execution of a management and guarantee trust between VIADUCTO BICNETENARIO, OHL Mexico and OHL Concesiones as trustors and third beneficiaries; BANOBRAS and Banco Inbursa as first beneficiaries; FONADIN as second beneficiary and Banco Invex as trustee. The trust assets are mainly composed of; (i) all but one of the common stock shares of VIADUCTO BICENTENARIO, as guarantee (the only unaffected share was pledged to BANOBRAS, in its capacity as guarantee broker); (ii) the toll booth collection rights; (iii) the rights derived from both loans; (iv) the collection rights derived from any insurance policies; and (v) payments received by Viaducto Bicentenario under the concession title and any other contract related to the project.

**AUNORTE;** the financing terms required the execution of a management and guarantee trust between Autopista Urbana Norte and Aleatica, as trustors and third beneficiaries; BANOBRAS and BBVA Bancomer as first beneficiaries; FONADIN as second beneficiary; and Banco Invex as trustee. The trust assets are mainly composed of; (i) all but one of the common stock shares of Autopista Urbana Norte, as guarantee; (ii) the toll booth collection rights; (iii) the resources derived from the loans; (iv) the collection rights derived from any insurance policies; and (v) the payments received by Autopista Urbana Norte under the concession title and any other contract related to the project.

**GANA;** this debt is guaranteed by (i) beneficiary rights under trust F/2001293 and ii) other items included in the trust assets.

Trust rights are the remnants generated from the trust which may be withdrawn by GANA, and are mainly composed of risk capital. Risk capital is the amount contributed by the trustor for construction or any other amount contributed to the trust for the performance of its obligations, whose delivery, availability, application and payment are in conformity with the Concession Title terms and conditions.

**AT-AT**; The debt is guaranteed by a) the beneficiary rights under Trust F/1760, b) Stock collateral contract, c) pledge contract without transfer of possession d) if applicable, the letter of credit for the debt service reserve, e) the letter of credit and f) support contract.

On November 12, 2018 the Entity submitted to Banco Santander a notice of exemption to continue with the credit drawdowns, which outlines: 1) the change of highway section through the zone of freshwater springs, 2) the easement yet to be released by the SCT and 3) opening discussions with the SCT for approval of the adjustment to the construction program to establish the new starting date for operations, confirmation that there is sufficient easement released to continue the construction work. At the date of issuance of this report the banks are still engaged in the internal authorization process.

(4) Long-term loans obtained by some subsidiaries included restrictive clauses, which prohibit any merger or spin-off without prior authorization from creditor institutions, changes in the shareholding structure and bylaws without their express consent, changes in the line of business, dissolution, guaranteeing additional financing with their assets, tax payment obligations, selling assets, limitations on dividend distribution, while also maintaining certain financial ratios. As of December 31, 2018 and 2017, these restrictions were satisfactorily fulfilled.

b. The rates and exchange rates in effect on the date of the consolidated financial statements were as follows:

| | 2017 | 2018 | February 19, 2019 |
|---|---|---|---|
| 28 days TIIE | 7.6311% | 8.5956% | 8.5642% |
| 91 days TIIE | 7.6650% | 8.6347% | 8.5737% |
| UDI | 5.93455 | 6.22663 | 6.252133 |
| EURO | 23.5729 | 22.4921 | 21.7748 |
| DOLLAR | 19.7354 | 19.6566 | 19.2578 |

c. As of December 31, 2018, long-term debt matures as follows:

| Expiration year | Nominal Value Amount |
|---|---|
| 2020 | $ 1,715,387 |
| 2021 | 1,643,627 |
| 2022 | 1,773,642 |
| 2023 | 2,042,841 |
| Thereafter | 39,704,341 |
| Total long-term liabilities | $ 46,879,838 |

d. As of December 2018 and 2017, the Entity has lines of credit, for which amounts available to be withdrawn are $5,562,182 and $7,324,493, respectively.

e. Reconciliation of obligations derived from financing activities.

| | 01/01/2018 | Borrowing costs | Loans paid | Loans obtained | Paid interest | Interest expense / UDIS valuation | 12/31/2018 |
|---|---|---|---|---|---|---|---|
| Bank loans | $ 17,569,685 | $ (178,617) | $ (818,953) | $ 291,823 | $ (1,518,758) | $ 2,197,202 | $ 17,542,382 |
| Securitized certificates | 18,124,835 | - | (81,040) | - | (1,096,795) | 2,733,061 | 19,680,061 |
| Notes payable (COFIDES) | 603,972 | - | - | - | - | (1,160) | 602,812 |
| | $ 36,298,492 | $ (178,617) | $ (899,993) | $ 291,823 | $ (2,615,553) | $ 4,929,103 | $ 37,825,255 |

| | 01/01/2017 | Loans paid | Paid interest | Interest expense / UDIS valuation | 12/31/2017 |
|---|---|---|---|---|---|
| Bank loans | $ 17,382,547 | $ (329,200) | $ (1,462,041) | $ 1,978,379 | $ 17,569,685 |
| Securitized certificates | 16,204,592 | (71,766) | (1,014,666) | 3,006,675 | 18,124,835 |
| Notes payable (COFIDES) | 725,892 | - | - | (121,920) | 603,972 |
| | $ 34,313,031 | $ (400,966) | $ (2,476,707) | $ 4,863,134 | $ 36,298,492 |

## 13. Provision for major maintenance

As of December 31, 2018 and 2017, the long-term provisions for major maintenance to concessioned assets, are as follows:

| | OPI/CONMEX | VIADUCTO BICENTENARIO | GANA | AUNORTE | Eliminations | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2017 | $ 200,193 | $ 285,170 | $ 23,679 | $ 221,136 | $ - | $ 730,178 |
| Additions | 375,270 | 69,983 | 134,400 | 63,206 | (84,552) | 558,307 |
| Applications | (245,123) | (11,668) | (135,742) | (13,359) | 84,552 | (321,340) |
| Balance at December 31, 2017 | 330,340 | 343,485 | 22,337 | 270,983 | - | 967,145 |
| Additions | 423,339 | 3,764 | 200,300 | 29,747 | (119,119) | 538,031 |
| Applications | (302,342) | (46,423) | (89,531) | (20,178) | 119,119 | (339,355) |
| Balance at December 31, 2018 | $ 451,337 | $ 300,826 | $ 133,106 | $ 280,552 | $ - | $ 1,165,821 |

As of December 31, 2018 and 2017 the classification of the short and long-term parts of the provision established by the Entity for maintenance is as follows:

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | OPI/CONMEX | VIADUCTO BICENTENARIO | GANA | AUNORTE | Total |
| Short–term | $ 240,407 | $ 236,063 | $ 83,734 | $ 144,182 | $ 704,386 |
| Long–term | $ 210,930 | $ 64,763 | $ 49,372 | $ 136,370 | $ 461,435 |
| Total | $ 451,337 | $ 300,826 | $ 133,106 | $ 280,552 | $ 1,165,821 |
| | **December 31, 2017** | | | | |
| | OPI/CONMEX | VIADUCTO BICENTENARIO | GANA | AUNORTE | Total |
| Short–term | $ 123,021 | $ 59,773 | $ 14,965 | $ 53,879 | $ 251,638 |
| Long–term | $ 207,319 | $ 283,712 | $ 7,372 | $ 217,104 | $ 715,507 |
| Total | $ 330,340 | $ 343,485 | $ 22,337 | $ 270,983 | $ 967,145 |

## 14. Employee benefits

The Entity recognizes obligations for defined benefits which cover all employees who complete 65 years of age.

These obligations also cover seniority premium, which consists of a one-time payment of 12 days for each year worked based on the last wage, and cannot exceed twice the minimum wage established by law. The liability and the annual cost of benefits are calculated by an independent actuary in accordance with the bases defined in the plans, using the projected unit credit method.

Rate used in actuarial calculations are:

| | Valuation as of | |
|---|---|---|
| | 2018 % | 2017 % |
| Discount rate | 11.25 | 9.25 |
| Inflation rate in the long-term | 3.50 | 3.50 |
| Wage increase | 4.75 | 4.75 |

The amounts recognized in results related to these defined benefit plans are:

| | 2018 | | |
|---|---|---|---|
| | Retirement Benefits | Seniority Premium | Total |
| Service cost | $ 6,542 | $ 766 | $ 7,308 |
| Interest cost | 6,161 | 411 | 6,572 |
| | $ 12,703 | $ 1,177 | $ 13,880 |

| | 2017 | | |
|---|---|---|---|
| | Retirement Benefits | Seniority Premium | Total |
| Service cost | $ 5,363 | $ 726 | $ 6,089 |
| Interest cost | 4,754 | 347 | 5,101 |
| | $ 10,117 | $ 1,073 | $ 11,190 |

The net periodic cost is included in other operating costs and expenses in the consolidated statements of income and other comprehensive income.

The amounts included in the consolidated statements of financial position arising from the Entity's obligation with respect to defined benefit plans is as follows:

| | 2018 | | |
|---|---|---|---|
| | Retirement Benefits | Seniority Premium | Total |
| Present value of defined benefit obligation | $ 59,315 | $ 4,338 | $ 63,653 |

| | 2017 | | |
|---|---|---|---|
| | Retirement Benefits | Seniority Premium | Total |
| Present value of defined benefit obligation | $ 70,267 | $ 4,607 | $ 74,874 |

Other disclosures required by IFRS are not considered material.

## 15. Financial instruments

| Entity | Instrument | Item hedged | Beginning | Maturity | Notional amount 2018 | Notional amount 2017 | Fair value 2018 | Fair value 2017 |
|---|---|---|---|---|---|---|---|---|
| Asset | | | | | | | | |
| AUNORTE | CAP | interest rate | June 17, 2013 | September 15, 2020 | 978,443 | 1,022,199 | $ 6,010 | $ 6,312 |
| AUNORTE | SWAP | interest rate | September 15, 2011 | September 15, 2026 | 1,733,200 | 1,824,200 | 97,421 | 51,944 |
| AUNORTE | SWAP | interest rate | September 15, 2011 | September 15, 2026 | 1,733,200 | 1,824,200 | 94,425 | 49,057 |
| CONMEX | SWAP | interest rate | February 18, 2014 | December 15, 2025 | 2,162,058 | 2,262,750 | 144,277 | 102,708 |
| CONMEX | SWAP | interest rate | February 18, 2014 | December 15, 2025 | 1,235,461 | 1,293,000 | 87,133 | 64,384 |
| CONMEX | SWAP | interest rate | February 18, 2014 | December 15, 2025 | 1,235,461 | 1,293,000 | 91,480 | 69,600 |
| AT-AT | CAP | interest rate | July 27, 2018 | December 31,2020 | 2,791,637 | - | 62,733 | - |
| AT-AT | SWAP | interest rate | July 27, 2018 | September 30,2027 | 1,792,612 | - | 25,578 | - |
| AT-AT | SWAP | interest rate | July 27, 2018 | September 30,2027 | 1,792,612 | - | 22,628 | - |
| | | | | | | | $ 631,685 | $ 344,005 |

a. *Capital Risk Management*

The Entity's ability to commence operations at current and new concessions depends on its ability to contribute equity and obtain financing, as required under the terms of its concessions.

The increases in construction costs or delays, including delays in the release of rights-of-way, could adversely affect the Entity's ability to meet the schedules established in its concessions and have a negative effect on its activities, its financial position and its results of operations.

The Entity is exposed to the risks related to the construction, operation and maintenance of its projects.

The Entity's management reviews its capital structure routinely. As part of such review, it considers the cost of equity and the risks associated with each class of equity. The net debt equity ratio as of December 31, 2018 and 2017 is as follows:

– Net debt to equity ratio

| | 2018 | 2017 |
|---|---|---|
| Debt (i) | $ 37,825,255 | $ 36,298,492 |
| Cash, cash equivalents and trust funds | (13,847,505) | (13,633,006) |
| Net debt | $ 23,977,750 | $ 22,665,486 |
| Equity (ii) | $ 106,390,394 | $ 94,575,668 |
| Net debt to equity ratio | 22.54% | 23.97% |

(i) Debt is defined as short and long-term borrowings excluding derivatives, as described in Notes 12 and 15.

(ii) Equity includes all capital and reserves of the Entity that are managed as capital.

b. ***Significant accounting polices***

The details of the significant accounting policies and methods adopted (including recognition criteria, valuation bases and the bases for recognition of revenues and expenses) for each class of financial asset, financial liability and equity instruments are disclosed in Note 3.

c. ***Categories of financial instruments***

| | 2018 | 2017 |
|---|---|---|
| ***Financial assets:*** | | |
| Cash, cash equivalents and trust funds | $ 13,847,505 | $ 13,633,006 |
| Loans and receivables: | | |
| Other accounts receivable | 287,097 | 297,331 |
| Accounts and notes receivable to related parties short and long-term | 1,041,511 | 1,985,245 |
| Other accounts receivable and other assets | 260,442 | 144,924 |
| Deficit by the grantor | 36,583,430 | 26,693,358 |
| Derivative financial instruments | 631,685 | 344,005 |
| ***Financial liabilities*** | | |
| Financial liabilities at amortized cost: | | |
| Short-term debt | $ 1,895,874 | $ 998,041 |
| Long-term debt | 35,929,381 | 35,300,451 |
| Accounts payable to suppliers and trade accounts payable | 1,330,121 | 996,071 |
| Accounts and notes payable to related parties | 562,383 | 1,551,936 |

The assets and liabilities of the Entity are exposed to various financial risks, including market risks, credit risk and liquidity risk.

d. *Financial risk management objectives*

The Entity's finance department handles and supervises financial risks through internal risk reports, which analyze the exposures by degree and size of the risks. These risks include market risk (including pricing risk, interest rate risk and exchange rate risk), credit risk and liquidity risk.

The Entity's internal control policy establishes that the issuance of debt and the risks involved in projects requires a comprehensive analysis by the representatives from the finance, legal and administration and operation areas prior to their authorization. Such analysis also evaluates the use of derivatives to hedge financial risks. The internal control policy establishes that entering into derivative financial instrument transactions is the responsibility of the Entity's finance and administrative areas, once the aforementioned analysis has been concluded.

The Entity seeks to minimize the potential negative effects of the aforementioned risks in its financial performance through different strategies. Financial derivatives are used to hedge certain exposures to the financial risks of transactions recognized in the consolidated statement of financial position (recognized assets and liabilities). The financial derivatives which are contracted may be designated as hedges for accounting purposes or for trading purposes, without affecting the objective of mitigating the risks to which the Entity is exposed in its projects.

e. *Market risk*

The Entity's activities expose it primarily to interest rate, exchange rate and pricing risk.

Sensitivity analyses in the following paragraph, consider that all variables are held constant, except for those in which the sensitivity is displayed.

***Price risk management***

The Entity is exposed to price risks, mainly due to the maintenance costs of the highways which are linked to international oil prices.

By the same token, the tolls which the Entity collects are regulated and adjusted based on the INPC.

The Entity considers that its exposure to price risk is immaterial, because if the Entity's investment in a concession is not recovered through the toll rates established, it may be possible to renegotiate both the concession term and the rates in question.

***Management of currency exchange risk***

The Entity is exposed to currency exchange risk as a result of placing securitized certificates on the Mexican debt market in 2011 for the amount of $1,700 million or its equivalent in UDIS (370,225,400 UDIS) of GANA. As of December 31, 2018 the balance is $1,906 million or its equivalent in UDIS (306,176,375 UDIS).

On August 29, 2014, CONMEX placed zero coupon UDI denominated securitized certificates for the amount of $7,546 million or the equivalent in UDIS (1,464,078,000 UDIS) at December 31, 2018, the balance is $9,116 million, which is equal to 1,464,078,000 UDIS.

On December 18, 2013, CONMEX carried out the placement of guaranteed senior notes, denominated in UDIS for the amount of $18,792 million or its equivalent in UDIS (3,720,902,000 UDIS). As of December 31, 2018, the balance is $14,052 million, equivalent to 2,256,824,000 UDIS.

On March 6, 2012, Aleatica entered into an investment contract with COFIDES, whereby the latter undertakes to invest up to a maximum of €25 million euros; as of December 31, 2018, the balance is $586 million.

On March 31, 2015, OPI issued securitized certificates denominated in UDIS for the amount of 773,908,000 UDIS, equivalent to $4,100 million, at an interest rate of 6.95%, maturing in 2035. As of December 31, 2018, the revalued securitized certificates amounted to $4,818 million, equivalent to (773,907,555 UDIS).

This debt represents the maximum exposure to exchange risk. For the remaining debt, the Entity contracts its financing in the same currency as the repayment source. Management believes that the positions in UDIS and Euros do not expose the Entity to significant exchange risk for its financial position, performance or flows, because the increases in the rates of the concessions, the main source of payment for the financing, are closely related to inflation and therefore with the value of the UDI.

- Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% increase and decrease in the UDI and Euro. This fluctuation represents management's evaluation of the possible reasonable change in the value of the UDI and Euro. The sensitivity analysis includes only the monetary position at the close of 2018. When the peso appreciates by 10% against the UDI and Euro, it would result in an increase in results and in stockholders' equity. When the peso depreciates by 10% against the UDI and Euro, it would result in a decrease in results and stockholders' equity.

| | 2018 |
|---|---|
| Profit or loss and equity | $ 3,048,069 |

This effect would represent an increase/decrease of 24% in income for the 2018 annual period.

The sensitivity analysis may not be representative of the foreign exchange risk during the period due to variances in the net position denominated in UDIS and Euros.

Current exchange rate hedge transactions.

i. Exchange rate instrument (FORWARD).

**Aleatica**

As mentioned in Note 12, on March 6, 2012, Aleatica signed an investment agreement with COFIDES with an expiration date of April 2017 in which the latter undertook to invest up to a maximum of € 25 million.

To reduce its exposure to exchange rate risk, on September 20, 2012, July 11, 2012 and January 21, 2013, Aleatica contracted Forward financial instruments for each provision. In April 2017 this contract expired.

On April 27, 2017, a modification was made to the investment contract with COFIDES, considering that the investment project was significantly extended, as a result the parties agreed to extend for a period of two years with an expiration date on April 26, 2019, on a variable rate of the EURIBOR benchmark plus 4 percentage points. From this date until December 31, 2018, no new financial hedge instruments have been contracted.

***Interest rate risk management***

The Entity is exposed to interest rate risks because its subsidiaries obtain loans at variable interest rates.

The exposure to interest rates mainly arises due to the long-term debts which are contracted at variable rates (TIIE).

The contracts related to the current debt of the Entity's subsidiaries could impose restrictions on the latter's capacity to operate.

To mitigate the risk of interest rate fluctuations, the Entity uses SWAP, as well as CAP options, to fix variable rates or establish a ceiling and link it to the generation of cash flows derived from the revenue sources.

- *Sensitivity analyses for interest rates*

  The following sensitivity analyses have been determined based on the exposure to interest rates both for derivatives and for non-derivatives at the end of the reporting period. For variable rate liabilities, an analysis is prepared on the assumption that the amount of the liability in effect at the end of the reporting period was the liability in effect throughout the year. When key management personnel are internally informed of the interest rate risk, an increase or decrease of 100 basis points is used, which represents management's assessment of the reasonable possible change in interest rates.

  If the interest rates were 100 basis points above/below and all other variables remain constant:

  The income for the periods ended December 31, 2018 and 2017 would decrease/increase by $169,296 and $168,815, respectively. This is mainly attributable to the Entity's exposure to interest rates on its variable rate loans.

- Current interest rate hedge transactions.

  The transactions which comply with hedging requirements have been designated as cash flow hedged.

  The following tables detail the amounts of notional equity and the remaining terms of the financial derivatives contracted by the Entity through its subsidiaries.

ii. *Financial derivatives, interest rate SWAP*

**AUNORTE**

As discussed in Note 12, on August 11, 2011, AUNORTE obtained financing which establishes the payment of interest at the 91 days TIIE rate plus a spread (2.75 % will apply from the first disposition until the date on which the third anniversary is completed; this margin will increase every three years until the contract expires), contracting an interest rate SWAP with the aim of fulfilling the obligation of paying 76% of the interest on the credit.

As of December 31, 2018 and 2017, it was recognized asset of $191,846 and $101,001, respectively, was recognized, with an effect in other comprehensive income for $90,845 and $19,058, respectively, the accumulated deferred income tax is $57,553 and $30,300, respectively. The amount included in other comprehensive result as part of stockholders' equity will be recycled to results simultaneously when the interest on the debt is charged to results; such amount is subject to changes due to market conditions.
As of December 31, 2018 and 2017, there was no ineffectiveness related to the hedge.

The following table shows the detail of the interest rate SWAP entered into by AUNORTE.

| Instrument | Counterparty | Notional (Current) | Underlying 91 days TIIE 12/31/2018 | Fixed rate | Maturity | Fair Value 2018 | Fair Value 2017 |
|---|---|---|---|---|---|---|---|
| IRS 1 | BBVA BANCOMER | $ 1,733,200 | 8.6347% | 7.39% | 09/15/2026 | $ 94,425 | $ 51,944 |
| IRS 2 | BANOBRAS | 1,733,200 | 8.6347% | 7.34% | 09/15/2026 | 97,421 | 49,057 |
| | | $ 3,466,400 | | | | $ 191,846 | $ 101,001 |

**CONMEX**

As discussed in Note 12, on December 18, 2013, CONMEX executed a credit contract with Goldman Sachs Bank USA, which establishes the payment of interest at the 91 days TIIE rate plus a spread (interest plus 2.10% percentage), an interest rate "SWAP" was also contracted to hedge against the variable interest rate risk. At December 31, 2018, 75% of the debt has been hedged.

At December 31, 2018 and 2017, an asset was recognized for $322,890 and $236,692, with an effect in other comprehensive income of $86,198 and $151, respectively and a deferred tax effect of $96,867 and $71,008, respectively. The amount included in other comprehensive income under stockholders' equity will be recycled to results when the interest on the loan is charged to results; this amount is subject to changes derived from market conditions.

As of December 31, 2018 and 2017 there was no ineffectiveness related to the hedge.

The following table shows the interest rate SWAP entered into by CONMEX.

| Instrument | Counterparty | Notional (Current) | Underlying 28 days TIIE 12/31/2018 | Fixed rate | Maturity | Fair Value 2018 | Fair Value 2017 |
|---|---|---|---|---|---|---|---|
| IRS 1 | GOLDM SACHS USA | $ 2,162,058 | 8.6347% | 6.915% | 12/15/2025 | $ 144,277 | $ 102,708 |
| IRS 2 | GOLDMAN SACHS USA | 1,235,461 | 8.6347% | 6.8175% | 12/15/2025 | 87,133 | 64,384 |
| IRS 3 | GOLDMAN SACHS USA | 1,235,461 | 8.6347% | 6.7350% | 12/15/2025 | 91,480 | 69,600 |
| | | $ 4,632,980 | | | | $ 322,890 | $ 236,692 |

In December 2013, Conmex paid in advance the total amount of bank debt which was hedged by the following financial derivatives, and also settled in advance the derivatives that it had entered into. Detail of those derivatives is as follows:

Conmex obtained financing which establishes the payment of the 28 days TIIE plus a spread, which varied throughout the term of the loan.

Conmex contracted an interest rate SWAP in order to comply with the obligation to hedge 75% of the interest on the bank loan (Tranche A and Tranche B).

Conmex paid accrued interest based on the fixed interest rates established below, and received amounts calculated based on the 28 days TIIE.

**AT-AT**

As discussed in Note 12, on September 25, 2017 financing was obtained with payment of interest at the 28 days TIIE rate (within a range of 2.75% to 4%), which varies over the financing term, with an interest rate SWAP contracted to meet the obligation to pay 70% of the credit balance established on each date, beginning December 31, 2020.

As of December 31, 2018 an asset of $48,206 was recognized, with an effect in comprehensive income of $48,206, and accumulated deferred tax of $14,461. The amount included in comprehensive profit and loss, as part of stockholders' equity, will be recycled to results at the same time that the hedged item affects them. Such amount may vary due to market conditions.

As of December 31, 2018 there was ineffectiveness in its operations, resulting in a reclassification of comprehensive income to income for the year.

The following table shows the detail of the interest rate swaps entered into by AT-AT.

| | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|
| Instrument | Counterparty | Notional (Current) | Underlying 28 days TIIE 12/31/2018 | Fixed rate | Maturity | 2018 | 2017 |
| IRS 1 | BANCO SANTANDER | $ 1,792,612 | 8.5956% | 8.33% | 30/09/2027 | $ 25,578 | $ - |
| IRS 2 | BANCO SANTANDER | 1,792,612 | 8.5956% | 8.33% | 30/09/2027 | 22,628 | - |
| | | $ 3,585,224 | | | | $ 48,206 | $ - |

iii. Financial derivatives, interest rate CAP options:

**AUNORTE**

As discussed in Note 12, in September 2011 AUNORTE contracted CAP options to hedge interest rate fluctuations on the financing obtained, and to comply with the obligations to hedge 76% of the interest on the bank loan received. To obtain this CAP, AUNORTE paid a premium for $68,500. As of December 31, 2018 and 2017, AUNORTE paid accrued interest based on the 91 days TIIE, which has not exceeded the ceiling fixed at 9%. Accordingly, the options have not reached an intrinsic value and there have been exchanges of cash flows. AUNORTE designated the CAP as a cash flow hedge, documenting the objective of the hedge, the measurement of effectiveness based on its intrinsic value and other requirements established in accounting regulations.

The following table shows the financial instruments to hedge fluctuations through interest rate CAP that AUNORTE has contracted to date.

| | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|
| Instrument | Counterparty | Notional (Current) | Underlying 91-day TIIE 12/31/2018 | Fixed rate | Maturity | 2018 | 2017 |
| CAP | BBVA BANCOMER | $ 978,443 | 8.6347% | 9.00% | 09/15/2020 | $ 6,010 | $ 6,312 |

**AT-AT**

As discussed in Note 12, in July 2018 it contracted options (CAP) to cover the interest rate fluctuations on the loan obtained, and meet the obligation to cover 70% of the credit balance. As of December 31, 2018, it paid accrued interest at the 28 days TIIE rate, exceeding the 8% ceiling established, so the options have reached an intrinsic value and there have been recovery flows. The CAP was designated as an instrument in a cash flow hedge relationship, describing the objective of the hedge, the measurement of effectiveness based on its intrinsic value and other requirements established in accounting regulations. As of December 31, 2018 there was ineffectiveness in its operations.

The following table shows the financial instruments to hedge fluctuations through interest rate CAPs that AT-AT has contracted to date.

| Instrument | Counterparty | Notional (Current) | Underlying 28 days TIIE 12/31/2018 | Fixed rate | Maturity | Fair value 2018 | Fair value 2017 |
|---|---|---|---|---|---|---|---|
| CAP | BANOBRAS | $2,791,637 | 8.5956% | 8.00% | 12/31/2020 | $ 62,733 | $ - |

f. ***Credit risk management***

Credit risk refers to the risk that one of the parties will default on its contractual obligations, thus resulting in a financial loss for the Entity. The Entity has adopted a policy of only becoming involved with solvent parties and obtaining sufficient collateral, when appropriate, as a way to mitigate the risk of financial loss from default. The Entity only performs transactions with entities which have a risk rating equivalent to investment grade or above. This information is provided by independent ratings agencies and, if it is not available, the Entity uses other available public financial information and its own commercial records to rate its principal customers. The maximum exposure to credit risk as of December 31, 2018 is approximately $38,172,510, as shown in subsection c) which describes the principal financial assets subject to credit risk.

g. ***Liquidity risk management***

The Entity manages liquidity risk by establishing an appropriate framework to administer its short, medium and long-term financing, and the requirements of liquidity management. The Entity manages liquidity risk by maintaining adequate reserves, banking facilities and to obtain loans, through constant oversight of projected and real cash flows. Note 12 specifies the details of the financing contracted by the Entity, as well as the respective maturities. The Entity maintains reserves based on its contractual obligations, whose funds are intended for the payment of debt, maintenance and highway expansion work, among others.

The following tables detail the Entity's remaining contractual expirations for its current non-derivative liabilities with payment periods agreed. The tables have been designed based on the undiscounted cash flows of the financial liabilities, using the most recent date on which the Entity has to make payments. The tables include both cash flows from interest and principal. As long as the interest is variable-rate, the undiscounted amount derives from curves in the interest rate at the end of the reporting period. Contractual maturity is based on the minimum date on which the Entity has to make the payments:

| 2018 | Less than 1 year | 1 to 5 years | 5 years + | Total |
|---|---|---|---|---|
| Bank loans | $ 3,038,139 | $ 13,507,513 | $ 10,306,483 | $ 26,852,135 |
| Notes payable and securitized certificates | 1,190,289 | 5,907,211 | 59,003,630 | 66,101,130 |
| Notes payable under investment agreement | 602,815 | - | - | 602,815 |
| Accounts payable to related parties | 38,415 | - | - | 38,415 |
| Trade accounts and notes payable | 1,330,121 | - | - | 1,330,121 |
| Total | $ 6,199,779 | $ 19,414,724 | $ 69,310,113 | $ 94,924,616 |

| 2017 | Less than 1 year | 1 to 5 years | 5 years + | Total |
|---|---|---|---|---|
| Bank loans | $ 3,131,574 | $ 11,893,023 | $ 12,674,397 | $ 27,698,994 |
| Notes payable and securitized certificates | 1,125,275 | 5,454,371 | 60,004,261 | 66,583,907 |
| Notes payable under investment agreement | 588,905 | - | - | 588,905 |
| Accounts payable to related parties | 224,319 | - | - | 224,319 |
| Trade accounts and notes payable | 1,003,614 | - | - | 1,003,614 |
| Total | $ 6,073,687 | $ 17,347,394 | $ 72,678,658 | $ 96,099,739 |

h. ***Fair value of financial instruments***

– ***Fair value of financial instruments carried at amortized cost***

Management considers that the carrying values of financial assets and liabilities recognized at their amortized cost in the consolidated financial statements does not differ significantly from their fair value at December 31, 2018:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets: | | | | |
| Cash, cash equivalents and trust funds | $ 13,847,505 | $ 13,847,505 | $ 13,633,006 | $ 13,633,006 |
| Accounts and Notes receivable | | | | |
| Accounts receivable from related parties | 1,041,511 | 1,041,511 | 1,985,245 | 1,985,245 |
| Other accounts receivable for services | 287,097 | 287,097 | 297,331 | 297,331 |
| Other accounts receivable and other assets | 260,442 | 260,442 | 144,924 | 144,924 |
| Financial liabilities: | | | | |
| Financial liabilities at amortized cost: | | | | |
| Bank loans and notes payable | $ 37,825,255 | $ 38,063,234 | $ 36,298,492 | $ 36,298,492 |
| Accounts and notes payable to related parties | 562,383 | 562,383 | 1,551,936 | 1,551,936 |
| Trade accounts and notes payable | 1,330,121 | 1,330,121 | 979,270 | 979,270 |

– ***Fair value measurements recognized in the consolidated statements of financial position***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Derivative financial instruments (CAP) | $ - | $ 68,743 | $ - | $ 68,743 |
| Financial assets at fair value through comprehensive income | | | | |
| Derivative financial instruments (SWAP) | $ - | $ 562,942 | $ - | $ 562,942 |
| **2017** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at fair value through profit or loss | | | | |
| Derivative financial instruments (CAP) | $ - | $ 6,312 | $ - | $ 6,312 |
| Financial assets at fair value through comprehensive income | | | | |
| Derivative financial instruments (SWAP) | $ - | $ 337,693 | $ - | $ 337,693 |

To determine the fair value of the other financial instruments, valuation techniques are used such as discounted cash flows, considering the respective dates of cash flows and the related market interest rates, discounting such cash flows with rates that reflect the counterparty's risk and the Entity's risk for the period in question. During 2018 there was no change in the classification of the level of financial asset type with respect to 2017.

The fair value of interest rate SWAP is determined by discounting future cash flows using the curves at the end of the reporting and the credit risk inherent in the contract.

European CAP options are evaluated using the Black-Scholes model which measures the probability that the ceiling will be exceeded based on market inputs.

## 16. Capital stock

Par value common stock as of December 31, 2018 and 2017 is composed as follows:

| | 2018and 2017 | |
|---|---|---|
| | Number of shares | Amount |
| Fixed capital | 5,648 | $ 50 |
| Variable capital | 1,732,179,621 | 15,334,452 |
| Total | 1,732,185,269 | $ 15,334,502 |

a. As of December 31, 2018, the Entity has 19,846,373 shares repurchased in its possession.

b. On April 26, 2018, a stockholders' resolution approved that the amount of up to $2,000,000 should be channeled for the proprietary share buyback program; this amount does not exceed the total balance of the Entity's net income, including retained earnings.

c. At a Stockholders' Ordinary General Meeting held on April 27, 2018, OPCEM (subsidiary of Aleatica) approved a declaration of dividends to stockholders taken from the results of the year 2017 in the amount of $59,180, of which $29,008 refers to the minority interest.

d. At a Stockholders' Ordinary General Meeting held on April 29, 2017, OPCEM (subsidiary of Aleatica) approved a payment of dividends to stockholders from the 2016 results in the amount of $41,986, of which $16,370 refers to the minority interest.

e. On October 26, 2018, the Entity paid dividends of $15,389 to the minority interest through its subsidiary CAPSA, S.A. de C.V.

f. On April 5, 2017, the Entity paid dividends of $12,328 to the minority interest through its subsidiary CAPSA, S.A. de C.V.

g. On April 5 and May 17, 2018, the Entity paid dividends of $55,472 to the minority interest through its subsidiary GANA, S.A.

h. On August 20, 2018, a cash dividend of $770,552 was paid to stockholders at the rate of $0.45 for each share outstanding. Such dividend was declared on April 26, 2018 at a Stockholders' Ordinary Annual General Meeting, at which the Board of Directors was empowered to determine the payment date for the dividend.

   The dividend was paid in full from the balance of the retained earnings account of the Entity, from the Net Tax Income Account (CUFIN) as of December 31, 2017, in accordance with the following distribution:

   1) $0.45 cents per share, charged to the CUFIN as of January 1, 2014, for a total of $770,552.

i. On December 19, 2017, a cash dividend of $684,936 was paid to stockholders at the rate of $0.40 for each share outstanding. Such dividend was declared on April 6, 2017 at a Stockholders' Ordinary Annual General Meeting, at which the Board of Directors was empowered to determine the payment date for the dividend.

   The dividend was paid in full from the balance of the retained earnings account of the Entity, from the Net Tax Income Account (CUFIN) as of December 31, 2016, in accordance with the following distribution:

   1) 35.06 cents per share charged to the CUFIN as of December 31, 2013, for a total of $600,346.

   2) 4.94 cents per share, charged to the CUFIN as of January 1, 2014, for a total of $84,590.

**Non-controlling interest**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Beginning balance as of January 1, | $ | 18,276,929 | $ | 7,656,755 |
| Increase in non-controlling interest (1) | | - | | 8,345,946 |
| Dividends declared | | (99,869) | | (28,698) |
| Initial recognition impairment for expected loss, net of taxes | | (1,830) | | - |

| | 2018 | 2017 |
|---|---|---|
| Consolidated net income | 3,009,391 | 2,282,648 |
| Reserve for employee retirement benefits, net of taxes | 1,449 | (84) |
| Effect on the valuation of subsidiary derivative financial instruments, net of taxes | 29,563 | 20,362 |
| Ending balance as of December 31, | $ 21,215,633 | $ 18,276,929 |

(1) On April 12 and November 13, 2017 (Transaction performed in two phases), the Entity reached an agreement for the indirect sale of additional stock of Conmex, the CEM concession holder, through the sale by Aleatica of 24.01% of its holding in the common stock of OPI, which includes 24.01% of the AFAC's in OPI, sub holding company of Conmex to IFM GIF, as well as 24.01% of the common stock shares of OPCEM, a subsidiary of Aleatica, where the major and minor maintenance operation and services of the CEM is concentrated (the "Transaction"). The price paid by IFM GIF for the first and second phases of the transaction was $9,093,433, including the AFACs.

After such transaction was completed, IFM GIF increased its holding in OPI from 24.99% to 49%, and the Entity holds the other 51%. OPI is Conmex's parent company, which is responsible for the operation of the CEM, a toll highway with a remaining useful life of 35 years. At a length of 110 km, this highway constitutes a ring road around Northeast Mexico City and passes through a densely populated industrial area with very high traffic flows.

j. In accordance with the Ley General de Sociedades Mercantiles, net profits of the year must be separated by at least 5% to form the reserve fund, until reaching 20% of the capital stock at par value. The reserve fund can be capitalized, but it must not be distributed unless the Entity is dissolved, and it must be reconstituted when it decreases for any reason. As of December 31, 2018, the amount of the reserve fund amounts to $2,603,575.

k. The distribution of stockholders' equity, except for tax retained earnings, will cause the ISR payable by the Entity at the rate in effect at the time of distribution. The tax paid for such distribution may be credited against the ISR of the year in which the tax on dividends is paid and in the two following immediate fiscal years, against the tax for the year and the provisional payments of the same.

## 17. Transactions and balances with related parties

a. Transactions with related parties performed in the regular course of the Entity's business for the year ended December 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Construction services received, includes capitalized | $ 3,375 | $ 204,026 |
| Other construction services (advances) | - | 822,030 |
| Services provided | (106,566) | (168,528) |
| Other expenses | 29,578 | 12,374 |
| Other income | (1,742) | (11,988) |
| Accrued interest income | (139,631) | (153,982) |
| Accrued interest payable | - | 22,540 |
| Interest paid | 10,080 | 98,552 |

| | 2018 | 2017 |
|---|---|---|
| Interest received | (13,117) | (34,395) |
| Loans granted | - | 690,610 |
| Loans received | 83,640 | 1,161,290 |
| Loans paid | - | (207,000) |
| Loans received | (991,224) | (666,282) |
| Acquisition of assets | - | 446 |
| Dividend received | (135,150) | - |
| Dividend paid | 770,552 | 684,936 |
| AFAC'S paid | 803,649 | 505,809 |
| Canceled dividend | - | 16,500 |
| Investment in CEBURES "LEPCB 18" | 250,000 | - |
| Reimbursement of common stock contributions in joint businesses | (1,020,000) | - |

b. Balances with related parties are as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Receivable: | | | | |
| Controladora Vía Rápida Poetas, S.A.P.I. de C.V. [3] | $ | 274,290 | $ | 247,920 |
| Constructora Libramiento Elevado de Puebla, S.A. de C.V. (Loand) [6] | | - | | 334,290 |
| Constructora de Proyectos Viales de México, S.A. de C.V. [1] | | - | | 73,819 |
| Libramiento Elevado de Puebla, S.A. de C.V. | | 4,312 | | 11,297 |
| Libramiento Elevado de Puebla, S.A. de C.V. Investment in CEBURES "LEPCB 18" [7] | | 4,423 | | - |
| Obrascón Huarte Lain, S. A. (Mexico Branch) | | - | | 8,019 |
| Operadora Vía Rápida Poetas, S.A.P.I. de C.V. | | 7,283 | | 8,419 |
| Aleatica Labs, S.A. de C.V. | | 3,550 | | 2,358 |
| AMAIT, S.A. de C.V. | | 815 | | - |
| IEPI México, S.A. de C.V. | | - | | 956 |
| Constructora Libramiento Elevado de Puebla, S.A. de C.V. | | - | | 58 |
| Other related parties | | - | | 1,197 |
| | $ | 294,673 | $ | 688,333 |

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Long-term receivables: | | | | |
| Libramiento Elevado de Puebla, S.A. de C.V. [2] | $ | 496,838 | $ | 718,566 |
| Libramiento Elevado de Puebla, S.A. de C.V. Investment in CEBURES "LEPCB 18" [7] | | 250,000 | | - |
| Libramiento Elevado de Puebla, S.A. de C.V. (Loan)[5] | | - | | 578,346 |
| | $ | 746,838 | $ | 1,296,912 |

| | 2018 | 2017 |
|---|---|---|
| Payable: | | |
| Constructora de Proyectos Viales de México, S.A de C.V.[1] | $ - | $ 218,473 |
| Aleatica, S.A.U.[1] | 36,780 | 5,236 |
| Aleatica Labs, S.A. | 1,635 | - |
| Other related parties | - | 610 |
| | $ 38,415 | 224,319 |
| Long-term notes payable: | | |
| Caisse de Dépôt et Placement du Québec ("CDPQ")[4] | $ 523,968 | $ 1,327,617 |

(1) As of April 12, 2018, with the sale of 100% of the shares of OHLC, and consequently the indirect acquisition of Aleatica by IFM GIF, the stockholders of the Aleatica Group, not included in the Group of OHL Concesiones, are considered companies independent from the Group of OHL Concesiones, for which reason as of this date the balances and operations with these companies, in a transition period, have been presented as third parties.

(2) On August 19, 2014, the State Government of Puebla granted the concession to AUTOVÍAS, for the construction, exploitation, conservation and maintenance of the Elevated Viaduct above the Mexico-Puebla federal highway, from kilometer 115 to kilometer 128+300 in the Metropolitan zone of Puebla. On January 8, 2015, the First Amendment agreement was made to the concession title assignment agreement dated August 20, 2014, whereby the Entity assigned to Libramiento Elevado de Puebla, S.A. de C.V. the work of construction, exploitation, operation, conservation and maintenance of the Bypass (Libramiento). The amount of the consideration for the assignment of the concession title which at the date of this report has not been collected, generates interest on the unpaid balance of 10% annually, plus any inflation registered in the period of the respective calculation.

(3) On July 16, 2012, the Entity, acting as borrower, entered into an unsecured credit contract with POETAS for up to $400,000, payable as of December 31, 2012, earning interest at two percentage points above the TIIE rate. On November 30, 2012, a first amendment agreement to this contract was signed, establishing December 31, 2013 as the expiration date. On November 30, 2013, a second amendment agreement was signed to extend the maturity date to December 31, 2014. On December 1, 2014, a third amendment agreement was signed to extend the maturity date to December 31, 2015. On October 7, 2015, a fourth amendment agreement was signed to expand the line of credit for up to $550,000, and extend the maturity date to December 31, 2016. On December 31, 2017, a fifth Amendment agreement was signed extending the date of maturity to December 31, 2018

(4) The Entity considers the future capital increases (AFAC) of the non-controlling interest, as short and long-term notes payable to related parties.

- At beginning of year 2017 the amount of AFAC amounted to $1,028,194.
- On April 17, 2017, the AFAC increased in favor of the non-controlling interest, for $459,049.
- On October 20, 2017, the Entity reduced the AFAC in favor of the non-controlling interest for $159,626.
- On May 3, 2018, the Entity reduced the AFAC in favor of the non-controlling interest for $426,300.
- On November 13, 2018, the Entity reduced the AFAC in favor of the non-controlling interest for $377,349.

(5) On May 17, 2016, the Entity, acting as lender, signed an unsecured credit contract with LEP, for up to $969,000, payable up to the completion of 36 months after the disposition date of each of the amounts exercised, accruing interest at 230 base points above the 28 days TIIE rate. As of December 31, 2018, this loan was paid.

(6) On December 21, 2017, the Entity entered into an unsecured loan agreement with CLEP for up to $350,000, payable in a six-month period computed as of the signing date of the contract, accruing interest at 230 base points above the 28 days TIIE rate. As of December 31, 2018, drawdowns were made for $334,290. As of December 31, 2018, this loan was paid.

Total compensation of the key directors includes base salary, performance bonuses and benefits in cash and other benefits which amounted to $126 and $78 million for the years ended December 31, 2018 and 2017, respectively.

(7) Investment in Senior Trust Bonds "LEPCB 18", with the aim of holding them to obtain contractual cash flows of principal and interest until maturity.

| | 2018 |
|---|---|
| Senior Notes (1) | $ 250,000 |
| Interest | 4,423 |
| | 254,423 |
| Less, current portion | (4,423) |
| Total investment in long-term senior notes | $ 250,000 |

Main characteristics of the investment in Senior Trust Bonds "LEPCB 18":

| | |
|---|---|
| Date of transaction: | April 25, 2018 |
| Date of maturity: | October 19, 2046 |
| Currency: | Mexican pesos |
| Instrument: | CERTIBUR |
| Certificates: | 2,500,000 |
| Face value: | $100.00 (100 pesos for each Senior Note) |
| Term: | 10,404 days (October 19, 2046) |
| Current coupon rate: | 9.96% payable semiannually |

## 18. Cost and expenses by nature

a. Operating costs and expenses

| | 2018 | 2017 |
|---|---|---|
| Operating expenses | $ 855,138 | $ 725,182 |
| Major maintenance | 538,031 | 558,307 |
| Administrative expenses and others | 344,966 | 266,914 |
| Insurance and bonds | 124,272 | 114,155 |
| PTU | 816 | 2,450 |
| | $ 1,863,223 | $ 1,667,008 |

b. General and administrative expenses

| | 2018 | 2017 |
|---|---|---|
| Services contracted | $ 251,322 | $ 204,816 |
| Other administrative expenses | 166,446 | 268,128 |
| Project expenses | 11,748 | 24,506 |
| Fees | 37,382 | 65,760 |
| Other expenses | 50,911 | 53,141 |
| Leases | 22,158 | 22,496 |
| | $ 539,967 | $ 638,847 |

## 19. Income taxes

The Entity is subject to ISR, which rate is 30%. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a 10 year period beginning in 2014, as illustrated below.

In accordance with current tax provisions, this ISR will be due and payable as follows:

| | 2009 | 2010 | 2011 | 2012 | 2013 | Accumulated |
|---|---|---|---|---|---|---|
| 2019 | 17,738 | 8,644 | 32,263 | 108,701 | 51,750 | 219,096 |
| 2020 | - | 8,644 | 24,197 | 86,961 | 51,750 | 171,552 |
| 2021 | - | - | 24,197 | 65,220 | 41,400 | 130,817 |
| 2022 | - | - | - | 65,220 | 31,050 | 96,270 |
| 2023 | - | - | - | - | 31,051 | 31,051 |
| | $ 17,738 | $ 17,288 | $ 80,657 | $ 326,102 | $ 207,001 | $ 648,786 |

While the 2014 Tax Law repealed the tax consolidation regime, an option was established, which allows groups of companies to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated companies that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when the group of companies include both profit and loss entities in the same period), which can be deferred over three years and reported, as updated, at the filing date of the income tax return corresponding to the tax year following the completion of the abovementioned three years period.

On March 14, 2014, Aleatica filed a notice to confirm its intention to pay income tax according to the new Optional Regime for Company Groups referred to by Chapter VI of Title II of the Income Tax Law.

In accordance with the Mexican Miscellaneous Tax Resolution in 2014, entities that at December 31, 2013 have tax loss carryforwards to be amortized at the subsidiary level cannot include such losses in the determination of the taxable income of the consolidated entity until such losses have been amortized at the individual subsidiary level, corresponding to tax years prior to 2014.

Subsidiaries of the Entity that do not meet the characteristics to be included in the regime mentioned above are GANA, CAPSA and MANOP, as the Entity does not hold more than 80% of their shares.

Due to capital transactions in different entities, neither OPI, CONMEX and OPCEM are currently included.

a. Income tax expense for the years ended December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Deferred income tax | $ 4,285,321 | $ 3,885,543 |
| Current income tax | 235,655 | 207,573 |
| | $ 4,520,976 | $ 4,093,116 |

b. As of December 31, 2018 and 2017, the main items comprising the liability balance of deferred ISR are as follows:

| | 2018 | 2017 |
|---|---|---|
| Deferred ISR asset: | | |
| Effect of unconsolidated tax loss carryforwards of subsidiaries | $ 6,152,308 | $ 5,753,239 |
| Customer advances | 20,912 | 6,483 |
| Accounts payable to suppliers, subcontractors, accrued expenses and labor obligations | 198,180 | 66,498 |
| | 6,371,400 | 5,826,220 |
| Deferred ISR liabilities: | | |
| Derivative financial instruments | 154,421 | 101,308 |
| FINFRA | 3,044 | 709 |
| Investment in concession, including guaranteed profitability | 31,194,673 | 26,417,595 |
| Other assets | 52,115 | 34,883 |
| | 31,404,253 | 26,554,495 |
| Total liability, Net | $ 25,032,853 | $ 20,728,725 |

c. The reconciliation of the statutory ISR rate and the effective rate expressed as a percentage of income before taxes on income is:

| | 2018 % | 2017 % |
|---|---|---|
| Statutory rate | 30.00 | 30.00 |
| Add (less) the effect of permanent differences, mainly the effects of inflation, net | (3.33) | (3.91) |
| Effect of change in the estimate for the valuation reserve | 1.37 | (0.09) |
| Equity in the income of associated entity | (1.60) | (1.89) |
| Effective rate | 26.44 | 24.11 |

According to rule I.3.4.31 of the Omnibus Tax Ruling in effect on April 29, 2009, effective as of December 31, 2018, taxpayers engaged in the exploitation of a concession, authorization or permit granted by the Federal Government may apply their tax losses until they are depleted, the concession, authorization or permit ends or the Entity is liquidated, whichever occurs first. The benefits of restated individual tax loss carryforwards are $22,589,990, for which a deferred income tax asset of $6,776,997 has been recognized, of which $624,689 have been reserved as deferred ISR tax losses.

**20. Información por segmentos operativos**

For management purposes, the Entity is organized into five reportable segments, corresponding to the six concession projects. These represent strategic divisions of the Entity. The divisions offer different services and are administrated separately by a General Director, who is in charge of the operating decisions and the review of the internal administrative reports.

A summary of certain segment information is as follows, as of December 31, 2018 and 2017:

| 2018 | CONMEX | VIADUCTO | AUNORTE | GANA | AT-AT | Other and eliminations | Total consolidated |
|---|---|---|---|---|---|---|---|
| Toll revenues | $ 4,229,197 | $ 990,713 | $ 975,390 | $ 881,089 | $ - | $ - | $ 7,076,389 |
| Revenues from valuation of the intangible assets | 4,620,724 | (803,311) | 1,537,385 | - | | | 5,354,798 |
| Adjustment for valuation of the deficit by the grantor | 3,471,344 | 3,480,705 | 3,010,978 | - | - | - | 9,963,027 |
| Total revenues from concession operation | 12,321,265 | 3,668,107 | 5,523,753 | 881,089 | - | - | 22,394,214 |
| Revenues for construction | 102,357 | 18,951 | 92 | - | 906,854 | - | 1,028,254 |
| Revenues for services and other | - | - | - | - | - | 140,424 | 140,424 |
| | 12,423,622 | 3,687,058 | 5,523,845 | 881,089 | 906,854 | 140,424 | 23,562,892 |
| Operating income | 11,221,478 | 3,408,017 | 5,237,386 | 445,243 | - | (321,390) | 19,990,734 |
| Amortization of investments in concessions and depreciation | 2,765 | 649 | 411 | 31,342 | - | 34,547 | 69,714 |
| Financing cost | 2,453,083 | 721,969 | 752,195 | 138,634 | - | (265,717) | 3,800,164 |
| Equity in income of associated entity and joint ventures | - | - | - | - | - | 908,728 | 908,728 |
| Income taxes | 2,281,735 | 688,370 | 1,348,855 | 102,952 | - | 99,064 | 4,520,976 |
| Concessions intangible asset | | | | | | | |
| Investment in recoverable infrastructure through future toll flows | $ 24,938,660 | $ 11,768,822 | $ 11,533,873 | $ 1,392,887 | $ 3,362,007 | - | $ 52,996,249 |
| Portion of intangible recoverable through future toll flows | 46,341,873 | 1,921,078 | 9,926,642 | - | - | - | 58,189,593 |
| Intangible asset by concessions | 71,280,533 | 13,689,900 | 21,460,515 | 1,392,887 | 3,362,007 | - | 111,185,842 |
| Deficit by the grantor | 9,007,449 | 15,182,845 | 12,466,090 | - | - | - | 36,656,384 |
| Impairment of deficit by the grantor | (17,927) | (30,217) | (24,810) | - | - | - | (72,954) |
| Total investment in concession | $ 80,270,055 | $ 28,842,528 | $ 33,901,795 | $ 1,392,887 | $ 3,362,007 | - | $ 147,769,272 |
| Total assets | 83,274,100 | 29,318,817 | 34,339,590 | 2,844,814 | 5,402,469 | 18,255,072 | 173,434,862 |
| Long-term debt and current portion | 18,850,725 | 5,842,359 | 5,725,637 | 1,905,021 | 63,153 | 5,438,360 | 37,825,255 |
| Total liabilities | 38,045,765 | 10,187,942 | 12,955,486 | 2,184,358 | 136,445 | 3,534,472 | 67,044,468 |

| 2017 | CONMEX | VIADUCTO | AUNORTE | GANA | AT-AT | Other and eliminations | Total consolidated |
|---|---|---|---|---|---|---|---|
| Toll revenues | $ 3,702,079 | $ 818,394 | $ 826,055 | $ 708,966 | $ - | $ - | $ 6,055,494 |
| Revenues from valuation of the intangible assets | 6,344,288 | (1,382,588) | 829,071 | - | - | - | 5,790,771 |
| Adjustment for valuation of the deficit by the grantor | 2,463,890 | 4,167,297 | 3,861,866 | - | - | - | 10,493,053 |
| Total revenues from concession operation | 12,510,257 | 3,603,103 | 5,516,992 | 708,966 | - | - | 22,339,318 |
| Revenues for construction | 23,797 | 622 | 865 | - | 400,138 | - | 425,422 |
| Revenues for services and other | - | - | - | - | - | 136,065 | 136,065 |
| | 12,534,054 | 3,603,725 | 5,517,857 | 708,966 | 400,138 | 136,065 | 22,900,805 |

| 2017 | CONMEX | VIADUCTO | AUNORTE | GANA | AT-AT | Other and eliminations | Total consolidated |
|---|---|---|---|---|---|---|---|
| Operating income | 11,589,289 | 3,317,995 | 5,241,107 | 370,742 | - | (294,270) | 20,224,863 |
| Amortization of investments in concessions and depreciation | 2,924 | 700 | 413 | 31,341 | - | 42,182 | 77,560 |
| Financing cost | 2,688,919 | 641,908 | 687,696 | 158,974 | - | 122,460 | 4,299,957 |
| Equity in income of associated entity and joint ventures | - | - | - | - | - | 1,054,731 | 1,054,731 |
| Income taxes | 2,292,168 | 613,674 | 1,370,393 | 69,092 | - | (252,211) | 4,093,116 |
| Concessions intangible asset | | | | | | | |
| Investment in recoverable infrastructure through future toll flows | $ 24,836,303 | $ 11,749,871 | $ 11,533,781 | $ 1,423,897 | $ 2,455,153 | - | $ 51,999,005 |
| Portion of intangible recoverable through future toll flows | 41,721,149 | 2,724,388 | 8,389,257 | - | - | - | 52,834,794 |
| Intangible asset by concessions | 66,557,452 | 14,474,259 | 19,923,038 | 1,423,897 | 2,455,153 | - | 104,833,799 |
| Deficit by the grantor | 5,536,106 | 11,702,140 | 9,455,112 | - | - | - | 26,693,358 |
| Total investment in concession | $ 72,093,558 | $ 26,176,399 | $ 29,378,150 | $ 1,423,897 | $ 2,455,153 | - | $ 131,527,157 |
| Total assets | 74,896,261 | 26,573,795 | 29,703,235 | 2,756,685 | 4,669,206 | 19,364,639 | 157,963,821 |
| Long-term debt and current portion | 17,775,282 | 5,722,898 | 5,702,272 | 1,892,300 | - | 5,205,740 | 36,298,492 |
| Total liabilities | 36,155,872 | 9,469,582 | 11,512,677 | 2,105,182 | 123,182 | 4,021,658 | 63,388,153 |

## 21. Approval of the issuance of the consolidated financial statements

On February 19, 2019, the issuance of the consolidated financial statements as of December 31, 2018 was authorized by Sergio Hidalgo Monroy Portillo, General Director; consequently, they do not reflect events occurred after that date and are subject to approval at the Entity's general ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican Stock Market Law. On April 26, 2018, the consolidated financial statements as of December 31, 2017 were authorized in an ordinary stockholders' meeting.

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