

# Quarterly Earnings **Report**



**3Q2018**



**GRUPO ARGOS**

## Odinsa

The results of the third quarter of 2018 were positive for Odinsa. A highlight was the successful completion of works at functional unit 1 of Pacífico 2. Completion of the works is currently at 100% and this milestone has been submitted to ANI for approval. The overall completion rate of the works is 55%, which is 7% ahead of schedule. Odinsa made capital contributions to the concession in the amount of COP 28 billion in the third quarter of 2018.

On another front, the airport concessions have been performing very well. At Quiport, passenger traffic increased by 4% in the quarter, which translated into growth of the concession's revenues, EBIDTA and net profit of 9%, 10%, and 20%, respectively.

At OPAIN, passenger traffic increased by 1.3%, driven mainly by international passenger traffic, which grew by 3.7%. Both revenues and EBIDTA grew by 11% compared to the same period last year.

## 3Q18 Consolidated Results

Consolidated revenues at Odinsa totaled COP 186 billion in the third quarter, a 7% decrease year-over-year, explained primarily by the decrease in construction activities at Green Corridor and Malla Vial del Meta. In the former, the civil works of the project were completed in late 2017, while at Malla Vial del Meta, last year top-priority works were carried out at the concession's functional unit 0.

By segment, revenues of road network concessions totaled COP 130 billion (-11% Y/Y), again, explained by the decrease in construction activities at Green Corridor and Malla Vial del Meta. In the construction segment, revenues totaled COP 45 billion (-33% Y/Y).

Lastly, in the airports business, revenues reached COP 44 billion (+45% Y/Y). It should be noted that both concessions are included in the consolidated financial statements under the equity method. In this regard, the financial statements of Odinsa include under this item the increases in net profits of both OPAIN and Quiport, which posted growth of 254% and 20%, respectively.

EBIDTA increased by 122% Y/Y to COP 162 billion. All three business segments made a positive contribution to this growth. In terms of the construction segment, EBIDTA contributed 57 billion (+206 Y/Y). Even though this business decreased and affected the revenues of both projects, this item's contribution to growth totaled COP 38 billion. This change is mainly explained by *i*) a reimbursement of work performance expenses of the construction consortium Chamba Blou in the amount of COP 16 billion, *ii*) an increase in EBIDTA of the construction group AKF in the amount of COP 17 billion, and *iii*) an increase in net profit of the construction group Farallones, which contributed COP 6 billion to consolidated EBIDTA through the equity method.

Regarding the highway concessions segment, EBIDTA totaled 65 billion (+107 Y/Y). This change is primarily thanks to the good performance of P2, the increase in EBIDTA posted by ADN arising from greater financial income associated with the asset, and the increase in EBIDTA at AKF compared to the same period last year, which was affected by a provision on costs associated with La María weighing station.

In terms of the airports segment, EBIDTA totaled COP 44 billion (+ 45% Y/Y).

At the end of the quarter, consolidated financial debt at the company totaled COP 2.4 trillion, equivalent to an increase of 7% Y/Y. In separate terms, debt at Odinsa totaled 1.5 trillion, up 18% Y/Y. It should be highlighted that the Company's cost of debt has decreased significantly thanks to successful treasury management and the implementation of sustainable indebtedness models.

### Contribution by business in 3Q18

COP million	Highway Concessions	Construction	Airport Concessions	Other Operations (*)	TOTAL
<b>Total revenues</b>	130.183	44.617	44.424	<b>22,053</b>	185.745
<b>EBIDTA</b>	65.303	56.753	44.424	<b>5,780</b>	161.804
<b>Profit or loss for the parent company</b>	<b>21.361</b>	<b>45.522</b>	<b>44.424</b>	<b>-36,023</b>	<b>68.552</b>
EBIDTA margin	50%	127%	100%	26%	87%
Net margin	16%	102%	100%	-163%	37%

### Contribution by business, 3Q17

COP million	Highway Concessions	Construction	Airport Concessions	Other Operations (*)	TOTAL
<b>Total revenues</b>	<b>146,935</b>	<b>66,468</b>	<b>30,735</b>	<b>17,839</b>	<b>200,020</b>
<b>EBIDTA</b>	<b>31,750</b>	<b>18,530</b>	<b>30,735</b>	<b>4,323</b>	<b>72,828</b>
<b>Profit or loss for the parent company</b>	<b>-3,553</b>	<b>14,918</b>	<b>30,735</b>	<b>-26,241</b>	<b>1,591</b>
EBIDTA margin	21%	28%	100%	24%	36%
Net margin	-2%	22%	100%	-147%	1%

\*Direct businesses of Marjoram, Odinsa Holding and Odinsa S.A. (Highway operator, real estate, corporate expenses, financing of affiliates abroad, financial expenses and taxes).

Not shown in the column of intra-business offsetting.

## Highway Concessions in Operation

### Autopistas del café – AKF

*Colombia*

*Term: 30 years (1997 – 2027)*

*Guaranteed minimum income*

*Interest held by Odinsa 60%*

In the third quarter of 2018, this concession reported total traffic of 3.0 million vehicles, a change of -5% Y/Y. Year-to-date to September 2018, the decrease was 7% to a total of 8.9 million vehicles. The drop-in traffic volume is primarily the result of road construction works at the Pacífico 3 concession. This has affected traffic between Antioquia and the coffee-growing region.

Despite the reduction in traffic at the concession, revenues in the third quarter of 2018 are up 9% compared to the same period last year. It should be noted that vehicle traffic volume has been above the guaranteed minimum income threshold. Consequently, there is no linear relationship between the change in revenues and the change in the volume of vehicle traffic at the concession. In terms of year-to-date, as of September, revenues, EBIDTA and net profit posted increases of 5%, 12%, and 78%, respectively.

During the same period last year, the project set aside a COP 33 million provision for expenses related to La María weighing station, which had a significant effect on EBIDTA in the third quarter of 2017.

COP million	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
Total traffic (million)	3.01	3.18	-5%	8.85	9.47	-7%
Average daily traffic	35k	33k	-5%	35k	32k	-7%
Revenue	44,766	41,059	9%	132,670	126,918	5%
EBIDTA	5,663	-12,623	145%	36,659	32,826	12%
Net profit	12,361	-12,205	201%	30,563	17,195	78%

### Autopistas del Nordeste

*Dominican Republic*

*Term: 30 years (2008 – 2038)*

*Guaranteed minimum income*

*Interest held by Odinsa 67.5%*

The concession posted a 14% increase in traffic Y/Y, thanks to the positive effect of activities related to tourism. It should be noted that categories I and II account for over 90% of the concession's traffic.

Revenues increased significantly both for the quarter (+42%) and year-to-date (+29%), compared to the same period last year. This change is explained by greater financial income associated with the asset, arising from a revaluation of the asset at the end of 2017. EBIDTA

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increased even faster than revenues, due to lower maintenance costs compared to the previous year when works were required at the concession because of heavy rainfall.

COP million	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
Total traffic (million)	1.10	0.97	14%	3.24	2.91	11%
Average daily traffic	12k	11k	14%	12k	11k	11%
Revenue	40,965	28,908	42%	116,872	90,672	29%
EBIDTA	35,961	17,779	102%	98,791	67,157	47%
Net profit	18,292	-43	NA	42,248	11,488	267%

### Boulevard Turístico del Atlántico

*Dominican Republic*

*Term: 30 years (2008 – 2038)*

*Guaranteed minimum income*

*Interest held by Odinsa 67.5%*

In 2017 road repairs and works were performed to repair the damage from heavy rainfall in late 2016. This cause a substantial drop in traffic at the concession. In the third quarter of 2018 a recovery in vehicle traffic took place, with growth of 34% Y/Y.

Revenues and EBIDTA figures have remained stable. The drop in net profit is explained primarily by greater current and deferred tax provisions. It should be noted that these two items do not imply cash outlays in the current year to date.

COP million	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
Total traffic (million)	0.44	0.3	34%	1.32	1.03	27%
Average daily traffic	5k	4k	34%	5k	4k	27%
Revenue	22,992	22,718	1%	81,629	83,787	-3%
EBIDTA	15,570	14,991	4%	61,101	65,389	-7%
Net profit	1,711	-4,850	-383%	11,887	26,127	-55%

### Highway Concessions Under Construction

#### Concesión la Pintada

*Colombia*

*Under construction*

*Construction completion date: 2021*

*Term: 20 years (2043)*

*Present Value of Toll Revenues (VPIP, for the Spanish original)*

*Interest held by Odinsa 78.9%*

Pacífico 2 was recognized by *Latinfinance* as the most important concession financing deal in Latin America. In addition to this recognition, it is worth highlighting that recently the first peso-denominated disbursement was made since the concession's loan agreement became effective. Banco de Bogotá and Davivienda disbursed COP 54 billion.

To date, the overall completion rate of works related to functional units 1, 2, 3 and 4 stands at 55%. It should be noted that the project is 7% ahead of the construction and civil works schedule.

A highlight was the successful completion of works at functional unit 1. Completion of the works is currently 100% and this milestone has been submitted to ANI for approval. As of the end of the third quarter this year, CAPEX in the concession –since its start date– has totaled COP 679 billion.

In 3Q18 traffic increased by 11% from 610,000 to 670,000 vehicles. This increase has been driven by the growth of heavy vehicle traffic. In 3Q17, heavy vehicles accounted for 19% of total traffic on the highway, whereas in 3Q18 they accounted for 24%.

Revenues increased by 90% Y/Y to COP 160 billion, because of greater construction activity and greater financial income associated with the asset. EBIDTA also grew strongly by 115% to COP 33 billion, explained mainly by financial income. This has also affected the increase in net profit, which in turn was offset by increased financial expenses and a larger tax provision.

COP million	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
Total traffic (million)	0.67	0.61	11%	1,94	1,85	5%
Average daily traffic	7k	7k	11%	7k	7k	5%
Revenue	159,510	84,020	90%	497,647	179,359	177%
EBIDTA	33,137	15,426	115%	86,222	33,628	156%
Net profit	9,434	2,643	267%	39,139	3,398	894%

## Meta Highway Network

Colombia

Public-Private Association by Private Initiative

Risk of demand

Interest held by Odinsa 51%

Average daily traffic at the concession totaled 17,000 vehicles, up 1% compared to the third quarter of 2017. Year-to-date, in 2018 traffic is flat compared to the previous year. Year-to-date and quarterly revenues decreased by 48% and 58%, respectively, due to the completion of top-priority works in 2017, which had earned construction revenues for the project.

In the third quarter of 2017, EBIDTA was negative by COP 307 million due to the low level of revenues for Functional Unit 0, which were below the expenses reported by the operation. In 2018, expenses have increased due to professional fees paid in connection with arbitration proceedings. The above also explains the reduction in net profit over the same period.

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COP million	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
Total traffic (million)	1.61	1.60	1%	4.85	4.84	0%
Average daily traffic	18k	17k	1%	18k	18k	0%
Revenue	9,355	22,401	-58%	28,636	54,917	-48%
EBIDTA	-447	-307	-46%	-1,632	-442	-269%
Net profit	-581	-481	-21%	-1,721	1,119	-254%

## Green Corridor

Aruba

DBFM (Design, Build, Finance & Maintain) type contract

Guaranteed traffic

Interest held by Odinsa 100%

Upper threshold of the offer: USD 73 million

Scope: second lane over 7km; repair and/or rebuild 24 km of existing roads, construction of 5 km of new roads and construction of 13 km of bicycle paths.

Capex: USD 58.0 million

Duration of works: 30 months

Maintenance: 18 years

Form of Payment: Once the works are completed, the government will make quarterly payments during 18 years. The payments are equivalent to AWG 130 million as of January 2011 (USD 73 million)

Following a three-day audit of the project's quality management system, *Bureau Veritas Quality International BVQI* awarded Green Corridor a certification in accordance with ISO 9001: 2015 covering *Management, Maintenance and Rehabilitation of the road Infrastructure*.

To date, issuance of the *Completion Certificate* of the project is pending. According to the schedule, such certificate should be issued in November this year, which is vitally important for the concession, given that government payments for availability are subject to achieving this milestone.

Compared to the same period last year, 3Q18 displays some drop-in revenues, due to completion of all CAPEX works related to the project, which last year represented revenues from construction activities.

Even though total revenues decreased by 84%, explained primarily by construction revenues, an additional effect arises from adjustments made to concession revenue accrual based on progress made on the works in 2018, which represents a change of 12 billion. Financial income displays an increase of 8 billion arising from the greater value assigned to the financial asset.

The above items have direct effects on EBIDTA, which explains the Y/Y change of -78%.

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COP million	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
Revenue	4,612	29,674	-84%	23,103	69,652	-67%
EBIDTA	2,108	9,548	-78%	11,177	11,859	-6%
Net profit	-1,621	726	-323%	1,035	1,805	-43%

## Airport Concessions

### Opain

Colombia

Term: 20 years (2007 – 2027)

Royalties (% of total revenues): 46.2%

Interest held by Odinsa + AE: 65%

In September this year, installation of 10,000 solar panels began at El Dorado. Through this initiative, one of Latin America's largest airports is venturing into alternative energy sources.

Separately, Ethiopian Airlines, Africa's largest cargo operator, officially began operations at the airport.

During the third quarter of 2018, passenger traffic increased by 1.5%, and year-to-date it increased by 2.5% compared to the same period last year. Passenger growth has been driven primarily by international operations.

Revenues totaled COP 258 billion in the quarter (+11% Y/Y). Similarly, in the quarter EBIDTA increased by 11% to COP 81 billion, while net profit totaled COP 37 billion, up COP 26 billion from the same period last year. This growth is the result of the increase in EBIDTA combined with lower financial expenses in 2018.

It should be noted that year-to-date as of September 2018, compared to the same period last year, revenues decreased by 3% to COP 756 billion. This change is the result of lower construction revenues in 2018, because the expansion works of the terminal were successfully completed by the end of 2017. Excluding this effect, aeronautic and non-aeronautic revenues increased by COP 27 billion and COP 52 billion, respectively.

	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
<b>Passengers:</b>	<b>8,107,901</b>	<b>8,004,389</b>	<b>1%</b>	<b>23,966,709</b>	<b>23,392,698</b>	<b>2%</b>
Domestic	5,269,482	5,284,544	0%	15,745,153	15,560,967	1%
International	2,823,419	2,719,845	4%	8,221,556	7,831,731	5%
<b>Revenues (COP million) *</b>	<b>258,263</b>	<b>232,453</b>	<b>11%</b>	<b>755,993</b>	<b>780,003</b>	<b>-3%</b>
Regulated	172.145	163.490	5%	492.678	466.866	5%
Non-Regulated	87.398	67.319	30%	245.490	193.374	27%
<b>EBIDTA (COP million)</b>	<b>80,759</b>	<b>72,798</b>	<b>11%</b>	<b>238,254</b>	<b>207,542</b>	<b>15%</b>
<b>Net Profit (COP million)</b>	<b>36,620</b>	<b>10,347</b>	<b>254%</b>	<b>63,664</b>	<b>36,856</b>	<b>73%</b>

\*This includes regulated, non-regulated, construction and other operating revenues related to the concession.

\*2017 figures have been standardized based on the accounting treatment defined by Grupo Argos.

### Quiport



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Ecuador

Term: 35 years (2006 – 2041)

Royalties (% of regulated revenues): 11%

Interest held by Odinsa 46.5%

*Airport Carbon Accreditation* included the Mariscal Sucre Airport in Quito under level 3 – Optimization, of the Airport Carbon Footprint Accreditation Program, an initiative of the Airport Council International (ACI), which is additionally recognize by the World Bank, the International Civil Aviation Organization and the United States Federal Aviation Administration. With this milestone, Quiport continues to position itself as a benchmark for efficient and sustainable airports in the region.

Quiport also continues to achieve results from its efforts to open new international routes: with GOL airlines, between São Paulo and Quito, with three flights per week starting in December 2018. Also, with Air France between Quito and Paris (Charles de Gaulle).

The third quarter of 2018 continues to display a change in traffic trends. Compared to the same period last year, the number of passengers increased by 3.9% from 1.3 to 1.4 million. This trend is primarily driven by international operations.

Revenues totaled USD 46 million, up 9% Y/Y. EBIDTA totaled USD 32 million, a 10% increase. The increase in net profit (+20% Y/Y) reflects the growth of EBIDTA, combined with a reduction in financial expenses.

In terms of year-to-date figures, revenues totaled USD 129 million (+9% Y/Y), EBIDTA USD 86 million (+7% Y/Y), and net profit USD 46 million (+18% Y/Y).

	3Q2018	3Q2017	Var YoY	sep-18	sep-17	Var YoY
<b>Passengers:</b>	<b>1,380,978</b>	<b>1,329,300</b>	<b>4%</b>	<b>3,865,631</b>	<b>3,679,141</b>	<b>5%</b>
International	659,852	641,372	3%	1,774,021	1,675,955	6%
Domestic	721,126	687,928	5%	2,091,610	2,003,186	4%
<b>Revenue: (USD millions)</b>	<b>46</b>	<b>42</b>	<b>9%</b>	<b>129</b>	<b>119</b>	<b>9%</b>
Regulated	33	30	8%	91	84	9%
Non-Regulated	11	10	11%	31	29	10%
Other Revenues	2	2	4%	7	5	2%
<b>EBIDTA (USD million)</b>	<b>32</b>	<b>29</b>	<b>10%</b>	<b>86</b>	<b>81</b>	<b>7%</b>
<b>Net profit (USD million)</b>	<b>18</b>	<b>15</b>	<b>20%</b>	<b>46</b>	<b>39</b>	<b>18%</b>

