29 July 2015

Results Report

January – June 2015

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This report includes the most significant data regarding Aena, S.A. and its subsidiary companies (hereafter “Aena” or “the Company”) and its management during the first semester of 2015, including information relating to all business areas, the main figures and the lines of action that have guided the management of the Company.

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1. KEY ASPECTS

- Strong growth in EBITDA of 11.9% compared with the first semester of 2014, amounting to €826.4 million due to:
  - Consolidation of the recovery of traffic (+5.2% vs. S1 2014) driven by both international and national traffic;
  - Steady growth in commercial income (+14.6%);
  - Cost efficiency is maintained (+1.2% excluding Luton) and
  - Consolidation of Luton (contribution of +€27.5 million in EBITDA).

Passenger traffic	• The traffic during the first semester of 2015 reached 93.0 million passengers, equal to a growth of 5.2% over the same period in 2014, driven by growth in international passengers (+5.4%) and consolidation of the recovery of national traffic (+5.3%). • Consolidation of the recovery of Adolfo Suárez Madrid-Barajas airport with a growth in traffic of +11.4%. Both international and national traffic (+13.7 and +6.0%, respectively) have grown above Aena network average levels.
Income statement	• Total income during the first six months of 2015 increased to €1,597.7 million (+12.0% over the same period in 2014), of which 25.9% pertains to commercial income both on- and off-terminal. In the first semester of 2015, Luton contributed €88.3 million. • Growth in ordinary commercial income (on- and off-terminal) of 14.6% compared with S1 2014, due to new contracts and commercial actions implemented as well as the good performance of Duty Free shops, restaurant and car parks. • EBITDA in the first semester of 2015 was €826.4 million, equal to a growth of 11.9% as a result of the favourable trend in income and maintenance of efficiency (operating expenses +1.2% excluding Luton). • Operating expenses reflect the impact of IFRIC application 21) relating to the accounting of local taxes, based on which €72.4 million was earned in S1 2015 [(1)] (with comparable reflection in the first semester of 2014). • Net Profit of €275.6 million (+ euros 79.9% in the period) affected by tax deductions applied in the calculation of income tax amounting to €36.9 million, the application of non-recurring deductions (effect of Law 27/2014) amounting to €20.6 million, the reduction of financial expenses and the consolidation of Luton).
Financial optimisation	• Reduction in net financial debt by the extraordinary cash generation • As at 30 June 2015, net financial debt [(2)] amounted to €10,087 million (including the net financial debt of Luton amounting to €377 million) compared with €10,733 million in 2014. • The obtaining of the credit rating of Investment Grade from Moody's (Baa1 stable) and Fitch (BBB+ stable). • The investment paid during the first semester of 2015 totalled €80.7 million (including €5.9 million in Luton). This investment volume has been affected by the seasonal nature of the business.

[(1)] See note 2.1.1 of Consolidated Summarised Intermediate Financial Statements as at 30 June 2015.
[(2)] Net Book Financial Debt calculated as Current Financial Debt plus Non-Current Financial Debt minus Cash and Cash Equivalents.

2. TRAFFIC DATA

2.1 Aena airport network traffic

During the first semester of 2015, a total of €93.0 million passengers were handled within the Aena airport network, an increase of 5.2% over the same period the previous year. Aena has recorded growth for twenty consecutive months, confirming a change in the trend of the evolution of passenger traffic that began in November 2013.

International traffic has maintained the positive trend recorded in both 2013 (+2.1%) and 2014 (+5.7%), having grown by +5.4% in the first semester of 2015, as a result of the incipient economic recovery in the countries of origin of tourists and the situation in some alternative tourist destinations which has steered more tourists towards Spain (according to the Institute of Tourist Studies, the first period January to June 2015 recorded 29.2 million international tourists, 4.2% more than in the same period in 2014), resulting in the increase in air traffic in the Aena network.

As for national traffic, the recovery that began in 2014 (+2%) has been confirmed, with a growth in the first six months of 2015 of +5.3% to a total of 28.6 million national passengers (compared with the drops recorded in both 2012 and in 2013), despite an economic environment that is still difficult and the competition of the high-speed railway.

The combination of both effects is reflected in a slight variation in the distribution quota between national (31%) and international (69%) traffic.

With regard to the distribution of traffic by geographical area, shares remain essentially unchanged:

- Traffic with Europe has increased by +5.1% and its quota remains stable at around 61.4% (61.5% in the first semester of 2014)
- An increase of 15.7% in the number of passengers travelling from/to the Middle East.

2.2 Details of traffic in the main airports of the network

There is a significant concentration of traffic in the main airports of the network.

Main traffic figures by airport and airport groups of the Aena network

Airports and Airport Groups	Passengers			Aircraft			Cargo		
	Millions	Variation S1 2015/ S1 2014	Share s/Total	Thousands	Variation S1 2015/ S1 2014	Share s/Total	Tonnes	Variation S1 2015/ S1 2014	Share s/Total
Adolfo Suarez Madrid-Barajas	21.7	11.4%	23.4%	177.4	6.9%	20.0%	184,422	4.7%	54.2%
Barcelona-El Prat	18.1	4.8%	19.4%	137.0	1%	15.4%	55,509	10.2%	16.3%
Palma De Mallorca	9.5	2.9%	10.3%	74.7	3.3%	8.4%	5,447	1.2%	1.6%
Total Canaries Group	17.2	1.3%	18.5%	158.4	-0.8%	17.8%	18,206	-8.8%	5.4%
Total Group I	21.4	4.8%	23.0%	197.4	3.2%	22.2 %	15,420	8.5%	4.5%
Total Group II	4.6	1.8%	5.0%	75.8	0.2%	8.5%	38,999	-3.7%	11.5%
Total Group III	0.5	3.2%	0.6%	68.3	12.8%	7.7%	22,032	-4.8%	6.5%
TOTAL	**93.0**	**5.2%**	**100%**	**889.1**	**3.3%**	**100%**	**340,034**	**3.1%**	**100%**

Adolfo Suárez Madrid-Barajas airport is the leading airport in the network by traffic of passengers, operations and cargo. Since February 2014, and after twenty-five consecutive months of year-on-year drops, its traffic data is positive once again. During the first semester of 2015, the number of passengers increased by +11.4% over the same period of the previous year (+13.7% in international traffic and +6.0% in national traffic).

As for operations, this airport recorded a total of 177,370 movements in the first semester of 2015, an increase of 6.9% over the same period of the previous year. Similarly, cargo, which accounts for more than half the total volume of the network, increased by +4.7%, reaching a total of 184,422 tonnes shipped, evidencing a recovery in both movements and cargo volume.

At Barcelona-El Prat airport, passengers have grown by +4.8% compared with the first six months of 2014 (+6.3% in international traffic and 1.2% in national traffic), to a total of 18.1 million. A total of 137,038 aircraft operations were recorded, equal to a growth of 1.4% over the first semester of 2014 and cargo continued its upward trend with an increase in cargo volume of +10.2%, to a total of 55,509 tonnes.

Palma de Mallorca airport recorded a total of 9.5 million passengers (+2.9%). International traffic essentially reached 7 million passengers (+0.8%) and national traffic reached 2.6 million (+9.2%).

As for the Canaries Group, the number of passengers handled by the airports in the Canaries amounted to 17.2 million (+1.3% compared with the semester of 2014), of which 5.5 million pertained to passengers of national flights (+4.9%) and 11.5 million to international flights (+0.1%).

The total of the 8 airports of Group I grew by +4.8% during the first semester of 2015, up to 21.4 million passengers, the most important growths being those of Seville (+11.0%), Menorca (+9.2%) and Valencia (+8.9%).

The 11 airports in Group II experienced an overall growth in passengers of +1.8% during the first semester of 2015, reaching a total of 4.6 million passengers. The fairly uneven behaviour among the various airports in this group, due to their nature, is worth mentioning.

On their part, the airports in Group III, those with lower volumes of traffic, recorded 524,590 passengers during the first semester of 2015, equal to an increase of +3.2% compared with the same period in the previous year and operations increased to over 68,000 movements (+12.8%).

At Luton airport, the total number of passengers as at June reached 5.5 million (+14.7% over the same period in 2014), with operations exceeding 54,100 (9.6% higher than that of the first semester of 2014).

3. PROFIT AND LOSS ANALYSIS

3.1 Consolidated Income statement

(Thousands of euros)	S1 2014	S1 2015	Variation	% Variation
Ordinary revenue	1,381,852	1,567,258	185,406	13.4%
Other operating income	45,293	30,463	-14,830	-32.7%
Total income	**1,427,145**	**1,597,721**	**170,576**	**12.0%**
Raw materials and consumables	-89,765	-90,126	361	0.4%
Staff costs	-170,070	-192,292	22,222	13.1%
Other operating expenses	-426,915	-487,773	60,858	14.3%
Fixed asset depreciation	-404,183	-424,845	20,662	5.1%
Impairment and profit/loss on fixed asset disposals	-3,015	-1,503	-1,512	-50.1%
Other net profit/loss	1,150	400	-750	-65.2%
Total Expenditure	**-1,092,798**	**-1,196,139**	**103,341**	**9.5%**
EBITDA	**738,530**	**826,427**	**87,897**	**11.9%**
OPERATING PROFIT/LOSS	**334,347**	**401,582**	**67,235**	**20.1%**
Financial income	688	1,717	1,029	149.6%
Financial expenditure	-128,757	-117,168	11,589	-9.0%
Other income/Net financial expenditure	-1,974	3,903	5,877	-297.7%
FINANCIAL PROFIT/LOSS	**-130,043**	**-111,548**	**-18,495**	**-14.2%**
Share in profits obtained by associates	650	5,507	4,857	747.2%
PRE-TAX PROFIT/LOSS	**204,954**	**295,541**	**90,587**	**44.2%**
Tax on profit	-51,809	-26,042	-25,767	-49.7%
NET PROFIT/LOSS FOR THE YEAR	**153,145**	**269,499**	**116,354**	**76.0%**
Profit/Loss for period attributable to minority interests	0	-6,064	-6,064	n.a.
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**153,145**	**275,563**	**122,418**	**79.9%**

Total income of Aena rose to €1,597.7 million in the first semester of 2015, up by +12.0% over the same period in 2014. Income from the commercial area (both on- and off-terminal) accounts for 25.9% of the total for the first semester of 2015, having maintained its percentage share of 25.5% in the same period in 2014. These data reflect the consolidation of Luton. Excluding the effects of Luton, total revenues would have grown by 5.8%.

Ordinary income increased to €1,567.3 million in the first six months of 2015, 13.4% over the same period in 2014. The increase of €185.4 million is mainly due to:

- The positive impact on airport income (an increase in ordinary aviation income of €43.4 million, equal to a growth of +4.2%) has been due, on the one hand, to the improvement in traffic, with growth in operations of +3.3% and in passengers of +5.2% and, on the other hand, to a lesser extent, to the price increase of 0.9% and the new meteorological charge applied since March 2014. This positive change in income has been reduced by the rate increase in subsidy per connecting passenger (increasing from 30% to 35%), amounting to -€8.5 million; the elimination of the cargo charge as of 6 July 2014 (-€4.5 million); and the conclusion of service agreements between Aena and Enaire (-€2.9 million).

- The effect on commercial income of new long-term contracts (notably the World Duty Free Group contract), the expansion and remodelling of areas intended for commercial activity and the design of a new business model for integrated car park management, have driven the growth in commercial income from services operations on- and off-terminal to €49.6 million (+13.6%).

  Most lines of business have shown a significant increase over the previous year, with the most important variations in the following lines of business:

  - Duty Free Stores (+38.8%, +€30.1 million). Improved economic terms in the new contract.

  - Food and Restaurant Services (+16.3%, +7.9 million euros). During this first semester of 2015, it is worth highlighting the restaurant and food offering of the Adolfo Suárez Madrid-Barajas Airport, with fully refurbished premises, offering an image of quality and modernity to our facilities, the consolidation of the new offering at Lanzarote airport, the full refurbishment of the restaurant services in the Tenerife-Norte airport and of various points of sale in the airports of Valencia and Fuerteventura.

  - Shops (+19.0%, +5.8 million euros). During the first semester of 2015, the Store Business Line accounted for 11.1% of the income from sales activity in the terminal, with a growth of 19.0% mainly due to the improvement in layout, the addition of new areas, the improved economic conditions of the contracts and the opening of Luxury and Accessible Luxury stores, the implementation of which was completed in 2014.

    During this first semester, it is worth mentioning the renewed commercial offering of the 17 stores in T1 of the Barcelona-El Prat Airport, with significant improvements in the financial terms of the contracts; the renovation of 6 stores in the Malaga-Costa del Sol Airport; the renovation of the commercial offering in the airport of Seville or the opening of new Gap stores in the airports of Ibiza, Tenerife Sur and Gran Canaria, a pioneering brand in Spain, via our airports.

  - Parking facilities (+7.5%, +€3.6 million). These positive results have been due, in addition to the improvement of traffic levels, to the new strategy of integral management of the car parks of the 32 airports of the Aena network, broadening the product offering and improving customer service. Actions include dynamic and proactive marketing, investing considerable effort in broadening the product portfolio, adding pricing and marketing strategies (communication and promotion), as well as implementing a booking system and reaching agreements with various channels (aggregators, travel agencies, etc.) which has contributed towards such positive results.

- <u>VIP Lounges</u> (+31.4%, +€2.7 million). This line of business has managed to maintain the positive trend of the previous year, mainly as a result of the pricing strategy applied, as well as the marketing actions that are leading to an increase in the number of users and a higher penetration rate.

  The greatest increase has been experienced at Adolfo Suárez Madrid/Barajas airport (+41.6%, +€1.5 million). Among the reasons for this increase is the change in the management model (proprietary management since September last year of some of the lounges).

- The purchase of 11% of Luton airport, resulting in an Aena holding of 51%, has led, along with other factors, to an increase in international business income of €90.3 million. Excluding Luton, the company has generated an income of over €1.9 million during the first semester of 2015.

Other operating income decreased by €14.8 million compared with the same period in 2014 (32.7%), mainly due to the allocation to P&L of the financial grants, (-€7.8 million) and excess provisions (-€7.5 million).

Operating expenses reflect an increase of 9.5% (+€103.3 million), mainly due to the consolidation of Luton airport (+€90.3 million). Operating expenses, **excluding the effect of Luton, would reflect an increase of +1.2% (€13.0 million).**

In terms of specific expenditure items, the most significant variations have been:

- <u>Raw materials and consumables</u>, the 0.4% rise in expenditure, equal to €0.4 million over the first semester of 2014, as a result of the agreement for the meteorology service since March 2014, partly offset by the improvement in the conditions of the agreement with the Ministry of Defence.

- As for <u>staff costs</u>, there has been an increase of 13.1% (+€22.2 million). This increase is mainly due to the consolidation of Luton airport and, to a lesser extent, the reclassification of personnel expenses as a result of the transfer of staff from Enaire to Aena in July 2014, previously accounted for as Other Operating Expenses as part of service agreements (reclassification by nature). Excluding the effect of Luton, the increase would be +2.6%.

- <u>Other operating expenses:</u> There has been an increase in expenses of +14.3% (+€60.9 million). If we exclude the effect of the consolidation of Luton airport, such increase would be +4.0%, (+€16.8 million). The remainder of the increase is due to the variation in client insolvency provisions (+€9.4 million) and greater costs due to the implementation of new hand luggage inspection regulations (+€7.4 million) and the increase in taxes (+7.4 million euros).

- Fixed asset amortisation rose to €424.8 million, up €20.6 million over the first semester of 2014 (+5.1%), mainly due to the consolidation of Luton airport that required the allocation of amortisation as result of the depreciation of the concession. Excluding the Luton effect, fixed asset amortisation would have amounted to €395.2 million, with a reduction of 2.2% (-€9.0 million).

EBITDA varied from €738.5 million in the first semester of 2014 to €826.4 million in the same period in 2015, equal to an increase of 11.9%. The contribution of Luton to this EBITDA is of €27.5 million.

For its part, **net financial profit/loss** rose to €111.5 million, with a reduction in expenditure of 14.2% (-€18.5 million) due to the reduction of average debt and the decrease in rates in the period, despite the addition of the financial expense of Luton. This effect is undermined by the lower endowment of default interest on expropriations due to the appeals for appraisal of the land of Adolfo Suarez Madrid Barajas airport which were accrued since September 2014.

The profit from the equity method of **investee companies** reflects a positive variation of €4.9 million, of which €4.4 million pertains to Luton. This positive contribution by Luton compared with the previous year is due to the negative result of 4.4 million euros in 2014, and the acquisition in October of 2014 of 11% of the capital of the company, increasing the participation to 51%, thus becoming a group company and subject to consolidation.

As for **Tax on profit,** this amounted to €26.0 million in the first semester of 2015, a drop of €25.8 million compared with the same period in 2014, mainly affected by the application in this period of deductions generated by the activation of investments in the Canaries and the application of non-recurring deductions (effect of Law 27/2014) amounting to €20.6 million. The **net profit/loss for the year (before minority shareholders)** reached €269.5 million (+76.0%).

The **profit/loss for the year attributable to the parent company shareholder** amounted to €275.6 million, 122.4 million (+79.9%) over that reached in the first half of 2014.

3.2 Net financial debt evolution

The decrease in net debt during the first semester of 2015 is linked to the extraordinary generation of cash, with a six-monthly amortisation of debt amounting to €434.6 million.

As at 30 June 2015, net financial Debt [1] amounted to €10,087 million (including the consolidation of the net financial debt of Luton amounting to €377 million) compared with €10,733 million in 2014.

Investment paid during the first semester of 2015 amounted to €80.7 million (including €5.9 million in Luton). This low volume of investment is affected by the seasonal nature of the business.

The financing costs of Aena remained lower than comparable figures. The average interest rate for the period is 1.80%. In the first quarter of 2015, €457.1 million in loans were converted from variable to fixed interest at an average interest rate of 1.01% and an average maturity of 16 years. In the second quarter, the interest rate has been hedged until 15/12/2026 on underlying loans amounting to €4,195 million, at a cost (ex-spread) of 0.94% (All In 1.978%) in order to achieve a debt profile of fixed/variable rates of 80% of total portfolio.

Net financial debt, according to financing contracts, does not include debt without recourse and, therefore, does not include the net financial debt of Luton (€377 million).

(1) Net Book Financial debt calculated as Current Financial Debt plus Non-Current Financial Debt minus Cash and Cash Equivalents.

Net financial debt according to covenants [1]

Millions of euros	**2014**	**S1 2015**
Gross Financial Debt covenants	(10,631)	(10,229)
Cash, cash equivalents and cash pooling	249	483
Net Financial Debt covenants	**(10,381)**	**(9,746)**
Net Financial Debt covenants/EBITDA	**5.6x**	**5.1x**

[1] Net financial debt according to the criteria defined in the debt novation agreements entered into with banks on 29 July 2014.