

Results Report

January-September 2015

Disclaimer clause

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1. KEY HIGHLIGHTS

Passenger traffic

- ▶ Traffic in the first nine months of 2015 reached 161.2 million passengers, an increase of +5.2% compared with the same period in 2014, boosted by growth in international passengers (+5.0%) and the consolidation in the recovery of domestic traffic (+5.8%).
- ▶ Strong recovery of traffic at Adolfo Suárez Madrid-Barajas airport, with traffic up by +12.0%. Domestic and international traffic (+14.3% and +6.4%, respectively) increased above the average growth rate of the Aena network.
- ▶ In October continues the trend with a cumulative growth of 5.4% in passengers for the Spanish network (+ 12.1% at Adolfo Suarez Madrid-Barajas and + 5.0% at Barcelona - El Prat)

Income statement

- ▶ Total income increased to €2,689.7 million (+12.3% compared with the same period in 2014). Luton contributed €147.7 million. Excluding the impact of Luton, total revenue would have increased by +6.2%.
- ▶ Significant growth in ordinary commercial income (on- and off-terminal) of 15.0% over the period.
- ▶ In OPEX⁽¹⁾, the increase stood at +3.5% over the period (excluding Luton). In accordance with IFRIC 21 concerning the recognition of local taxes, €36.4 million in additional expenses accrued in 9M 2015 (adjusted to €33.4 million over the same period of the previous year).
- ▶ EBITDA⁽²⁾ stood at €1,592.4 million, an 11.6% rise reflecting an increase in revenue, cost control (operating expenses +0.9% excluding Luton) and the consolidation of Luton (contributing €50.6 million). Excluding Luton, EBITDA grew +8,1%.
- ▶ Net profit reached €639.2 million (+83.8% over the period) due mainly to business performance and the reduction of financial expenses. Corporate income tax increased by 21.4% as a result of the improvement of operating income, despite some positive effects.

Debt and cash flow

- ▶ Reduction in net financial debt linked to a strong cash generation capacity, with operating cash flow reaching €1,388 million.
- ▶ As at 30 September 2015, net financial debt⁽³⁾ amounted to €9,523.0 million (including the net financial debt of Luton of €344.7 million) compared with €10,733 million in 2014. The impact of this reduction is reflected in lower financial expenses.
- ▶ The investment paid during the first nine months of 2015 totalled €148.8 million (including €10.3 million in Luton)

Regulatory framework

- ▶ 1.9% decrease in tariffs for 2016, in force from March 1, 2016. Incentives for new routes and passengers growth are maintained. Rebate for connecting passengers of 40%.
- ▶ AENA has appealed both the resolution of 23 April and July 23 issued by the CNMC before the National Audience. In addition, Aena has requested an injunction against both resolutions.
- ▶ Submission of DORA (2017-2021) proposal in January 2016. Final approval in September 2016.

Note: Unaudited financial information.

(1) OPEX includes: Supplies, Staff costs and Other operating expenses.

(2) EBITDA calculated as: Total income less Total expenditure plus Fixed asset depreciation& amortization.

(3) Accounting net debt calculated as: Financial debt (current and non-current) less Cash and cash equivalents.

2. TRAFFIC DATA

2.1 Aena airport network traffic

During the first nine months of 2015, a total of 161.2 million passengers were handled by the Aena airport network, a 5.2% increase compared with the same period the previous year, close to the 162.4 million passengers recorded over the same period in 2007 (a record high in the traffic history of Aena).

International traffic maintained the positive trend recorded in 2013 (+2.1%) and 2014 (+5.7%), representing a +5.0% increase over the first nine months of 2015 due to the fledging economic recovery observed in tourist-generating countries and the situation in some alternative tourist destinations which have attracted more tourists to Spain. According to Spain's Institute of Tourism Studies (*Instituto de Estudios Turísticos*), the period from January to September 2015 saw 54.4 million international tourists, 3.8% more than the same period in 2014, resulting in an increase in air traffic across the Aena network.

In terms of domestic traffic, the recovery that started in 2014 (+2%) was confirmed, with a +5.8% increase over the first nine months of 2015 to reach 47.5 million domestic passengers (compared with the drops recorded in 2012 and 2013), despite an economic environment that remains difficult and competition from high-speed trains.

With regard to the breakdown of traffic by geographical area, the distribution ratios were virtually unchanged:

- traffic with Europe was up +4.4%, and its share remained stable at around 62.9% (63.4% over the first nine months of 2014)
- the 22.6% increase in passengers travelling from/to the Middle East is worth highlighting.

2.2 Details of traffic in the network's main airports

Traffic is highly concentrated in the network's main airports.

Main traffic figures by airports and Airport Groups of the Aena network

Airports and Airport Groups	Passengers			Operations			Cargo		
	Millions	Variation 9M 2015/ 9M 2014/	Share	Thousands	Variation 9M 2015/ 9M 2014/	Share	Tonnes	Variation 9M 2015/ 9M 2014/	Share
Adolfo Suárez Madrid-Barajas	35.2	12.0%	21.9%	275.7	7.4%	18.8%	276,936	4.4%	53.3%
Barcelona-El Prat	30.7	4.7%	19.0%	223.0	1.2%	15.2%	84,902	13.2%	16.3%
Palma de Mallorca	19.9	2.1%	12.4%	146.2	2.0%	10.0%	8,725	-0.5%	1.7%
Canary Islands Group	26.3	1.9%	16.3%	238.0	-1.4%	16.2%	27,972	-7.6%	5.4%
Group I	40.0	4.4%	24.8%	352.3	3.4%	24.0%	23,746	9.5%	4.6%
Group II	8.3	2.1%	5.1%	124.8	0.6%	8.5%	64,185	-2.7%	12.3%
Group III	0.8	2.6%	0.5%	108.2	13.3%	7.4%	33,412	9.3%	6.4%
TOTAL	161.2	5.2%	100%	1,468.2	3.2%	100%	519,878	4.5%	100%

The Adolfo Suárez Madrid-Barajas airport is the network's top airport by passenger traffic, operations and cargo. Since February 2014 and after 25 months of consecutive year-on-year drops, traffic data once again turned positive. During the first nine months of 2015, passengers increased by +12.0% compared with the same period of the previous year (+14.3% for international traffic and +6.4% for domestic traffic).

In terms of operations, the airport recorded a total of 275,684 movements over the aforementioned period in 2015, up 7.4% over the same period of the previous year. Cargo, which accounts for more than half of the total volume of the network, registered an increase of +4.4%, representing 276,936 tonnes transported and reflecting a recovery both in movements and volume of goods.

At Barcelona-El Prat airport, passengers increased by +4.7% compared with the first nine months of 2014 (+5.6% for international traffic and +2.4% for domestic traffic), to stand at 30.7 million. A total of 223,009 aircraft operations were registered, equating to a +1.2% increase compared with the same period in 2014, and cargo continued its upward trend with a +13.2% increase in the volume of goods to stand at 84,902 tonnes.

Passenger traffic at Palma de Mallorca airport stood at 19.9 million (+2.1%). International traffic exceeded 15.6 million passengers (+0.1%) and domestic traffic 4.3 million (+10.1%).

With regard to the Canary Islands Group, the number of passengers that passed through the airports rose to 26.3 million (+1.9% compared with the first nine months of 2014), of which 9.0 million corresponded to domestic flight passengers (+4.9%) and 17.0 million to international flight passengers (+0.6%).

All of the eight airports of Group I grew by +4.4% during the first nine months of 2015, reaching 40.0 million passengers; of particular note were the increases recorded in Seville (+10.3%), Valencia (+9.7%) and Menorca (+8.6%).

All of the 11 Group II airports registered an overall increase in passenger traffic of +2.1% during the first nine months of 2015, totalling 8.3 million passengers. In this group, traffic grew at all airports with the exception of Reus, Almería and Murcia-San Javier.

In turn, airports in Group III, those with lower traffic volumes, recorded 835,651 passengers during the first nine months of 2015, reflecting a +2.6% increase compared with the same period of the previous year, and operations increased to over 108,000 movements (+13.3%).

At Luton airport, total passenger traffic as at September reached 9.4 million (+15.7% compared with the same period in 2014).

3. ANALYSIS OF RESULTS

3.1 Consolidated income statement

<i>(Thousand euros)</i>	9M 2015	9M 2014	Change	% change
Ordinary revenue	2,638,604	2,328,522	310,082	13.3%
Other operating income	51,064	65,630	-14,566	-22.2%
Total income	2,689,668	2,394,152	295,516	12.3%
Supplies	-135,275	-135,624	-349	-0.3%
Staff costs	-279,784	-247,733	32,051	12.9%
Other operating expenses	-681,708	-581,608	100,100	17.2%
Fixed asset depreciation & amortization	-632,465	-607,555	24,910	4.1%
Impairment and profit/loss on fixed asset disposals	-2,603	-4,189	-1,586	-37.9%
Other net profit/loss	2,092	1,888	204	10.8%
Total expenses	-1,729,743	-1,574,821	154,922	9.8%
EBITDA	1,592,390	1,426,886	165,504	11.6%
OPERATING PROFIT/LOSS	959,925	819,331	140,594	17.2%
Financial income	2,977	3,279	-302	-9.2%
Financial expenses	-168,956	-342,181	-173,225	-50.6%
Other income/Net financial expenses	-8,584	-2,900	5,684	196.0%
FINANCIAL PROFIT/LOSS	-174,563	-341,802	-167,239	-48.9%
Share in profits from associates	10,298	2,874	7,424	258.3%
PRE-TAX PROFIT	795,660	480,403	315,257	65.6%
Corporate income tax	-161,105	-132,699	28,406	21.4%
NET PROFIT/LOSS FOR THE YEAR	634,555	347,704	286,851	82.5%
Profit/loss for the year attributable to minority interests	-4,619	0	4,619	N/A
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	639,174	347,704	291,470	83.8%

Total income of Aena rose to €2,689.7 million during the first nine months of 2015, +12.3% compared with the same period in 2014. Income from the commercial area (on- and off-terminal) accounted for 25.9% of the total for the period in 2015, having maintained its same percentage share (25.7%) as during the same period in 2014, despite the Luton consolidation. The data reflects the consolidation of Luton. Excluding the effect of Luton, total income would have risen by 6.2%.

Ordinary income increased to €2,638.6 million in the first nine months of 2015, up 13.3% compared with the same period of 2014. This €310.1 million increase was mainly due to:

- The positive impact on airport income (an increase in ordinary aviation income of €71.4 million, representing growth of +4.1%), as a result of the improvement in traffic, with a +3.2% growth in operations and +5.2% increase in passengers. The positive impact on traffic was affected by the increase in the rebates granted for

connecting passengers (€44.1 million accumulated in the third quarter of 2015), and by incentives for increased passengers and new routes (€38 million during the aforementioned period).

- The effect on commercial revenue of the 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 revenue from the exploitation of services both on-and off-terminals to €89.8 million (+15.0%).

Most commercial business lines grew significantly compared with the previous year, with the most important changes observed in the following business lines:

- Duty Free Shops (+34.7%; +€49.7 million). Improved economic conditions in the new contract.
- Food and Restaurant Services (+14.6%; +€12.7 million). This business line has seen steady growth, particularly at the Madrid-Barajas and Barcelona airports. Sales were also up sharply at Málaga and variable income improved at Palma de Mallorca, which contributed to the increased income in this line.
- Shops (+19.7%; +€10.1 million). In 2014, the opening of new points of sale at several of the network airports enhanced the commercial offer, including in the luxury segment. The breakdown of this increase by airport was as follows: Madrid Barajas (€6.7 million), Barcelona (€4.4 million) and Málaga (€1.7 million), mainly due to the effect of the luxury segment, although for Málaga it is also worth noting the significant increase in sales due to an expansion of its commercial offering.
- Car parks (+8.0%; +€6.2 million). The strong growth rate continued in this business line, taking into account its share of the total commercial income (12.1%).
Actions started in previous years (broadening the portfolio of products, pricing and marketing strategies, roll-out of a reservation management system and reaching agreements with various channels) have continued to contribute towards achieving very positive results
By airport, it is worth noting the increased income at Madrid Barajas (10.5%; €2.2 million) and Barcelona (8.7%; €2.0 million), as a result of all of the aforementioned strategies.
- VIP Lounges (+33.8%; +€4.5 million). This business line has continued to follow the positive trend from the previous year, primarily due to the pricing strategy applied, together with marketing actions that are increasing the number of users and resulting in a higher rate of penetration.
Adolfo Suárez Madrid/Barajas airport witnessed the greatest increase (+43.8%; +€2.3 million). The reasons for the increase included changes to the management model (proprietary management since September last year at certain VIP Lounges).
- Other commercial holdings (+14.2%; +€3.6 million). The greatest increase was observed at Barcelona (+€1.7 million), Madrid-Barajas (+€1.0 million) and Palma de Mallorca (+€0.4 million) airports.
- Car rental (+3.6%; +€2.8 million) The increase was spread across various network airports, with the tourist airports of Palma de Mallorca (+€0.4 million) and Seville (+€0.3 million) reporting the largest increases; in Seville, the increased figure was due to the arrival of a new tenant in July.
- On a negative note, it is worth highlighting the Real Estate business line (-2.1%; -€1.3 million) mainly at the Madrid-Barajas (-6.4%; -€1.5 million) and Tenerife-Sur (-13.0%; -€0.26 million) airports, due to the impact of the drop in storage and hangar contracts.

- In terms of international activities, the purchase of 11% of Luton Airport, increasing Aena's holding to 51%, has led to an increase in international business income of €149.1 million. Excluding Luton, International income in excess of €1.2 million has been generated, compared with the first nine months of 2014.

Other operating income was down €14.6 million compared with the same period in 2014 (-22.2%), mainly due to the release of excess provisions in 2014 (-€13.3 million) and the lower allocation of grants to P&L (-€2.8 million)

Operating expenses reflected a 9.8% (+€154.9 million) increase, mainly due to the consolidation of Luton airport (+€140.2 million). Operating expenses, **excluding the Luton effect, would show an increase of +0.9%** (€14.7 million).

In terms of expenses, the most important changes have been:

- Supplies, which remained practically stable, with a 0.3% reduction in expenses, representing €0.3 million compared with the same period in 2014.
- In terms of staff costs, these rose by 12.9% (+€32.0 million). The increase was mainly due to the consolidation of Luton airport and, to a lesser extent, to the reclassification of staff costs as a result of the transfer of personnel from Enaire to Aena in July 2014, as these were previously booked under Other operating expenses as part of service agreements (reclassification by nature). Excluding the Luton effect, the increase would have been +2.2%.
- Other operating expenses: this item accounted for a +17.2% increase in expenses (+€100.0 million). When excluding the effect of the consolidation of Luton airport, the increase would stand at +5.0% (+€28.9 million). The remainder of the increase was due to the additional costs stemming from the implementation of new hand luggage inspection regulations (+€13.8 million), insolvency provisions released in 2014 (+€10.1 million) and to increased local taxes (+€4.6 million).
- Fixed asset depreciation & amortisation rose to €632.5 million and was up €24.9 million (+4.1%) compared with the same period in 2014, mainly due to the consolidation of Luton airport which required the allocation of amortisation as a result of the depreciation of the concession. Excluding the Luton effect, the amortisation would have amounted to €589.0 million, a 3.0% drop (-€18.1 million).

EBITDA went from €1,426.9 million over the first nine months of 2014 to €1,592.4 million over the same period of 2015, or an 11.6% increase. The contribution of Luton to EBITDA was €50.6 million.

In turn, **Net Financial expenses** amounted to €174.6 million, a reduction of 48.9% (€167.2 million), of which €182.7 million was due to an endowment in September to the Madrid-Barajas airport, as a result of the appeals for reappraisal lodged by owners of expropriated property in connection to the extension of the Madrid-Barajas airport, as well as the decrease in debt-related expenses totalling €27.3 million due to the reduction in the average debt and the decrease in rates over the period, despite the incorporation of the financial expense of Luton. Expenses totalling €11.5 million are associated to interest rate hedges.

The profit from the equity method of **investee companies** reflected the positive change of €7.4 million, of which €5.3 million related to the fact that Luton is now consolidated. The positive contribution of Luton compared with the previous year was due to the negative P&L of €5.3 million in the accumulated results of 2014, and the acquisition in October 2014 of 11% of the company's capital. This increased its holding to 51% and converted it into a group company, meaning it was subject to consolidation.

As for the **Corporate income tax**, this amounted to €161.1 million over the first nine months of 2015, an increase of €28.4 million compared with the previous period, as a result of the improvement of operating income, despite the reduction of the headline tax rate in Spain, the tax credits associated with investments in the Canary Islands and the accrual of tax credits related to prior years depreciation.

The **net profit for the year (before minority shareholders)** was €634.6 million (+82.5%).

The **profit for the year attributable to the parent company shareholder** was €639.2 million, up by €291.4 million (+83.8%) compared with the figure for the first nine months of 2014.

3.2 Net financial debt evolution

The drop in net debt during the first nine months of 2015 was linked to solid cash-generating capacity, with the amortisation of debt amounting to €610 million.

As at 30 September 2015, net financial debt⁽¹⁾ amounted to €9,523.0 million (including the consolidation of net financial debt of Luton amounting to €344.7 million) compared with €10,733 million in 2014.

Investment paid during the first nine months of 2015 totalled €148.8 million (including €10.3 million in Luton).

Average maturity of 12 years. The average interest rate over the period was 1.85%. As at 30 September 2015, loans were converted from variable to a fixed rate for a total amount of €565.4 million, with an average interest rate of 1.01% and 1.04%. In the second quarter, interest rates were hedged until 15/12/2026 on underlying loans for €4,195 million, at an average cost all-in of 1.978% in order to achieve a debt profile with fixed/adjustable rates of 80% of the total portfolio.

Net financial debt, subject to covenants as per the financing contracts, does not include non-recourse debt, and therefore does not include the net financial debt of Luton (€344.7 million).

Net financial debt according to covenants⁽²⁾

Million euros	2014	9M 2015
Gross financial debt	(10,632)	(10,091)
Cash, cash equivalents and cash pooling	249	867
Net financial debt	(10,382)	(9,225)

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

(2) Net financial debt calculated according to the criteria defined in the debt novation agreements signed with banks on 29 July 2014.