

## **ASUR Conference Call Transcript**

### **ASR – Q1 2011 Grupo Aeroportuario del Sureste Earnings Conference Call**

**Event Date/Time: April 27, 2011 / 10:00 AM ET**

#### **Corporate Participant**

**Adolfo Castro**

*Grupo Aeroportuario del Sureste (ASUR) - CFO*

---

#### **Operator**

Good day, ladies and gentlemen, and welcome to the ASUR First Quarter 2011 Results Conference Call. My name is Veronica, and I'll be your operator for today. At this time, all participants are in listen-only mode. We will conduct a question and answer session towards the end of this conference.

(Operator Instructions)

For opening remarks and introductions, I would like to turn the call over to Mr. Adolfo Castro, Chief Financial Officer. Please proceed, sir.

---

#### **Adolfo Castro - Grupo Aeroportuario del Sureste (ASUR) - CFO**

Thank you, Veronica, and good morning, everybody. Thank you for joining us today for the conference call for our first quarter 2011 results.

Allow me to remind you that certain statements made during the course of our discussion today may constitute forward-looking statements, which are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially, including risks that may be beyond our company's control. For an explanation of these risks, please refer to ASUR's filings with the Securities and Exchange Commission and the Mexican Stock Exchange.

Today I will provide an update on Tulum Airport, and afterwards I will discuss passenger traffic performance and the results of the quarter.

Moving on to Tulum, this past Monday two groups, Grupo Aeroportuario del Pacifico, jointly with Grupo Mexico, and Tradeco together with Corporacion America presented their bid proposals for the construction, management, operation and exploitation of a public airport to be built in the town of Tulum in the state of Quintana Roo. At ASUR, we are still awaiting the opinion of COFECO on whether we will be allowed to participate in this bidding process.

As we have mentioned before, on January COFECO, the antitrust agency in Mexico, released its decision not allowing ASUR to bid in this bidding process. We disagreed with this decision and the views expressed by the commission, as they are eliminating participants in the competition to offer the lowest rate at the airport. Remember that the criteria established in the bidding process was the bid winner will be the one who offers the lowest rate.

Because of this, we have initiated legal proceedings in accordance with the Mexican legislation to defend ASUR's rights. However, we cannot provide any assurance that any legal proceedings to challenge the COFECO decision would be successful or that COFECO will permit ASUR to participate in the bidding process as a result of such proceedings. We cannot either assure that the SCT will allow ASUR to participate in this process.

At the same time, if the airport were to be granted, the granting authority has agreed to adjust Cancun's MDP and maximum rate as a result of the negative effect that this airport may have in Cancun's passenger traffic. The agreement is to make the adjustments within 90 days after the concession is granted.

Moving to the results, as expected, passenger traffic during the first quarter declined by 1.3% year-over-year, principally driven by the weaker domestic traffic reflecting capacity constraints following the suspension of operations of Mexicana. Traffic was flat in January, and fell 1.5% in February and 2.3% in March. Remember that during 2010, Monday and Wednesday of Holy Week fell in March, while in 2011 they fell in April.

As a result of this, international passenger traffic continued to increase its share of total traffic, up to 67.4% from the 66.7% a year ago. Passenger traffic between Mexico, Canada and the United States represented 90.3% of the total traffic compared with the 91.6% posted in the first quarter of 2010.

Looking ahead, Aviacsa is expected to resume flights at Cancun, Villahermosa, Oaxaca and Tapachula airports next week. However, even if Mexicana and Aviacsa reinstate operations this year, we continue to see capacity constraints on domestic markets and expect this situation to be normalized by the end of the year 2012.

Consolidated revenues declined 0.2% this quarter, as lower improvements in our concession assets resulted in a 34% decline in construction revenues. Excluding construction revenues, total revenue would have increased 3.1%, reflecting higher tariffs and commercial revenues that more than offset the 1.32% decline in the total passenger traffic.

Commercial revenues per passenger remained strong, up 8% year-on-year to MXN66, and above the record high of MXN61.33 achieved in the fourth quarter 2009. The increase in commercial revenues per passenger also reflects the direct operation of 24 stores in the first quarter 2011 compared with the 13 stores directly operated a year ago. During the quarter we opened 3 additional stores of the 14 we took over last year from a concessionaire that was in Chapter 11.

Operating costs and expenses fell 1.7% year-on-year, mainly as a result of the fewer improvements to concession assets. Excluding construction services cost, total operating cost would have increased 6.1%, reflecting the higher cost of services as a result of the addition of the direct cost of the new stores we are operating directly, and higher depreciation and amortization resulting mainly from the investments made since the first quarter 2010 and expenses related to the Riviera Maya airport. As a result of all of this, EBITDA rose 1.9% this quarter, with EBITDA margin up to 63.7% from the 62.6% in the first quarter 2010.

During the quarter we made capital investments of MXN51 million, as we contribute with the terminal expansions in Veracruz, Villahermosa, and Oaxaca airports begun in the first quarter 2010 and passenger flow operations at Cancun Airport.

In terms of our balance sheet, cash and cash equivalents at the end of the quarter increased 62% to MXN1.85 billion. Bank debt at quarter's end totaled MXN860 million.

Now let me open the floor to questions. Please, Veronica, go ahead.

## QUESTION AND ANSWER

---

### Operator

(Operator Instructions). Your first question comes from the line of Vanessa Quiroga from Credit Suisse. Please proceed.

---

### Vanessa Quiroga - Credit Suisse - Analyst

Thank you, Operator. Hi, Adolfo. Thank you for the call. My question is regarding the technical assistance fee. I was wondering if you could clarify if Copenhagen continues receiving part of the technical assistance fee that ASUR is actually paying to ITA. And if so, what is the rule -- what is the portion of the technical assistance fee that Copenhagen is receiving?

---

### Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO

Vanessa, good morning. Technical assistance fee agreement is between ITA and ASUR. So I don't know if ITA is giving something to Copenhagen or not. The only thing that I know is that ITA, they started to sign an agreement with them in order to receive technical assistance from Copenhagen Airport. But keep in mind that we are not ITA. We are just ASUR and we cannot say anything about what is happening in ITA. So the only thing that I know is that we have a contract that has been signed with them and that we are honoring.

---

### Vanessa Quiroga - Credit Suisse - Analyst

Okay. That's clear, Adolfo. And my second question is regarding the Mayan Riviera Airport bidding process. If you -- if the antitrust authorities have provided you with any timing of when they could give a resolution to the appeal that ASUR has presented.

---

### Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO

Well, the only thing that I can say to you is that the competition law provides a 60-day period for any appeals. And basically that's what we are doing. We presented our appeal and we are expecting from them or the answer from the COFECO. And basically we have given this information to the authorities, to the SCT and in the case the COFECO gives an answer may participate in the process.

---

### Vanessa Quiroga - Credit Suisse - Analyst

Okay. Thanks, Adolfo.

---

### Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO

You're welcome.

---

### Operator

Your next question comes from the line of Angela Lieh from Citigroup.

---

---

**Angela Lieh - Citigroup - Analyst**

Hi. Good morning. This is actually - I'm speaking on behalf of Steve Trent. My first question is do you believe that the tender could still proceed with just two bidding parties for the Riviera Maya tender?

And my second question would be considering the apparent disincentive for a commercial airline to even service Riviera Maya, why would ASUR even bother to try bidding for this? Thanks.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Well, first, thank you for your questions. First is to say that even with one participant, they can still continue the process.

In terms of the airport sales, we have said many times that from an airport perspective, we do not need an airport there. There's no need. The actual airport at Cancun has enough capacity to serve the region and we believe the airport -- the airport project will present some kind of difficulties in terms of financial conditions.

Nevertheless, as the other two airport groups we have prepared a proposal and we are ready to submit the proposal in the case that the antitrust commission is up to that.

---

**Angela Lieh - Citigroup - Analyst**

Okay. Thank you.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

You're welcome.

---

**Operator**

Your next question comes from the line of Mauricio Santos from GBM. Please proceed.

---

**Mauricio Santos - GBM - Analyst**

Good morning, Adolfo. Thank you for the call. My question is regarding the CapEx for this year. In my figures I have you should be investing roughly MXN770 million. Do you -- are you reaching this amount? Thank you.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Mauricio, good morning. The number that you have probably is the number that we have committed with the authorities. Remember that the last year we had made some savings. The savings that we have made it's (inaudible) so we will have to spend no money. So in the case in those savings we have complied with the project that we have committed with less amounts.

So that we have notified the authorities that we have complied with the committed project and have some money saved so they have to tell us where to apply this money. So in my personal opinion you should add another MXN250 million more or less to the number that you are saying.

---

**Mauricio Santos - GBM - Analyst**

MXN350 million you said, Adolfo?

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

MXN250 million.

---

**Mauricio Santos - GBM - Analyst**

MXN250 million is the total CapEx for this year?

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

No. MXN250 million plus the number that you have mentioned.

---

**Mauricio Santos - GBM - Analyst**

Okay. Perfect. Thank you.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

You're welcome.

---

**Operator**

Your next question comes from the line of Augusto Ensiki from Morgan Stanley. Please proceed.

---

**Augusto Ensiki - Morgan Stanley - Analyst**

Hi, Adolfo. Good morning. A question again about the concession fee. I think I probably asked this before. But as a percentage of your operating revenue, it continues to decrease. Is that just a function of increased revenue from the stores that you operate directly?

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

I'm not getting your question.

---

**Augusto Ensiki - Morgan Stanley - Analyst**

So the difference between the concession fees I thought would be 5% of your operating revenue. But that percentage is coming down -- or continues to come down. I think it's somewhere around 4.6% or so right now. Is that just an increase of the -- an increase of revenue that is outside of the regulated revenue?

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Okay. Well, that is (inaudible) the construction revenue. That in my opinion is very clear.

---

**Augusto Ensiki - Morgan Stanley - Analyst**

Yes.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Second is that not all the sales that we make in the airports are coming from concessioned assets. The 5% (inaudible) says that everything that is coming from sales -- every sale that is coming from concessioned assets should pay the 5% and probably that's why it is not exactly at 5%. But I do not expect a second (inaudible).

---

**Augusto Ensiki - Morgan Stanley - Analyst**

Is there a way to break out this -- the portion of revenue that is not coming from concession assets?

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

I don't think it's significant.

---

**Augusto Ensiki - Morgan Stanley - Analyst**

It's not significant, okay. And then one second question regarding the construction revenue. How come your -- how come the construction revenue exceeds the CapEx that is executed during the quarter? I thought those were correlated.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

The construction cost is basically the CapEx that we make and that is in accordance with the MDP that we have committed with the government and that we have agreed on March 31st, 2009. I was explaining Mauricio Santos that if we go back to the press release of the 2nd of April, 2009 you will find the numbers.

Then on those numbers, the adjustment that we have made -- that we have to make is the following. In the year 2010 we have made some payments on some projects. So we see the number that the 2010 is lower in comparison with the committed investments. As I was explaining, it's not that the saving is forever so that we have to apply these numbers later. And that we will apply a portion of this money each year plus the CapEx that we have committed for each specific year.

The number that I have on the top of my head, and please don't use this as an accurate number, not entirely, is MXN1,052 million for this year.

---

**Augusto Ensiki - Morgan Stanley - Analyst**

MXN1,052 million, or around there. Okay, thank you very much, Adolfo.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

You're welcome.

---

**Operator**

Your next question comes from the line of Neal Dihora from Morningstar. Please proceed.

---

**Neal Dihora - Morningstar - Analyst**

Hey, thanks for taking the question. I wonder if you could help us out in the CPI adjustment for your tariffs this year.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

I couldn't hear you.

---

**Neal Dihora - Morningstar - Analyst**

I guess the question's on CTI or inflation adjustment tariffs for this year, I guess. I think if I calculate an average rate by taking your aero services, it seems a little bit higher than what I would have thought from the MDP. So I think the difference is the inflation adjustment that you guys get every year, the PTI.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Okay. The adjustment (inaudible) again, if you come back to the press release we published the 2nd of April 2009, you will find out that the maximum rate that applies for each one of the airports. Then what we have to do every year is to use that amount with 0.70%, plus the inflation. The inflation index that we use is PPI excluding petroleum.

---

**Neal Dihora - Morningstar - Analyst**

Okay.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

So if you send me an email I will send you this index if it's useful.

---

**Neal Dihora - Morningstar - Analyst**

Okay, thanks. That'd be helpful.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Thank you.

---

**Operator**

Your next question comes from the line of Claudia Medina from Itau Asset Management. Please proceed.

---

**Claudia Medina - Itau Asset Management - Analyst**

Adolfo, good morning. I've got two questions. One is just a clarification regarding CapEx. Just to make sure that I know what to put in my model. I've got the press release in front of me, the one from 2009, and so, yes, the committed investment for 2011 are something at MXN1 billion. Subtracting what according to this press release had already been invested, which were about MXN200 million, we get something around MXN760 million or MXN800 million, right?

I was under the impression that for 2011 then ASUR would have to spend these MXN750 million or MXN800 million, plus the MXN650 million that were saved last year, which would give a total of about MXN1.4 billion. But now, if I understand it correctly, the figure you mentioned is more around, like, MXN900 million total. So it's an important saving. That's great. I just wanted to make sure that I got it right.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Okay. Claudia, good morning. You were almost right up to the end. You said around -- the number is MXN750 million or MXN780 million, plus the savings of last year. In terms of the savings, remember again that last year we had two adjustments, not just savings. We have one related to the Veracruz and Villahermosa airports, which we adjusted the MDP of these airports. So some of those CapEx -- some of those amounts moved or have been delayed for the future, not for the year 2011.

What I would say is that the savings is a different concept than the first one. So the savings -- the savings that we will apply this year resulted from the year 2010 are around MXN250 million. So that's why my total number expected for the CapEx of this year in terms of cash flow is around MXN1,052 million.

---

**Claudia Medina - Itau Asset Management - Analyst**

Okay. Yes, I got it perfectly. Okay. Now adding those numbers I get to it. Excellent. Thank you.

And the other question is regarding uses of cash. What's your view regarding the Brazilian potential opening of the airport sector, the privatization of specific airports? Where do you think we stand in that process? Will it happen at all? If so, would ASUR be interested? And if not, could we hope for maybe an extraordinary dividend?

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Claudia, it's hard to say what the Brazilian might. They have been talking about this for many, many months. Of course, every day we see positive news. You can see some of those yesterday. (inaudible). We saw some potential partners. We're interested in what Brazil is going to do with their airports in

the case if they privatize the airports. Of course, we're interested at this stage of the process. That means we will have to see what will be the final outcome of the process. Or in other words, how are they going to try to privatize their airport system.

Let me give you an example. You have the other one that is coming or could come in this year could be Spain. In the case of Spain, what I have heard is that they want to create a company and then to privatize it through the market. So they will be selling shares to the market.

I don't think ASUR will be participating in that way because what we want is to operate the airports and to take advantage of the experience that we have got all of this time in Mexico. So, yes, for the moment we are in, but we will have to wait and see what will be the final outcome of this.

In terms of the use of the cash flow, we are waiting for this kind of opportunity to bid in the larger -- the leverage could be in the case of a specific project. So I don't think that we will pay an extra dividend to shareholders to date, so we have made our proposal and we are waiting for the approval.

---

**Claudia Medina - Itau Asset Management - Analyst**

Okay. Excellent. Thank you, Adolfo.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Thank you, Claudia.

---

**Operator**

And at this time there are no questions on the line. Mr. Castro, I will hand the call over to you for closing remarks.

---

**Adolfo Castro - Grupo Aeroportuario del Sureste SA B de CV - CFO**

Thank you, Veronica. And thanks for everybody for joining us today in our conference call. As you may know, we're holding our annual general shareholder meeting today and we will publish the resolutions of this meeting this afternoon.

As always, so not hesitate to contact me if you have any further questions. Thank you for being here and have a good day. Thank you. Goodbye.