

# Commercial Activities Update

**Carlos Criado**

Commercial Director

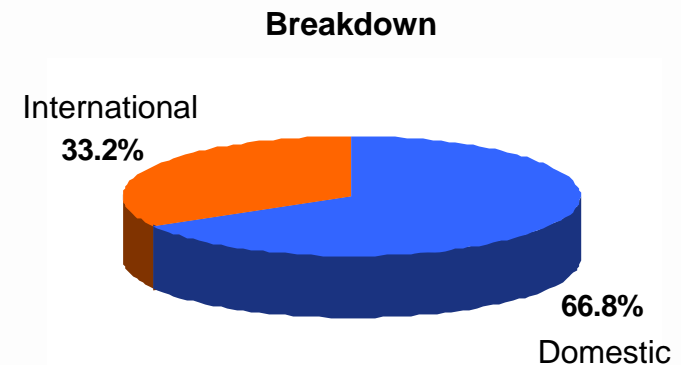
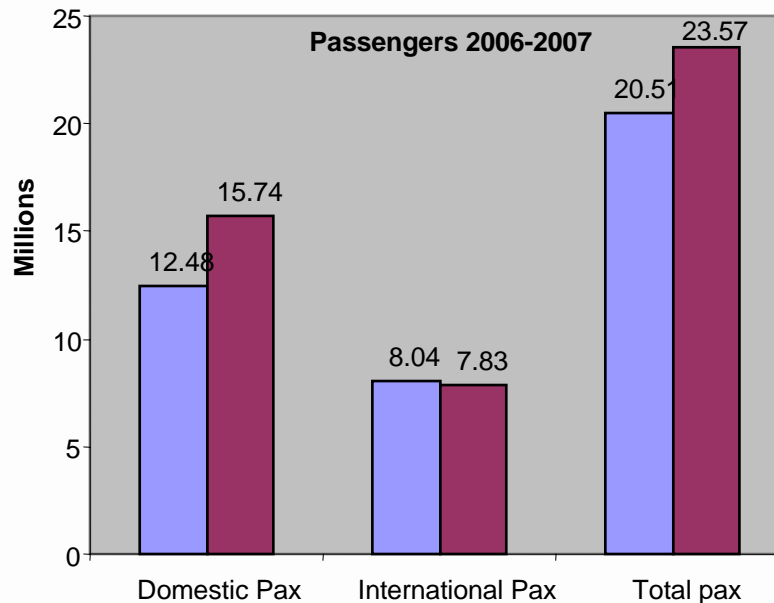
## Preliminary Note

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- Currently, 4Q07 and full year 2007 results have been made public and have been discussed in this session by the CEO, CFO and IRO.
- This presentation is not intended to show results. It is intended to comment on certain qualitative issues and present an analysis related to our strategy.
- Financial figures are presented in nominal pesos.

## Passenger Results of 2007

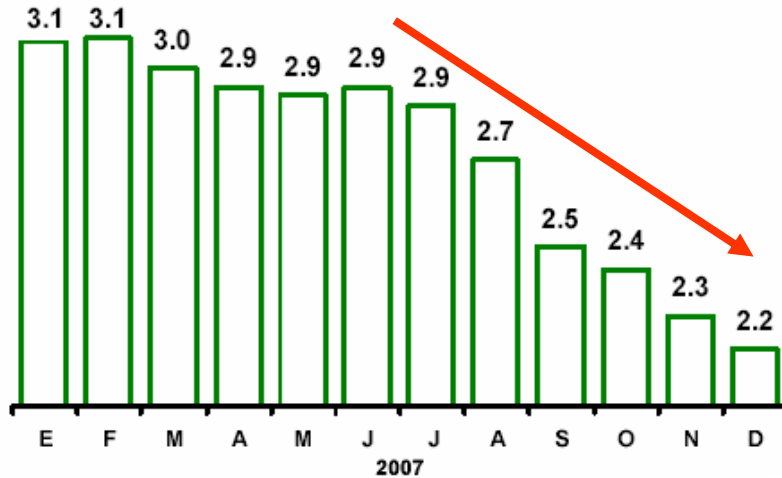
- 2007 closed with a growth of 15% boosted by the increase of 26% in domestic passengers and a decrease of 3% in international passengers.
- During 2007, 34% of GAP domestic passengers flew through low cost airlines (Alma, A Volar, Click, Interjet, Viva Aerobus and Volaris)
- In addition to this, at least one low-cost airline operates in all of GAP airports



# External Influence in GAP Performance for 2008

Forecast of growth in the U.S.A. economy in 2008.

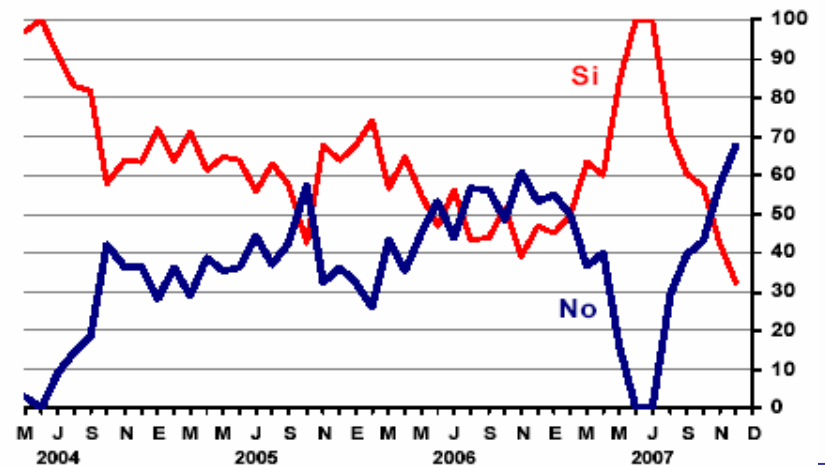
Annual percentage variation.



➤ Possible slowdown of US economy

Trust indicators, will it be favorable the economic evolution of the country in the next six months?

Average of responses (Si = Yes)



- Low trust levels in Mexican economy
- Delivery of additional fleets of LCC airlines

\* Source: Central Bank Mexico

### Route Development Strategies

#### Push:



Load  
Factors

- ❖ Implement a study about load factors in the airports.
- ❖ Implement a more aggressive incentive scheme related to the load factors, for route development and frequency growth.

#### Promote:



MIDT  
Routes

- ❖ Promote the destinations not yet served directly according to the MIDT.

#### Routes Committee:



Contact with  
Government

- ❖ Implement a program of scheduled visits with the authorities of State Tourism promotion.
- ❖ Formation of a Routes Committee at GDL, PVR, SJD and LAP.

### Route Development Strategies (2)

#### Implement:



Publicity  
Program

- ❖ Design an aggressive publicity program related to route opening.
- ❖ Implement this program with at least three airlines.

#### Promote:



Participation  
At events

- ❖ Follow up to the Routes and network conferences.
- ❖ Have more presence in ACI.

#### Support:



The efficient  
use of  
infrastructure

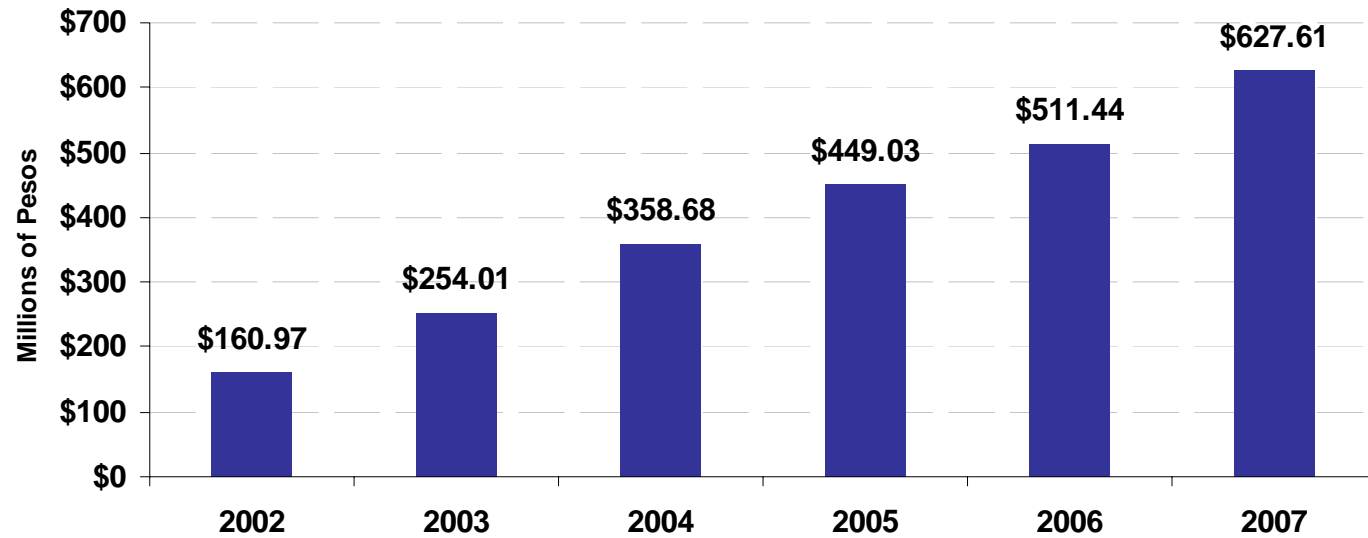
- ❖ Conclude the negotiation of operation rules, contracts and tariffs with CANAERO for CUTE implementation.
- ❖ Implement the automatic invoicing for CUTE.
- ❖ Build new back- office spaces at MLM and AGU.

## Key Drivers 2008: Non-Aeronautical Revenues

Stimulating growth factors	Decrease factors affecting the growth rate
<ul style="list-style-type: none"> <li>a) The recovery of Tijuana's parking lot</li> <li>b) 1,300 new commercial square meters in the new international departures building at Puerto Vallarta</li> <li>c) The expectation of a bigger parking lot, with more capacity in Guadalajara concluded by July</li> <li>d) Construction project and new commercial areas in T1 in Los Cabos</li> </ul>	<ul style="list-style-type: none"> <li>a) Slow down in the U.S. economy (the higher spending passengers)</li> <li>b) Prices per square meters in the market boundaries (some spaces are being leased at record prices even close to Champs Elysees and always higher than the most lucrative benchmark comparison in Mexico)</li> <li>c) Construction works at Guadalajara's airport that are affecting commercial areas</li> <li>d) There is no more possible growth in the time-share areas.</li> <li>e) Some of the business out of the terminal building (Cargo GDL, FBO GDL, gas stations) will be under construction and won't have any operation in 2008</li> </ul>

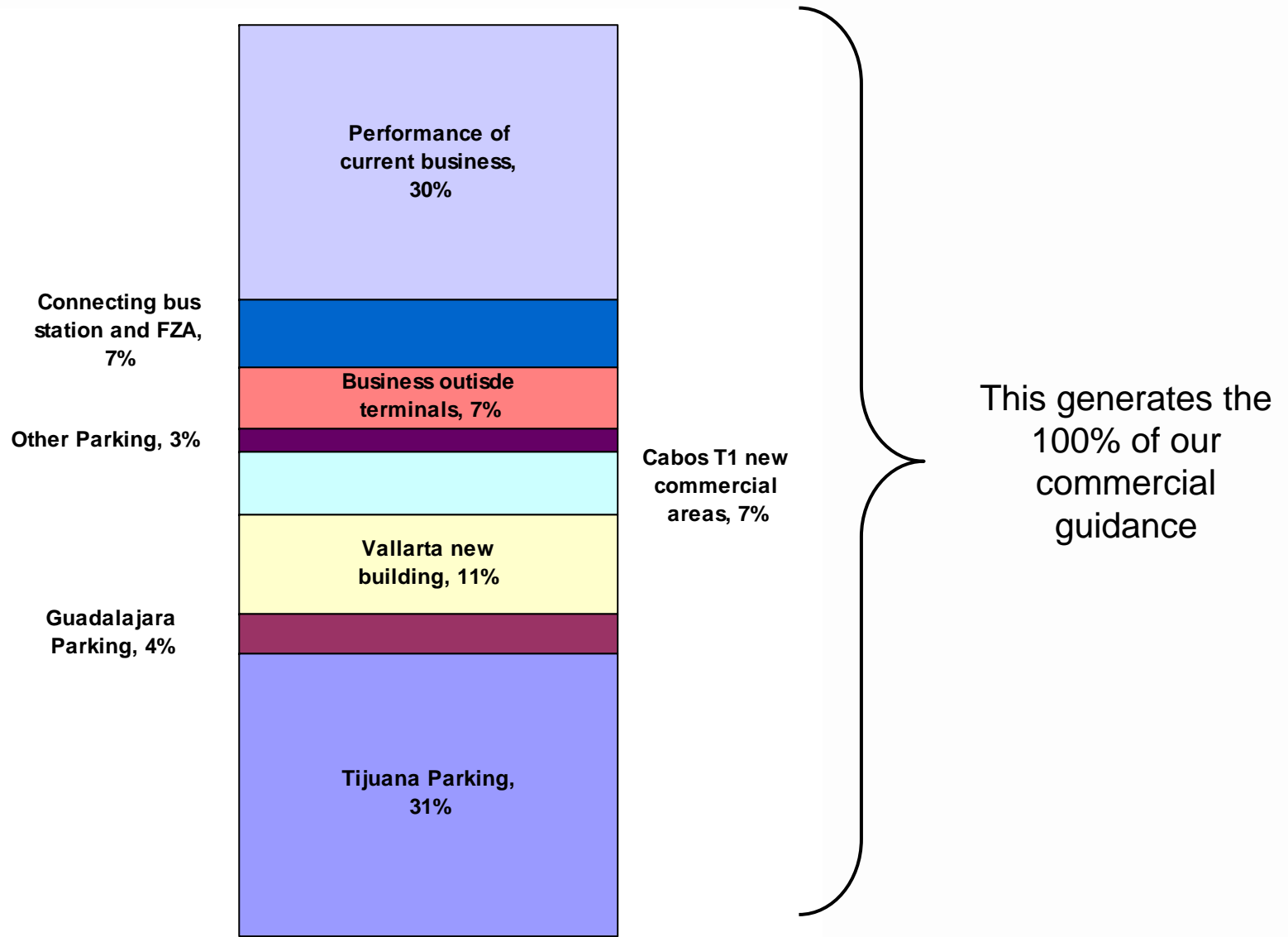
## Commercial Development in Recent Years

*(figures in nominal pesos for corresponding year)*



- Between 2004 and 2007, the average growth rate was 21%.

## How we Expect to Grow Commercial Revenues in 2008



## Remarks on Revenue Per Passenger

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- An **important variable** for forecasting commercial revenues are revenues per passenger, because passengers purchase all the products and services of most of the non-aeronautical business lines.
- However, **it is difficult to assign aggressive growth rates per passenger**, because each new passenger does not necessarily consume at the same rates as the others. It means also that commercial penetration should increase, *which is happening*, but just in moderated rates, as shown in the next slide.



## Remarks on Revenue Per Passenger

(figures in nominal pesos for corresponding year)

2007 REVENUE BY AIRPORT AIRPORT CONSOLIDATED			
AIRPORT	REV / PAX 2007	REV / PAX 2006	VAR %
AGUASCALIENTES	\$ 20.60	\$ 19.49	5.7%
BAJÍO	\$ 22.37	\$ 20.49	9.2%
GUADALAJARA	\$ 30.37	\$ 29.01	4.7%
HERMOSILLO	\$ 17.06	\$ 17.51	-2.6%
LA PAZ	\$ 16.53	\$ 18.39	-10.2%
LOS MOCHIS	\$ 12.74	\$ 12.87	-1.0%
MORELIA	\$ 21.06	\$ 19.66	7.1%
MEXICALI	\$ 20.27	\$ 20.88	-2.9%
PUERTO VALLARTA	\$ 33.43	\$ 26.57	25.8%
SAN JOSE DEL CABO	\$ 50.02	\$ 43.08	16.1%
TIJUANA	\$ 10.26	\$ 10.70	-4.1%
MANZANILLO	\$ 25.15	\$ 24.31	3.5%
<b>TOTALS</b>	<b>\$ 26.63</b>	<b>\$ 24.93</b>	<b>6.8%</b>

Some airports (PV and Los Cabos) currently pay royalties; sensible to traffic changes.

Next we will analyze Tijuana as example.

With a growth of **23%** in the commercial revenues (nominal), the revenue per passenger increased just 7%

GMR= Guaranteed Minimum Rent

## Remarks on Revenue Per Passenger: Tijuana

(Figures in Nominal Pesos)

- By the end of November, with a passenger increase of 28%, Tijuana had 22% additional commercial revenue, however, this is not reflected in the revenue per passenger because of the following:
  - a) It is the airport with the highest number of fixed-rent contracts in the whole group.
  - b) By November, the parking lot, which is the most sensitive to traffic changes, was not managed by GAP.
  - c) The current royalty-based contracts are still recent new and are barely beginning to exceed the guaranteed minimal rents, as shown below:

Business	Revenue (million pesos at nov/07)	Percentage
Guaranteed Minimum Rents	31.18	71%
FZA (1)	7.80	18%
Royalties (exceeding GMR)	3.07	7%
Parking lot	2.03	5%
Others (2)	0.09	0%
Total	44.18	100%

- **With the actual structure in Tijuana, if royalties grew 150%, up to Ps. 4.6 million, commercial revenue would only increase by 3%.**

<sup>1</sup> FZA = federal zone access

<sup>2</sup> Others = Employee food & beverages services

## Remarks on Revenue Per Passenger

(Figures in Nominal Pesos)

- In a highly commercial developed airport like Guadalajara, and considering the highly evolved history of royalty-based contracts in participation, the excess of revenue over minimal guaranteed rents is barely 10% of the total commercial revenue, as is shown below:

Business	Revenue (million pesos at nov/07)	Percentage
Guaranteed Minimum Rents	94.65	47%
FZA and others (1)	14.35	7%
Royalties (exceeding GMR)	20.87	10%
Parking lots	72.06	36%
Total	201.93	100%

- Under the actual structure, if royalties in Guadalajara grew 30%, up to Ps. 27.13 million, commercial revenue would only increase by 3%.**

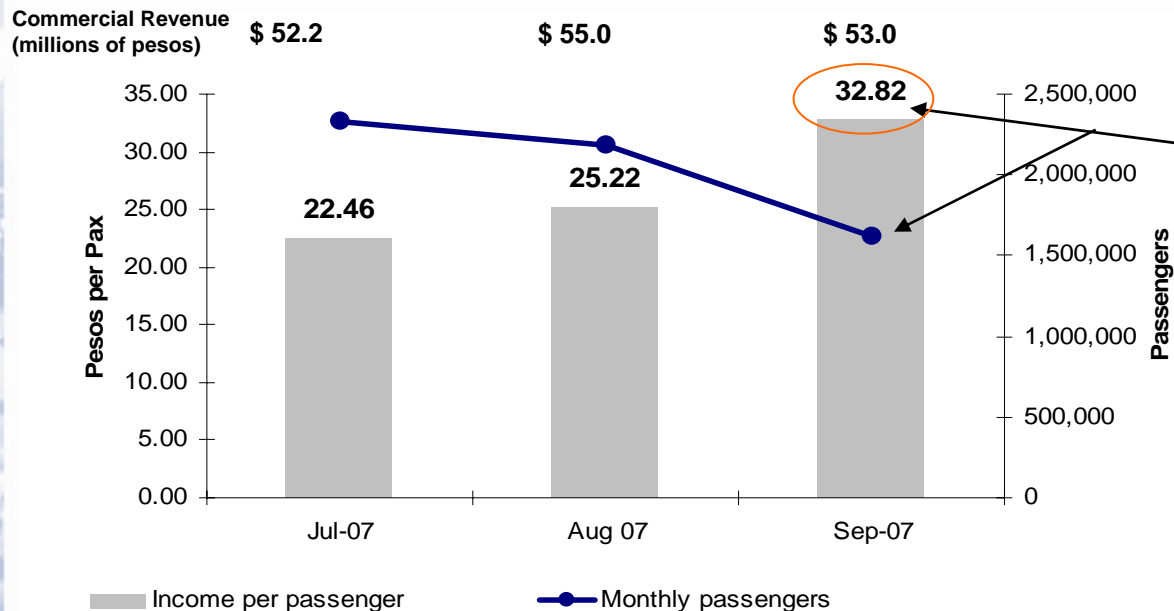
<sup>1</sup> FZA = federal zone access

## Revenue Per Passenger vs Traffic - Proportionally Inverse in the Short-Term

- Royalty-based contracts have two essential characteristics, always favorable to commercial revenues:
  - 1) A high guaranteed minimum rent (GMR) designed to avoid consequences in commercial revenues caused by any traffic decrease.
  - 2) A variable percentage that guarantees, on the other hand, that any successful store will benefit GAP in the long term.
- In reference to issue #1 it is important to mention that in many contracts the GMR is so high, that much time must pass before the variable factor is higher than GMR.

Example:

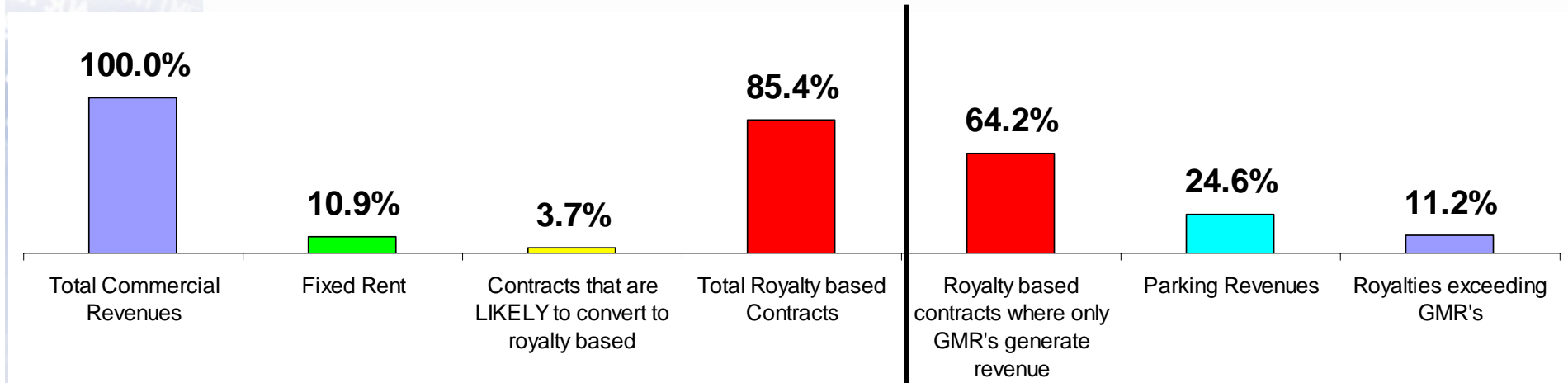
*(Figures in Nominal Pesos)*



*When the month has less traffic, the GMR's artificially increases revenue per passenger.*

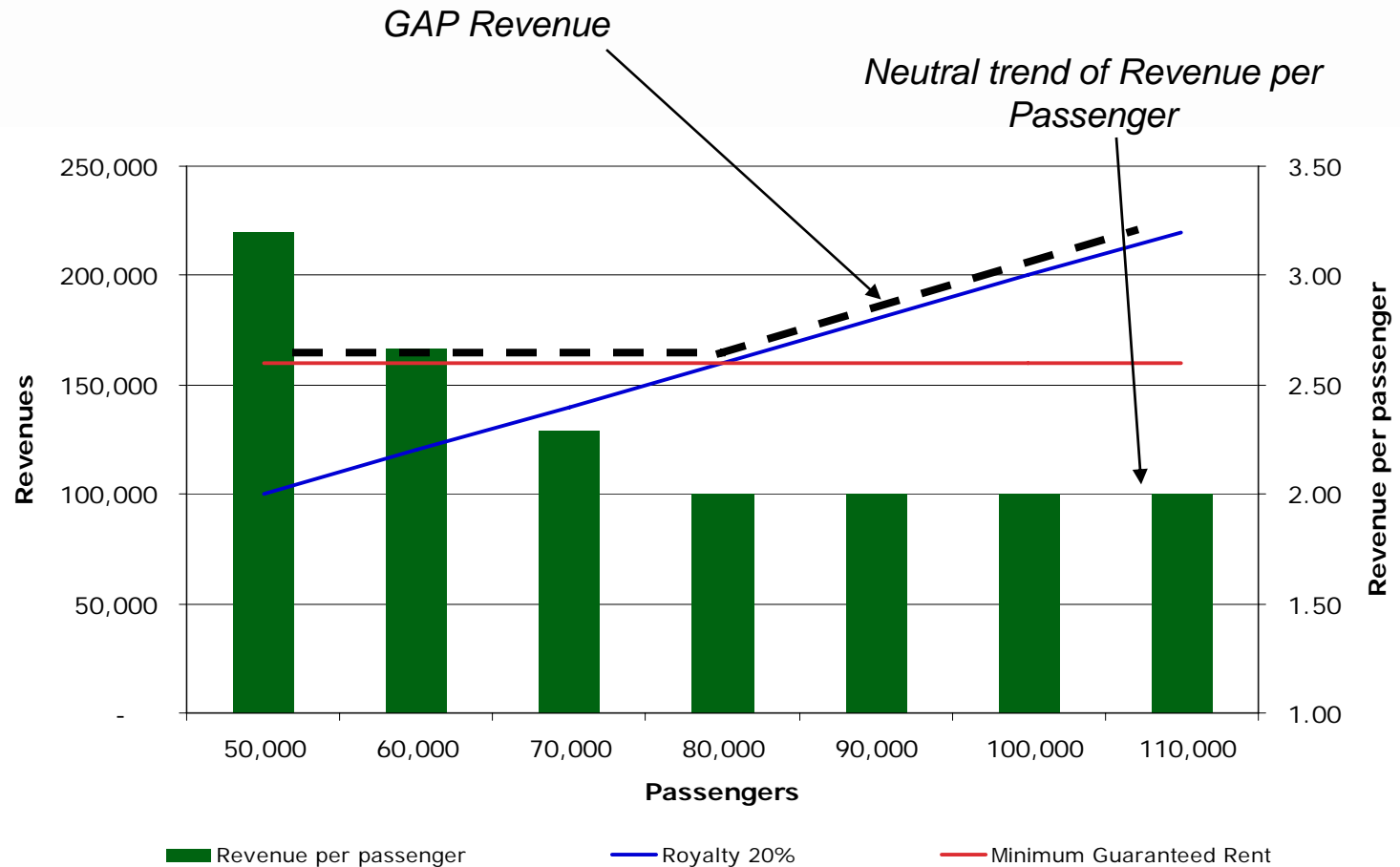
*The trend of the revenue per passenger variable vs total traffic is proportionally inverse in the short term.*

## Revenue Per Passenger: GAP Royalty-Based Contract Status



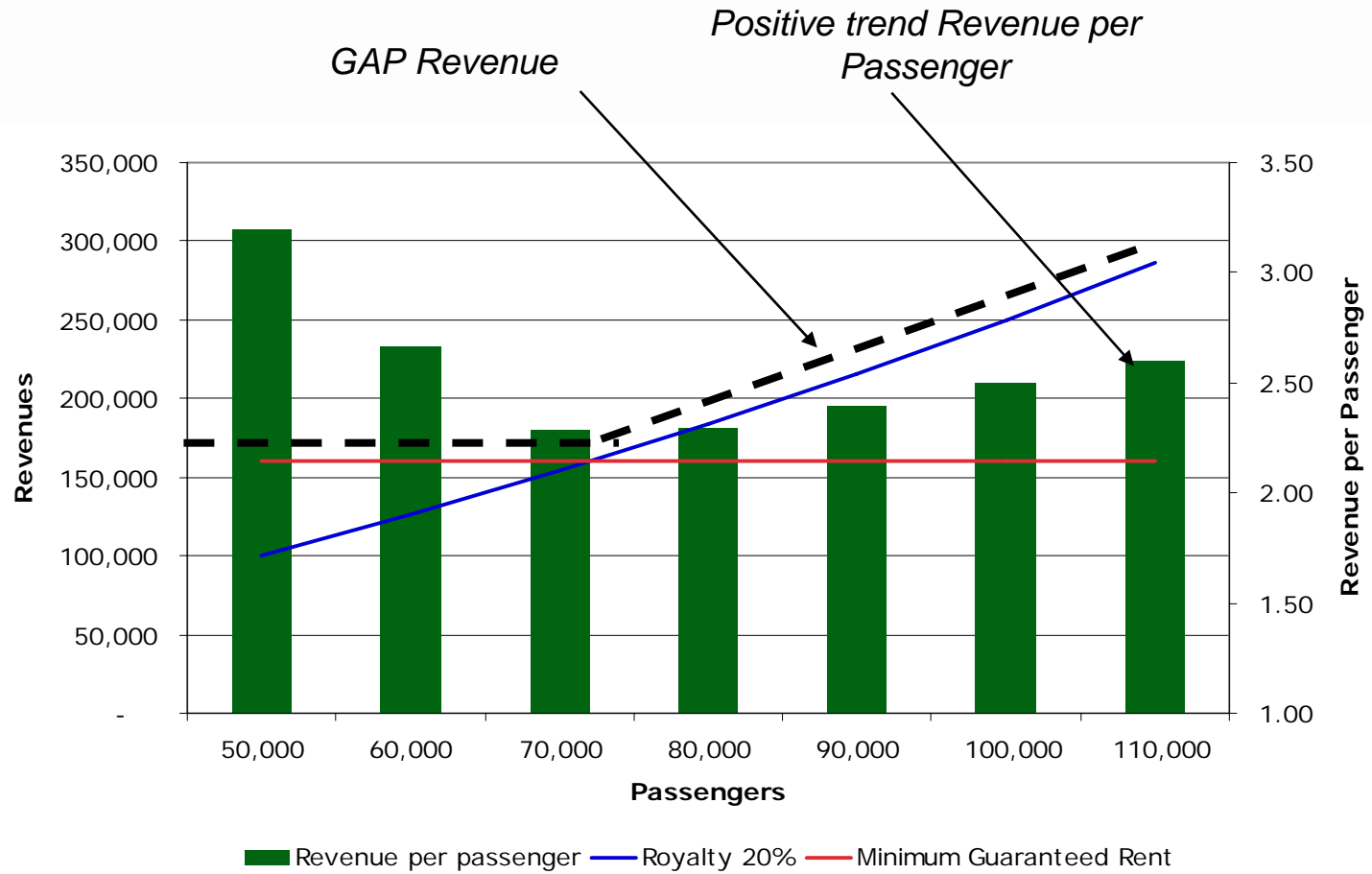
- Of GAP's commercial revenue, 85% is generated by royalty based contracts, out of a 89% susceptible, meaning, that **management is no longer agreeing to non-fixed contracts in the actual universe of contracts.**
- Also these figures show that **only 31% of commercial revenue is traffic sensitive in the short term (Royalty excess over GRM's + parking lots).**

## Revenue Per Passenger: the “New Business” Effect



Passengers	50,000	60,000	70,000	80,000	90,000	100,000	110,000
Consumption per passenger	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Total Sales	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000
Royalty (20%)	100,000	120,000	140,000	160,000	180,000	200,000	220,000
Minimum Guaranteed Rent (MGR)	160,000	160,000	160,000	160,000	160,000	160,000	160,000
GAP Revenue	160,000	160,000	160,000	160,000	180,000	200,000	220,000
Revenue per passenger	3.20	2.67	2.29	2.00	2.00	2.00	2.00

## Revenue Per Passenger: “New Business” Effect Plus “Puerta Cero” Effect



Passengers	50,000	60,000	70,000	80,000	90,000	100,000	110,000
Consumption per passenger	10.00	10.50	11.00	11.50	12.00	12.50	13.00
Total Sales	500,000	630,000	770,000	920,000	1,080,000	1,250,000	1,430,000
Royalty 20%	100,000	126,000	154,000	184,000	216,000	250,000	286,000
Minimum Guaranteed Rent	160,000	160,000	160,000	160,000	160,000	160,000	160,000
GAP Revenue	160,000	160,000	160,000	184,000	216,000	250,000	286,000
Revenue per passenger	3.20	2.67	2.29	2.30	2.40	2.50	2.60



**PUERTA** | **CERO**  
VIAJA CON TODO

