

For a discussion of the effects of fluctuations in the exchange rates between the peso and the U.S. dollar, see "Item 10. Additional Information—Exchange Controls."

## RISK FACTORS

### Risks Related to Our Operations

***Our revenues are highly dependent on levels of air traffic, which depend in part on factors beyond our control.***

Our revenues are closely linked to passenger and cargo traffic volumes and the number of air traffic movements at our airports. These factors directly determine our revenues from aeronautical services and indirectly determine our revenues from non-aeronautical services. Passenger and cargo traffic volumes and air traffic movements depend in part on many factors beyond our control, including economic conditions in Mexico and the United States, the political situation in Mexico and elsewhere in the world, the attractiveness of our airports relative to that of other competing airports, fluctuations in petroleum prices (which can have a negative impact on traffic as a result of fuel surcharges or other measures adopted by airlines in response to increased fuel costs) and changes in regulatory policies applicable to the aviation industry. Any decreases in air traffic to or from our airports as a result of factors such as these could adversely affect our business, results of operations, prospects and financial condition.

***The events of September 11, 2001 resulted in a significant decline in passenger traffic worldwide and future terrorist attacks could result in similar declines.***

The terrorist attacks on the United States on September 11, 2001 had a severe adverse impact on the air travel industry, particularly on U.S. carriers and on carriers operating international services to and from the United States. Airline traffic in the United States fell precipitously after the attacks. Our terminal passenger volumes declined 1.4% in 2001 and an additional 5.3% in 2002 (in each case as compared to the prior year). Any future terrorist attacks, whether or not involving aircraft, will likely adversely affect our business, results of operations, prospects and financial condition.

***Security enhancements following the events of September 11, 2001 have resulted in increased costs, and future security enhancements could further increase our costs and reduce our operating margins.***

The air travel business is susceptible to, and has experienced increased costs resulting from enhanced security and higher insurance and fuel costs. Following the events of September 11, 2001, we reinforced security at our airports. While enhanced security at our airports has not resulted in a significant increase in our operating costs to date, we may be required to adopt additional security measures in the future. In addition, our general liability insurance premiums for 2002 and 2003 increased substantially relative to our 2001 premiums and may continue to rise in the future. In 2004, our aggregate insurance cost was more than double our aggregate insurance cost for 2001. Since August 1, 2003, we have carried a Ps. 500 million insurance policy covering damages to our property resulting from terrorist acts. Since January 2003, we have carried an insurance policy covering personal and property damages to

third parties resulting from terrorist acts. The coverage provided by this policy was initially U.S.\$ 10 million, but was increased to U.S.\$ 20 million in 2005. Because our insurance policies do not cover all losses and liabilities resulting from war or from terrorism, we could incur significant costs if we were to be directly affected by events of this nature. Any such increase in our operating costs would have an adverse effect on our results of operations.

The users of airports, principally airlines, have been subject to increased costs since the events of September 11, 2001. Airlines have been required to adopt additional security measures and may be required to comply with more rigorous security rules or guidelines in the future. Premiums for aviation insurance have increased substantially and could escalate further. While governments in other countries have agreed to indemnify airlines for liabilities they might incur resulting from terrorist attacks, the Mexican government has given no indication of any intention to do so. In addition, fuel prices and supplies, which constitute a significant cost for airlines using our airports, may be subject to increases resulting from any future terrorist attacks, a general increase in international hostilities or a reduction in output of fuel, voluntary or otherwise, by oil producing countries. Such increases in airlines' costs have in the past resulted in higher airline ticket prices and decreased demand for air travel generally, thereby having an adverse effect on our revenues and results of operations. In addition, because a substantial majority of our international flights involve travel to the United States, we may be required to comply with security directives of the U.S. Federal Aviation Authority, in addition to the directives of Mexican aviation authorities.

In 2005, the Mexican government issued a policy letter (*carta de política*) calling for all checked baggage on international commercial flights beginning in January 2006, and on domestic commercial flights beginning in July 2006, to undergo a new comprehensive screening process. Because of uncertainty over the policy letter's implementation, the new screening process has been delayed. In particular, the policy letter does not specify which parties should bear responsibility for the new screening process. Although Mexican law clearly specifies that airlines bear the responsibility for baggage screening, the fact that the policy letter is silent as to responsibility has caused some of our airline customers to contend that the policy letter's intent is for airport concessionaires, such as us, to bear responsibility for the new screening process. In addition, certain questions have been raised regarding the constitutionality of the new screening process. The Mexican Bureau of Civil Aviation is expected to issue regulations implementing the policy letter, but these may not address the questions of responsibility and constitutionality that have been raised. We maintain that the new policy will not be implemented at our airports until we enter into a written agreement with our airline customers regarding the allocation of cost and responsibility. The new process is expected to require the installation of new screening equipment and that baggage be checked manually if the equipment signals the potential presence of prohibited items. If we are required to purchase, install and operate the new screening equipment, this could increase our exposure to liability. We could be required to undertake significant capital expenditures to purchase the equipment and incur ongoing expenses to maintain the equipment we have purchased, which could restrict our liquidity and adversely affect our results of operations.

***International events could have a negative impact on international air travel.***

Historically, a substantial majority of our revenues has been derived from aeronautical services, and our principal source of aeronautical services revenues is passenger charges. Passenger charges are payable for each passenger (other than diplomats, infants and transfer and transit passengers) departing from the airport terminals we operate, and are collected by the airlines and paid to us. In 2004, 2005 and 2006, passenger charges represented 64.9%, 65.4% and 65.1%, respectively, of our total revenues. Events such as the war in Iraq and public health crises such as the Severe Acute Respiratory Syndrome, or SARS, crisis in 2003 have negatively affected the frequency and pattern of air travel worldwide. Because our revenues are largely dependent on the level of passenger traffic in our airports, any general increase of hostilities relating to reprisals against terrorist organizations, further conflict in the Middle East, outbreaks of health epidemics such as SARS or other events of general international concern (and any related economic impact of such events) could result in decreased passenger traffic and increased costs to the air travel industry and, as a result, could cause a material adverse effect on our business, results of operations, prospects and financial condition.

***Our revenues and profitability may not increase if we fail in our business strategy.***

Our ability to increase our revenues and profitability depends in part on our business strategy, which consists of setting prices in order to be as close as possible to our regulatory maximum rates for any given year, reducing operating costs, increasing passenger and cargo traffic at our airports and increasing revenues from commercial activities.

Our ability to increase our commercial revenues is significantly dependent, among other factors, upon increasing passenger traffic at our airports and our ability to renegotiate rental agreements with our tenants to provide for contractual terms more favorable to us. Our ability to increase revenues from commercial activities is also dependent on our ability to continue the remodeling and modernization of the commercial areas we operate within our airports. We cannot assure you that we will be successful in implementing our strategy of increasing our passenger traffic or our revenues from commercial activities. The passenger traffic volume in our airports depends on factors beyond our control, such as the attractiveness of the commercial, industrial and tourist centers that the airports serve. Accordingly, there can be no assurance that the passenger traffic volume in our airports will increase or that our profitability will increase.

***We may be required to write off an income tax refund that we have recorded as an asset on our balance sheet.***

As part of a tax planning strategy that we implemented in 2002 following the recommendation of our tax advisors, we recorded in our audited consolidated financial statements a recoverable income tax asset of Ps. 76.9 million (nominal pesos) as of December 31, 2002. This asset related to the expected recovery of income taxes paid on the distribution of dividends. In July 2003, we requested the Mexican Treasury Department (*Secretaría de Hacienda y Crédito Público*) confirm the criteria under which we were claiming this refund. This request was rejected. Subsequently, we initiated proceedings before the Mexican Tax Court (*Tribunal Federal de Justicia Fiscal y Administrativa*) seeking to have our refund claims adjudicated in our favor. For a further discussion of this asset, see Note 15.a to

our audited consolidated financial statements. Although this receivable may be recognized under MFRS, under U.S. GAAP, the recoverable income tax asset is considered a gain contingency, the recognition of which is not permitted until recovery is assured beyond a reasonable doubt.

In the case of the Tijuana International Airport, in May 2005, after we initiated proceedings before the Mexican Tax Court seeking to have our refund claims adjudicated in our favor, the Mexican Treasury Department fined us Ps. 19.1 million (nominal pesos) based on a finding that our refund request relating to this airport was unfounded. We paid the fine in order to obtain a discount on the fine (which was reduced to Ps. 11.4 million nominal pesos) and to avoid accruing interest and inflation adjustments while we contest the fine before the Mexican Tax Court. On April 24, 2007, the Mexican Tax Court found (i) that our claim for the refund we were requesting was unfounded and (ii) that the fine was incorrectly requested by the Mexican Treasury Department based on procedural reasons, thereby declaring the fine null and void. However, the Mexican Tax Court left open the possibility that the Mexican Treasury Department could, in the future, overcome its procedural error and correctly request the fine in the manner it originally sought. Giving these holdings, the Company has continued its litigation through an appeal to seek (i) an ultimate declaration of the inapplicability of the fine and (ii) confirmation of the criteria for the recoverability of income tax on dividends.

If we are successful in having the fine annulled, we will recover the amount of the fine plus interest and inflation adjustments. We have recorded the expected refund of the fine as an asset in our audited consolidated financial statements for the year ended December 31, 2006, as we do not believe there is any legal basis for the fine. For U.S. GAAP purposes, such refund is considered a gain contingency, the recognition of which is not permitted until recovery is assured beyond a reasonable doubt.

There can be no assurance that we will be successful in our claims with respect to the tax refunds at our remaining airports. If these claims are not decided in our favor, we may be required to write off the remaining asset we have recorded in respect of the anticipated refund as well as any related fines we have paid. As of December 31, 2006, the aggregate amount of these assets was approximately Ps. 78.4 million (nominal pesos).

***A claim against us by a construction company relating to work at the Guadalajara airport could have a negative resolution***

In August 2005, we entered into a construction contract with Grupo de Ingenieria Universal, S.A. de C.V., or GIUSA, for the development of a new segment of the Guadalajara International Airport's apron. GIUSA delayed the project and we therefore executed the performance bond posted by GIUSA in an amount equal to 20% of the total contract value. However, we were not able to obtain such execution because, in September 2006, GIUSA initiated legal proceedings against us, claiming breach of contract by us and seeking the full contract amount and additional damages, together totaling Ps. 43 million. If we are unsuccessful in the case against us, we could be required to pay the amount claimed by GIUSA.

**Competition from other tourist destinations could adversely affect our business.**

The principal factor affecting our results of operations and business is the number of passengers using our airports. The number of passengers using our airports (particularly our Los Cabos International Airport and our Puerto Vallarta International Airport) may vary as a result of factors beyond our control, including the level of tourism in Mexico. In addition, our passenger traffic volume may be adversely affected by the attractiveness, affordability and accessibility of competing tourist destinations in Mexico, such as Cancun and Acapulco, or elsewhere, such as Puerto Rico, Florida, Cuba, Jamaica, the Dominican Republic and other Caribbean islands and destinations in Central America. The attractiveness of the destinations we serve is also likely to be affected by perceptions of travelers as to the safety and political and social stability of Mexico. There can be no assurance that tourism levels, and therefore the number of passengers using our airports, in the future will match or exceed current levels, the failure of which could directly and indirectly affect our revenues from aeronautical and non-aeronautical services, respectively.

**Our business is highly dependent upon revenues from four of our airports and could be adversely impacted by any condition affecting those airports.**

In 2006 approximately 78.5% of our revenues were generated from four of our 12 airports. The following table lists the percentage of total revenues generated at our airports in that year:

Airport	For year ended December 31, 2006
Guadalajara International Airport	3.2%
Tijuana International Airport	12.7
Puerto Vallarta International Airport	15.9
Los Cabos International Airport	16.7
Eight other airports	21.5
Total	100.0%

As a result of the substantial contribution to our revenues from these four airports, any event or condition affecting these airports could have a material adverse effect on our business, results of operations, prospects and financial condition.

**If a change in relations with our labor force should occur, such a change could have an adverse impact on our results of operations.**

Although we currently believe we maintain good relations with our labor force, if any conflicts with our employees were to arise in the future, including with our unionized employees (which accounted for 54.2% of our total employees at December 31, 2006), resulting events such as strikes or other disruptions that could arise with respect to our workforce could have a negative impact on our results of operations.

***The loss of one or more of our key customers could result in a loss of a significant amount of our revenues.***

Consortio Aeromexico, S.A. de C.V., or Consortio Aeromexico, is a holding company that owns Aeromexico, one of the principal domestic airlines operating at our airports. The Mexican government is the majority owner of Consortio Aeromexico and it controls Consortio Aeromexico primarily through the Institute for the Protection of Bank Savings (*Instituto para la Protección al Ahorro Bancario*). Of the total revenues generated at our airports in 2006, Aeromexico and Aerolitoral (which is also owned by Consortio Aeromexico) together accounted for 18.3%, while Grupo Mexicana (composed of Mexicana de Aviación and Click Mexicana), which until December 2005 was owned by the government, and which is now owned by Grupo Posadas S.A. de C.V., represented 13.2%. An additional 25 airlines together represented 42.6%. None of our contracts with our airline customers obligate them to continue providing service to our airports, and we can offer no assurance that, if any of our key customers reduced their use of our airports, competing airlines would add flights to their schedules to replace any flights no longer handled by our principal airline customers. In addition, Consortio Aeromexico has announced publicly that it intends to sell all or a portion of its remaining ownership interest in its airlines, and we can offer no assurance that these airlines, operating independently of Consortio Aeromexico, would continue to use any or all of our airports. Decisions made by Consortio Aeromexico with respect to its remaining ownership interest in its airlines could also affect the operations and business of Aeromexico and Aerolitoral and have a material adverse effect on our results of operations. Our business and results of operations could be adversely affected if we do not continue to generate comparable levels of our revenues from our key customers.

In 2006, the passenger charges that we invoiced to airlines controlled by Consortio Aeromexico and by Grupo Mexicana were generally collected, on a weighted average basis, approximately 93 to 103 days following the invoice delivery date. The actual term for payment generally is dependent upon interest rates on short-term Mexican treasury bills, or *Cetes*, with longer payment periods during periods of lower interest rates (within a defined range). Our revenues from passenger charges are not secured by a bond or any other collateral. Thus, in the event of insolvency of any airline, as occurred in 2003 in the case of Líneas Aéreas Allegro S.A. de C.V., we would not be assured of collecting any amounts invoiced to that airline in respect of passenger charges, which could negatively affect our cash flows from operations or our results of operations.

***The principal domestic airlines operating at our airports have in the past refused to pay certain increases in our specific prices for aeronautical services and could refuse to pay additional increases in the future.***

From 2000 to mid-2003, the principal domestic airlines operating at our 12 airports—Aeromexico, Mexicana, Aeromar and Aerolitoral—refused to pay certain increases in the specific prices we charge for aeronautical services. At August 31, 2003 (the date on which the balance reached its peak), the amount of invoiced fees subject to dispute was Ps. 47.0 million. As part of this dispute, these airlines brought proceedings challenging the privatization of the Mexican airport sector and the methodology for calculating the maximum rate system applicable under the privatization of all of the airport groups in Mexico.

On July 15, 2003, we entered into an agreement with the National Air Transportation Chamber of Commerce (*Cámara Nacional de Aerotransportes*) and the SCT pursuant to which we resolved existing disputes with our principal airline customers and established specific prices for aeronautical services applicable to those airlines for 2003 and 2004 and a methodology for retroactively applying those prices from 2000, since these airlines had refused to pay certain of our charges since that year. In March 2005, we entered into a renewal agreement with the National Air Transportation Chamber of Commerce for 2005 and 2006. The National Air Transportation Chamber of Commerce agreed to cause our principal airline customers to enter into (a) contracts governing charges for aeronautical services, (b) lease contracts for property used by the airlines and (c) contracts governing collection of passenger charges. As of December 31, 2005, these airlines had entered into agreements with us such that proceedings against us were either resolved or dismissed and no fees remained subject to further dispute. These agreements represented (a) virtually all of the relevant contracts governing the collection of passenger charges, (b) a substantial majority of the agreements for the leasing of space in our terminals and (c) a substantial majority of the contracts governing our aeronautical services, in each case in terms of the total number agreements to be entered into. In December 2006, we entered into a renewal agreement with the National Air Transportation Chamber of Commerce for 2007, 2008 and 2009, covering the same aspects as the prior agreement as well as incorporating an increase in passenger charges. This renewal agreement is more focused on the support and development of, and increased frequencies on, new routes.

Because these airlines contribute a majority of our revenues, should the airlines refuse to make payment pursuant to the agreements described above, or should they refuse to pay increases in our charges for aeronautical services in future years, our results of operations could be adversely impacted.

***The operations of our airports may be disrupted due to the actions of third parties, which are beyond our control.***

As is the case with most airports, the operation of our airports is largely dependent on the services of third parties, such as air traffic control authorities and airlines. We are also dependent upon the Mexican government or entities of the government for provision of services, such as electricity, supply of fuel to aircraft, air traffic control and immigration and customs services for our international passengers. We are not responsible for and cannot control the services provided by these parties. Any disruption in, or adverse consequence resulting from, their services, including a work stoppage or other similar event, may have a material adverse effect on the operation of our airports and on our results of operations.

In addition, we are dependent on third-party providers of certain complementary services such as catering and baggage handling. If these service providers were to halt operations at any of our airports, we would be required to seek a new service provider or provide services ourselves, either of which would likely result in increased capital expenditures or costs and have an adverse impact on our cash generation and results of operations.

***Actions by the former holders of land comprising Tijuana International Airport may limit our ability to expand the airport and may disrupt its operations.***

A portion of the land comprising Tijuana International Airport was expropriated by the Mexican government in 1970 pursuant to its power of eminent domain. Prior to its expropriation, the land had been held by a group of individuals through a system of communal ownership of rural land known as an *ejido*. The former *ejido* participants have asserted claims against the Mexican government challenging the 1970 expropriation decree. Our Tijuana airport subsidiary is a party to the proceedings, but only as an interested third party. A judgment in favor of the former *ejido* participants could materially disrupt the airport's current operations. The terms of our concession require the Mexican government to provide restitution to us for any loss of our use of the land subject to our concessions.

Certain of the former *ejido* participants are currently occupying portions of the real property on which we operate Tijuana International Airport that are not currently essential to the airport's operations. Although these persons are not currently interfering with the airport's operations, their presence could limit our ability to expand the airport into the areas they currently occupy. In addition, there can be no assurance that the former *ejido* participants will not seek to disrupt the airport's operations if their legal claims against the Mexican government are not resolved to their satisfaction.

***The actions of squatters on certain portions of the land on which our Guadalajara International Airport operates could disrupt operations and security at that airport.***

The Mexican government owns the land on which the Guadalajara International Airport operates and has granted us the right to use that land for the purpose of operating the airport pursuant to our concession. Currently, there are squatters residing on or claiming rights to a portion of the property, at least one of whom has attempted to subdivide and sell off certain portions of the property. As owner of the property, the Mexican government must initiate any actions directed at removing these persons from the property. We are reviewing the actions these persons have taken and are cooperating with the Mexican government to ensure that the actions of these squatters do not adversely affect the operations of the Guadalajara International Airport. However, if the Mexican government or we are unable to successfully remove these persons from the property, their presence could have an adverse impact on our operations and security at the airport and could restrict our ability to expand our operations at the airport.

***Natural disasters could adversely affect our business.***

From time to time, the Pacific and central regions of Mexico experience torrential rains and hurricanes (particularly during the months of July through September), as well as earthquakes. The most recent natural events that affected our airports were two hurricanes in August and September of 2003 that resulted in temporary closures and property damages at our Los Cabos International Airport and our La Paz International Airport. In addition, the Manzanillo International Airport experienced an earthquake in 2003, which caused significant damage to the airport and required the airport to be closed for several hours. Natural disasters may impede operations, damage infrastructure necessary to our operations or adversely affect the destinations served by our airports. Any of these events could reduce our passenger traffic



volume. The occurrence of natural disasters in the destinations we serve could adversely affect our business, results of operations, prospects and financial condition. We have insured the physical facilities at our airports against damage caused by natural disasters, accidents or other similar events, but do not have insurance covering losses due to resulting business interruption. Moreover, should losses occur, there can be no assurance that losses caused by damages to the physical facilities would not exceed the pre-established limits on any of our insurance policies.

#### **Risks Related to the Regulation of Our Business**

***We provide a public service regulated by the Mexican government and our flexibility in managing our aeronautical activities is limited by the regulatory environment in which we operate.***

Our aeronautical fees charged to airlines and passengers are regulated, like those of most airports in other countries. In 2004, 2005 and 2006, approximately 82.4%, 81.5% and 81.4%, respectively, of our total revenues were earned from aeronautical services, which are subject to price regulation under our maximum rates. These regulations may limit our flexibility in operating our aeronautical activities, which could have a material adverse effect on our business, results of operations, prospects and financial condition. In addition, several of the regulations applicable to our operations that affect our profitability are authorized (as in the case of our master development programs) or established (as in the case of our maximum rates) by the SCT for five-year terms. Except under limited circumstances, we generally do not have the unilateral ability to change our obligations (such as the investment obligations under our master development programs or the obligation under our concessions to provide a public service) or increase our maximum rates applicable under those regulations should our passenger traffic or other assumptions on which the regulations were based change during the applicable term. In addition, there can be no assurance that this price regulation system will not be amended in a manner that would cause additional sources of our revenues to be regulated.

***We cannot predict how the regulations governing our business will be applied.***

Many of the laws, regulations and instruments that regulate our business were adopted or became effective in 1999, and there is only a limited history that would allow us to predict the impact of these legal requirements on our future operations. In addition, although Mexican law establishes ranges of sanctions that might be imposed should we fail to comply with the terms of one of our concessions, the Mexican Airport Law and the regulations thereunder or other applicable law or regulation, we cannot predict the sanctions that may to be assessed for a given violation. We cannot assure you that we will not encounter difficulties in complying with these laws and regulations. Moreover, there can be no assurance that the laws and regulations governing our business, including the rate-setting process, will not change in the future.

***The regulations pursuant to which the maximum rates applicable to our aeronautical revenues are established do not guarantee that we or any of our airports will be profitable.***

The rate regulations applicable to our aeronautical services establish an annual maximum rate for each airport, which is the maximum annual amount of revenues per workload unit (which is equal to one terminal passenger or 100 kilograms of cargo) that we may earn at that

airport from services subject to price regulation. The maximum rates for our airports have been determined by the SCT for each year through December 31, 2009. Under the terms of our concessions, there is no guarantee that our consolidated results of operations or the results of operations of any airport will be profitable.

Our concessions provide that an airport's maximum rates will be adjusted periodically for inflation (determined by reference to the Mexican Producer Price Index *Indice Nacional de Precios al Productor*) (excluding petroleum)). Although we are entitled to request additional adjustments to an airport's maximum rates under certain circumstances (including, among others, required capital investments not foreseen in our master development programs, decreases in capital investments attributable to Mexican economy-related passenger traffic decreases or modifications of the concession tax payable by us to the Mexican government), our concessions provide that such a request will be approved only if the SCT determines that events specified in our concessions have occurred. Therefore, there can be no assurance that any such request would be granted.

***If we exceed the maximum rate at any airport at the end of any year, we could be subject to sanctions.***

Historically, we have set the prices we charge for regulated services at each airport in order to be as close as possible to our authorized maximum rate for that airport in any given year. We expect to continue to pursue this pricing strategy in the future. For example, in 2004, our revenues subject to maximum rate regulation represented 98.2% of the amount we were entitled to earn under the maximum rates for all of our airports, while in 2005 and 2006, our revenues subject to maximum rate regulation represented 99.2% and 98.8%, respectively, of the amounts we were entitled to earn under the maximum rates for all of our airports. There can be no assurance that we will be able to establish prices in the future that allow us to collect virtually all of the revenues we are entitled to earn from services subject to price regulation.

The specific prices we charge for regulated services are determined based on our forecasts of various factors, including of passenger traffic volumes, the Mexican Producer Price Index (excluding petroleum) and the value of the peso relative to the U.S. dollar. These variables are outside of our control. Our forecasts could differ from actual data, and, if these differences occur at the end of any year, they could cause us to exceed the maximum rate at any one or more of our airports during that year.

If we exceed the maximum rate at any airport at the end of any year, the SCT may assess a fine and may reduce the maximum rate at that airport in the subsequent year. The imposition of sanctions for violations of certain terms of a concession, including for exceeding an airport's maximum rate, can result in termination of the concession if the relevant term has been violated and sanctions have been imposed at least three times for the same cause. In the event that any one of our concessions is terminated, our other concessions may also be terminated.

In prior years, in order to ensure our compliance with the maximum rate at a particular airport when the possibility of exceeding that maximum rate has arisen, we have taken actions in the latter part of the year, such as reducing our specific prices and offering discounts or rebates. We can offer no assurance that, should external factors cause us to risk exceeding our maximum

rates close to the end of any given year, we will have sufficient time to take the actions described above in order to avoid exceeding our maximum rates prior to year-end.

***The Mexican government may terminate or reacquire our concessions under various circumstances, some of which are beyond our control.***

Our concessions are our principal assets and we are unable to continue our operations without them. A concession may be terminated by the Mexican government for certain prescribed reasons, including failure to comply with our master development programs, a temporary or permanent halt in our operations, actions affecting the operations of other concession holders in Mexico, failure to pay damages resulting from our operations, exceeding our maximum rates or failure to comply with any other material term of our concessions. Violations of certain terms of a concession (including violations for exceeding the applicable maximum rate) can result in termination of a concession if sanctions have been imposed for violation of the relevant term at least three times. Violations of other terms of a concession can result in the immediate termination of the concession. Our concessions may also be terminated upon our bankruptcy or insolvency.

We would face similar sanctions for violations of the Mexican Airport Law or the regulations thereunder. Under applicable Mexican law and the terms of our concessions, our concessions may also be made subject to additional conditions, including under our renewed master development programs, which we may be unable to meet. Failure to meet these conditions may also result in fines, other sanctions and the termination of the concessions.

The Mexican government may also terminate one or more of our concessions at any time through reversion (*rescate*), if, in accordance with applicable Mexican law, it determines that it is in the public interest to do so. The Mexican government may also assume the operation of any airport (through a process known as a *requisita*) in the event of war, public disturbance or a threat to national security. In addition, in the case of a *force majeure* event, the Mexican government may require us to implement certain changes in our operations. In the event of a reversion of the public domain assets that are the subject of our concessions, the Mexican government, under Mexican law, is required to compensate us for the value of the concessions or added costs based on the results of an audit performed by appraisers. In the event of a mandated change in our operations, the Mexican government is required to compensate us for the cost of that change. Similarly, in the event of an assumption of our operations other than in the event of war, the government is required to compensate us and any other affected parties for any resulting damages. There can be no assurance that we will receive compensation equivalent to the value of our investment in, or any additional damages related to, our concessions and related assets in the event of such action.

In the event that any one of our concessions is terminated, whether through revocation or otherwise, our other concessions may also be terminated. Thus, the loss of any concession would have a material adverse effect on our business and results of operations.

***The Mexican government could grant new concessions that compete with our airports.***

The Mexican government could grant additional concessions to operate existing government-managed airports, or authorize the construction of new airports, which could compete directly with our airports. Any competition from other such airports could have a material adverse effect on our business and results of operations. Under certain circumstances, the grant of a concession for a new or existing airport must be made pursuant to a public bidding process. In the event that a competing concession is offered in a public bidding process, we cannot assure you that we would participate in such process, or that we would be successful if we did participate.

***The SCT could require us to monitor certain aircraft movements at our airports that we do not currently control, which could result in increased costs.***

The Mexican Air Traffic Control Authority (*Servicios a la Navegación en el Espacio Aéreo Mexicano*) currently requires us to manage and control aircraft movements in and out of our arrival and departure gates and remote boarding locations directly at our Puerto Vallarta International Airport and our Guadalajara International Airport. At our other airports, these aircraft movements are monitored directly by the Mexican Air Traffic Control Authority. Should the Mexican Air Traffic Control Authority require us to control these aircraft movements directly at any or all of our other ten airports in the future, our results of operations could be negatively impacted by increased operating insurance and liability costs resulting from taking on these obligations.

***Risks Related to Our Controlling Stockholder***

***AMP controls our management, and AMP's interests may differ from those of other stockholders.***

AMP holds Series BB shares currently representing 15% of our outstanding capital stock. Pursuant to our bylaws, AMP (as holder of our Series BB shares) has the right (upon consultation with our Nominations and Compensation Committee) to appoint and remove our top-level executive officers, to elect four members of our board of directors and their alternates and to designate three of the members of our Operating Committee and 20% of the members of each other board committee (or one member of any committee consisting of fewer than five members). AMP (as holder of our Series BB shares) also has the right pursuant to our bylaws to veto certain actions requiring approval of our stockholders (including the payment of dividends, the amendment of our bylaws and any decision that has the objective to modify or annul its right to appoint our top-level executive officers). Pursuant to our bylaws, if at any time AMP (as the holder of our Series BB shares) were to hold less than 7.65% of our capital stock in the form of Series BB shares, it would lose its veto rights (but not other special rights). If at any time after August 25, 2014 AMP were to hold less than 7.65% of our capital stock in the form of Series BB shares, such shares would be mandatorily converted into Series B shares, which would cause AMP to lose all of its special rights. In addition, stockholders of AMP have allocated among themselves certain veto rights relating to the exercise by AMP of its veto and other rights, which increases the risk of impasse at the stockholders' meeting of AMP and ultimately at our stockholders' meetings.

AMP's veto, appointment and other rights could adversely impact our operations and constitute an obstacle for us to bring in a new strategic stockholder and/or operator. Through the right to appoint and remove members of our senior management, AMP directs the actions of our management in areas such as business strategy, financing, distributions, acquisitions and dispositions of assets or businesses. The interests of AMP may differ from those of our other stockholders and be contrary to the preferences and expectations of our other stockholders and we can offer no assurance that AMP and the officers appointed by AMP will exercise their rights in ways that favor the interests of our other stockholders.

***If AMP should decide to sell all or a portion of its interest in us, our operations could be adversely affected.***

AMP currently exercises a substantial influence over our management, as described above. Our bylaws and certain of the agreements executed in connection with the privatization process prohibited AMP from transferring any of its Series BB shares before August 25, 2004. Since that date, AMP has been permitted to transfer up to 49% of its Series BB shares without restriction. After August 25, 2009, AMP may additionally sell in any year up to 20% of its remaining 51% interest in our Series BB shares. Our bylaws provide that, subject to certain exceptions, Series BB shares must be converted into Series B shares prior to transfer. Should AMP divest its interest in us or cease to hold Series BB shares, our management could change significantly and our operations could be adversely affected as a result. The termination of the technical assistance agreement with AMP may also adversely affect or disrupt our operations.

***Official inquiries relating to certain requirements of the privatization guidelines and the participation agreement relating to our privatization could have a material adverse effect on our operations or the value of our securities.***

In 1999, as part of the first stage in the process of opening Mexico's airports to private investment, the Mexican government sold a 15% equity interest in us to AMP pursuant to a public bidding process.

Pursuant to the guidelines published by the Mexican government during the first phase of our privatization and the participation agreement setting forth the rights and obligations of each of the parties involved in our privatization, certain rights and obligations were given to AMP.

In 2004 and 2005, various reports in the Mexican press alleged that AMP did not comply with certain of its obligations under the privatization guidelines and the participation agreement, specifically the requirements related with the nationality of the Mexican partner. In June 2005, the Permanent Commission of the Mexican Federal Congress (*Comisión Permanente del Congreso Federal*) requested that the SCT and other agencies of the federal government investigate these allegations and report on our share ownership structure and certain related matters.

In January 2006, the previous Mexican partner sold its 25.5% interest in AMP to Controladora Mexicana de Aeropuertos, S.A. de C.V., or Controladora Mexicana, a Mexican joint venture company 50% owned by Pal Aeropuertos, S.A. de C.V., and 50% owned by

Promotora Aeronautica del Pacifico, S.A. de C.V. The SCT approved the sale to Controladora Mexicana, including its role as AMP's Mexican partner pursuant to the privatization guidelines and the participation agreement relating to our privatization.

Although we believe AMP satisfies all their requirements under the privatization guidelines and the participation agreement, there can be no assurance that future allegations or official inquiries relating to AMP's compliance with its obligations under those requirements will not take place. In the event of future inquiries or an official finding that AMP is or was not in compliance with the requirements of the privatization guidelines or the participation agreement, AMP could be subject to fines and the technical assistance agreement between us and AMP could be terminated, which could have a material adverse effect on our operations. In addition, there can be no assurance that any such developments would not result in a material decrease in the market value of our shares or ADSs.

#### **Risks Related to Mexico**

***Our business is significantly dependent upon the volume of air passenger traffic in Mexico and negative economic developments in Mexico would adversely affect our business and results of operations.***

Mexican domestic passengers in recent years have represented approximately two-thirds of the passenger traffic volume in our airports. In addition, all of our assets are located, and all of our operations are conducted, in Mexico. As a result, our business, financial condition and results of operations could be adversely affected by the general condition of the Mexican economy, by a devaluation of the peso, by inflation and high interest rates in Mexico, or by political, social and economic developments in Mexico.

Mexico has, particularly from 1982 to 1987, from December 1994 through 1995 and in 1998, experienced adverse economic conditions, including slow or negative economic growth and high levels of inflation. In addition, financial turmoil in Argentina, Brazil, Venezuela and elsewhere over the past decade had the effect of producing volatility in the international financial markets, which slowed Mexico's economic growth.

If the Mexican economy falls into a recession or if inflation and interest rates increase significantly, our business, results of operations, prospects and financial condition could suffer material adverse consequences because, among other things, demand for transportation services may decrease. We cannot assure you that similar events will not occur, or that any recurrence of these or similar events would not adversely affect our business, results of operations, prospects and financial condition.

***Depreciation or fluctuation of the peso relative to the U.S. dollar could adversely affect our results of operations and financial condition.***

Following the devaluation of the peso and the economic crisis beginning in 1994, the aggregate passenger traffic volume in our airports in 1995 (then operated by our predecessor) decreased as compared to prior years, reflecting a decrease in Mexican passenger traffic volume. Any future depreciation of the peso could reduce our domestic passenger traffic volume, which could have a material adverse effect on our results of operations.

As of December 31, 2006, we had no significant indebtedness. Although we currently intend to fund the investments required by our business strategy and under our master development programs primarily through cash flow from operations, we are currently considering entering into a peso-denominated credit facility in the second half of 2007 to fund the capital expenditures that we anticipate undertaking in the period from July 2007 to December 2009 at our Los Cabos, Puerto Vallarta, Hermosillo and Bajío international airports. However, depending on economic conditions and credit-market conditions in Mexico, we may incur dollar-denominated debt to finance these capital expenditures or any investments we make in the future. In this case, a devaluation of the peso would increase the debt service cost of such dollar-denominated indebtedness and result in foreign exchange losses.

Severe devaluation or depreciation of the peso could also result in the disruption of the international foreign exchange markets and may limit our ability to transfer, or to convert pesos into, U.S. dollars and other currencies.

Fluctuations in the exchange rate between the peso and the U.S. dollar, particularly depreciations, also may also adversely affect the U.S. dollar equivalent of the peso price of the Series B shares on the Mexican Stock Exchange. As a result, such peso depreciations will likely affect the market price of the ADSs. Exchange rate fluctuations would also affect the ADS depository's ability to convert into U.S. dollars, and make timely payment of, any peso cash dividends and other distributions paid in respect of the Series B shares.

***Political conditions in Mexico could materially and adversely affect Mexican economic policy or business conditions and, in turn, our operations.***

Federal elections were held in Mexico on July 2, 2006. The Federal Electoral Institute announced on July 6, 2006 that Felipe de Jesús Calderón Hinojosa of the center-right Partido Acción Nacional, or PAN, obtained a plurality of the vote, with a narrow margin over Andrés Manuel López Obrador of the center-left Partido de la Revolución Democrática, or PRD. Claiming electoral fraud, Mr. López Obrador initiated legal challenges to the preliminary election results and commenced protests in Mexico City. On September 5, 2006, the Federal Electoral Tribunal (*Tribunal Electoral del Poder Judicial de la Federación*) determined in a non-appealable ruling that Mr. Calderón won the election and formally declared him to be president-elect. Mr. Calderón was sworn in as Mexico's president on December 1, 2006. Mr. López Obrador has announced that he will continue to lead demonstrations protesting the electoral process and the legitimacy of Mr. Calderón's electoral victory. We cannot predict the impact that these protests may have on the Mexican government or on economic and business conditions in Mexico.

Although the PAN won a plurality of the seats in the Mexican Congress in the election, no party succeeded in securing a majority in either chamber of the Mexican Congress. The absence of a clear majority by a single party is likely to continue at least until the next Congressional election in 2009. This situation, combined with the expected continued protests led by Mr. López Obrador, members of the PRD and their supporters, may result in government gridlock and political uncertainty. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition or results of operations.

***We may be liable for property tax claims asserted against us by certain municipalities.***

Claims have been asserted against us by the municipalities of Mexicali, Los Mochis, Tijuana, Los Cabos and Aguascalientes for the payment of property taxes with respect to the real property on which we operate our airports in those cities, and similar claims may be asserted by other municipalities where we operate our airports. The claims in respect of the Los Mochis International Airport and Los Cabos International Airport have been dismissed. In the case of Aguascalientes, although we have received a memorandum from the Aguascalientes ministry of finance stating that the Aguascalientes International Airport is exempt from property taxes, we continue to defend the claim in order to obtain a definitive judicial resolution, which we expect will be in our favor. In the case of Los Cabos, we filed for a judicial annulment, after which, in 2006, the municipal authorities retracted their tax claim. We are also seeking the dismissal of remaining claims pending in Mexicali and Tijuana. The total amount of the property-tax claims outstanding in each of Mexicali and Tijuana are Ps. 89.0 million and Ps. 104.8 million, respectively, although either of these amounts could increase if the underlying claims are not resolved in our favor as a result of penalty and interest surcharges.

In Tijuana, the court had ordered the temporary encumbrance of certain of our assets, including our concession to operate the Tijuana International Airport, pending our deposit of a bond with the court as provisional security, in accordance with Mexican judicial procedures, pending the final resolution of the underlying claims. Although the encumbered assets did not affect the operation of the airport, on February 9, 2006, an irrevocable standby letter of credit was issued by a financial institution on behalf of the Tijuana airport for Ps. 141.8 million in order to release the encumbrance. This amount differs from the original amount of the tax claim because it was an estimate intended to guarantee payment of both the tax and penalties for late payment. A court has also ordered the temporary encumbrance of a portion of the revenues from the parking garage that we operate at the Mexicali International Airport to guarantee the property-tax claims of the Mexicali municipal government. The cumulative amount of such encumbrances is Ps. 3.5 million (nominal pesos). During 2006 we obtained a favorable ruling in the first instance upon a judicial annulment it filed, however, the municipality appealed this decision, and, as in Tijuana, the case is still pending resolution. In the event of a definitive decision in our favor in the annulment proceeding that we have initiated with respect to the Mexicali claim, we expect to recover our encumbered revenues in full.

We believe that the Mexican government, as the owner of the real property upon which we operate our airports, would be responsible for paying these taxes directly if a court were to determine that these taxes must be paid in response to any future proceedings, for which reason we do not believe that liabilities related to any claims or proceedings against us are likely to have, individually or in the aggregate, a material adverse effect on our consolidated financial condition or results of operations. Nonetheless, the Mexican government has indicated publicly that it may propose an amendment to the Mexican Constitution and other laws pursuant to which we could be liable to municipalities for property taxes in the future. If such a change were to occur, and any amounts owed were substantial, these tax liabilities could have a materially adverse effect on our financial condition or results of operations.



***Changes to Mexican laws, regulations and decrees applicable to us could have a material adverse impact on our results of operations.***

The Mexican government has in recent years implemented various changes to the tax laws applicable to Mexican companies, including us. The terms of our concessions do not exempt us from any changes to the Mexican tax laws. Should the Mexican government implement changes to the tax laws that result in our having significantly higher income or asset tax liability, we would be required to pay the higher amounts due pursuant to any such changes, which could have a material adverse impact on our results of operations. In addition, changes to the Mexican constitution or to any other Mexican laws could also have a material adverse impact on our results of operations.

The Mexican Bureau of Civil Aviation (*Dirección General de Aeronáutica Civil*) is responsible for establishing the official operating schedules of our airports. Outside of our airports' official hours of operation, we are permitted to double our airport charges for services that we provide. The Mexican Bureau of Civil Aviation has issued a decree extending the official operating schedule of our Morelia International Airport and our Los Cabos International Airport to 24 hours per day. This decree deprives us of the ability to double our airport charges for off-hour services, and, for this reason, we have challenged the decree in court, see "Item 8—Legal Proceedings—Modification of the operating schedules of our Morelia International Airport and our Los Cabos International Airport" for a more detailed discussion of this matter. There can be no assurance that we will be successful in avoiding this decree. In addition, there can be no assurance that other airports will not adopt similar decrees.

***Minority stockholders may be less able to enforce their rights against us, our directors, or our controlling stockholders in Mexico.***

Under Mexican law, the protections afforded to minority stockholders are different from those afforded to minority stockholders in the United States. For example, because provisions concerning fiduciary duties of directors have only recently been incorporated into the new Securities Market Law, it may be difficult for minority stockholders to bring an action against directors for breach of this duty and achieve the same results as in most jurisdictions in the United States. Procedures for class action lawsuits do not exist under applicable Mexican law. Therefore, it may be more difficult for minority stockholders to enforce their rights against us, our directors, or our controlling stockholders than it would be for minority stockholders of a U.S. company.

***We are subject to different corporate disclosure and accounting standards than U.S. companies.***

A principal objective of the securities laws of the United States is to promote full and fair disclosure of all material corporate information. However, there may be less publicly available information about foreign issuers of securities listed in the United States than is regularly published by or about U.S. issuers of listed securities. In addition, we prepare our consolidated financial statements in accordance with MFRS, which differ from U.S. GAAP in a number of respects. For example, we must incorporate the effects of inflation directly in our accounting records and published consolidated financial statements. While we are required to

reconcile our net income and stockholders' equity to those amounts that would be derived under U.S. GAAP in our annual consolidated financial statements, the effects of inflation accounting under MFRS are not eliminated in such reconciliation in our annual consolidated financial statements. For this and other reasons, the presentation of MFRS consolidated financial statements and reported earnings may differ from that of U.S. companies in this and other important respects. Please see Note 23 to our audited consolidated financial statements.

#### **Risks Related to Global Economy**

##### ***Developments in other countries may affect us.***

The market value of securities of Mexican companies may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In past years, prices of both Mexican debt and equity securities have been adversely affected by a sharp drop in Asian securities markets and economic crises in Russia, Brazil, Argentina and Venezuela.

##### ***Our business could be adversely affected by a downturn in the U.S. economy.***

In recent years, economic conditions in Mexico have become increasingly correlated to economic conditions in the United States. Therefore, adverse economic conditions in the United States could have a significant adverse effect on the Mexican economy. In 2006, 39.2% of the terminal passengers served by our airports arrived and departed, respectively, on international flights, primarily to the United States.

Our business is particularly influenced by trends in the United States relating to leisure travel, consumer spending and international tourism. Events and conditions negatively affecting the U.S. economy will likely have a material adverse effect on our business, results of operations, prospects and financial condition.

We cannot predict what effect any future terrorist attacks or threatened attacks on the United States or any retaliatory measures taken by the United States in response to these events may have on the U.S. economy or leisure travel trends. An economic downturn in the United States may negatively affect our results of operations and a prolonged economic crisis in the United States would likely have a material adverse effect on our results of operations.