***Technical Assistance Fee and Concession Tax***

Under the technical assistance agreement, AMP provides management and consulting services as well as technical assistance and technological and industry knowledge and experience to us in exchange for a fee. This agreement is more fully described in Item 7 hereof. The technical assistance fee for each of 2000 and 2001 was fixed at U.S.$ 7.0 million (adjusted annually for U.S. inflation since August 25, 2000). Subsequent to January 1, 2002, the fee has been equal to the greater of U.S.$ 4.0 million (adjusted annually for U.S. inflation since August 25, 2000) and 5% of our annual consolidated operating income, defined as earnings before interest income or expense (calculated prior to deducting the technical assistance fee, income taxes, depreciation and amortization and in each case determined in accordance with MFRS).

Beginning November 1, 1998, we became subject to the Mexican Federal Duties Law, which requires each of our airports to pay a concession tax to the Mexican government, which is currently equal to 5% of the gross annual revenues of each concession holder obtained from the use of public domain assets pursuant to the terms of its concession. The concession tax may vary on an annual basis as determined solely by the Mexican federal congress, and there can be no assurance that this fee may not increase in the future. If the Mexican federal congress increases the concession tax, we are entitled to request an increase in our maximum rates from the Ministry of Communications and Transportation; however, there can be no assurance that the Ministry of Communications and Transportation would honor our request.

***Depreciation and Amortization***

Our depreciation and amortization expenses reflect primarily the amortization of our investment in our 12 concessions, which we began amortizing for accounting purposes in August 1999, the date on which the value of our concessions was determined based on the value assigned by AMP to our Series BB shares as part of its winning bid to acquire its 15% interest in us. In addition, we amortize the value of certain fixed assets we acquire or build at our airports pursuant to the investment requirements under our master development programs. Moreover, in 2006, 2007 and 2008, we wrote off the remaining balance of certain additions to and construction upon facilities carried out since the beginning of our concession, as they were replaced with new investments as required under the master development program. The amounts of these effects were Ps. 35.8, Ps. 10.9 and Ps. 8.3 million, respectively.

**Taxation**

We and each of our subsidiaries pay taxes on an individual (rather than consolidated) basis. Through 2007, Mexican companies were generally required to pay the greater of their income tax liability (determined at a rate of 29% for 2006, 28% for thereafter) or their asset tax liability (determined at a rate of 1.8% – until December 2006 and 1.25% in 2007 – of the average tax value of virtually all of their assets including, in our case, our concessions), less the average tax value of certain liabilities (through December 2006; beginning in 2007, no liabilities are deducted). Beginning January 1, 2008, Mexican companies must pay the greater of their income tax liability or a new business flat rate tax discussed below, which replaced the asset tax. Due to changes in the tax legislation, effective January 1, 2007, taxpayers who file tax reports and meet certain requirements may obtain a tax credit equivalent to 0.50% or 0.25% of taxable income. If, in any year, the asset tax liability exceeds the income tax liability, the asset tax payment for such excess may be reduced by the amount by which the income tax exceeded the asset tax in the three preceding years. In addition, any required payment of asset tax is creditable against the excess of income tax over asset tax of the following ten years. Mexican companies were exempt from the asset tax during the first three full fiscal years following the commencement of operations (which in our case occurred on November 1, 1998). Accordingly, we were exempt from the asset tax until December 31, 2001.

In 2006 and 2007, we and our subsidiaries paid an aggregate of Ps. 125.9 million, and Ps. 81.9 million, respectively, in asset taxes. The Asset Tax Law was repealed effective January 1, 2008. As a result of changes in the Mexican tax law, the asset tax balance may be recovered through rebates over the following ten years of up to 10% of the total asset tax paid out and pending recovery, provided that this sum does not exceed the difference between the income tax paid during the period and the asset tax paid during the three previous years, whichever is lower, when the income tax exceeds asset tax in any of those years.

On October 1, 2007, a new flat rate business tax (*Impuesto Empresarial a Tasa Única*, or IETU) was approved by the Mexican government and became effective as of January 1, 2008.

In addition, the Tax Benefits Decree and the Third Omnibus Tax Bill were published on November 5 and December 31, 2007, respectively, clarifying or expanding the transitory application of the law regarding transactions carried out in 2007 that will have an impact in 2008. This law, which eliminated the asset tax and replaced it with the IETU, applies to individuals and companies with permanent establishment in Mexico. Such individuals and companies are required to pay the greater of the IETU or the income tax. IETU is calculated by applying a tax rate of 16.5% in 2008, 17.0% in 2009 and 17.5% thereafter to an income determined based on cash flows. This income is determined by decreasing authorized deductions (excluding wages, social security contributions and certain investment expenditures) from total income earned from taxable activities. IETU tax credits are deducted according to procedures established in the IETU tax law.

We regularly review our deferred tax assets for recoverability and, if necessary, establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. Mexican tax law allows Mexican companies utilizing tax amortization rates that are lower than the maximum allowable rates to modify their tax amortization rates every five years, without exceeding the maximum allowable rate. Beginning in 2000, we utilized rates lower than the 15% maximum allowable rate to amortize our airport concessions and rights to use airport facilities for tax purposes.

Our effective tax rates in 2004, 2005, 2006, 2007 and 2008 were 56%, 41%, 29%, 17% and 8%, respectively. Our relatively high effective tax rates prior to 2006 were generally the result of the valuation allowance we recorded each year against asset tax amounts that we did not expect to recover. The decline in our effective tax rate in 2006 was principally due to the favorable final resolution of, and partial refund in connection with, our tax claims in respect of the Aguascalientes, Hermosillo, La Paz, Los Mochis, Morelia and Manzanillo airports that produced an adjustment reversing valuation allowances we took for those airports during 2002, 2003, 2004 and 2005 (such adjustment in aggregate equal to Ps. 144.8 million), offset by the valuation allowance for asset tax relating to the rest of our airports. Our effective tax rate in 2007 declined year on year principally due to i) a smaller valuation allowance for asset tax relative to 2006 and ii) the enactment of IETU which reduced the valuation allowance for recoverable tax on assets paid in previous years to Ps. 354.9 million, mainly for our Tijuana airport. In 2008, our effective tax rate of 8% was significantly lower than the Mexican corporate tax rate of 28% solely due to the changes in NIF B-10, "Effects of Inflation", which resulted in discontinuing recognizing the effects of inflation in our financial statements beginning 2008, while the corresponding tax values of assets and liabilities continue to be adjusted for inflation. This new accounting treatment resulted in a discrepancy between the tax basis and accounting basis of our assets and liabilities, making the tax basis significantly higher than the accounting basis that generated an increase in the deferred income tax asset. We paid Ps. 476.5 million in corporate tax in 2008, representing 28% of our earnings before taxes.

As a result of the enactment of IETU, the Company now has ten years, beginning in 2008 to recover existing asset tax credit carryforwards. The IETU Law also established a mechanism to recover existing asset tax credit carryforwards that ultimately benefited the Company. Based on these changes which resulted in the Company's ability to recover tax on assets that was previously determined to be unrecoverable, coupled with the Company's financial projections from 2008 to 2017, in 2007, the Company recognized a significant decrease of the valuation allowance of recoverable tax on assets paid in previous years for Ps. 354.9 million. This reserve was increased slightly in 2008 to Ps. 79.1 million, based on revised financial projections from 2009 to 2017 coupled with actual results in 2008 with respect to certain of our airports.

On January 1, 1999, we became subject to the statutory employee profit sharing regime established under the Mexican Federal Labor Law (*Ley Federal del Trabajo*). Under this regime, 10% of each unconsolidated company's annual profits (as calculated for tax purposes) must be distributed among its employees, other than its chief executive officer.

**Effects of Devaluation and Inflation**

The following table sets forth, for the periods indicated:

· the percentage that the Mexican peso depreciated or appreciated against the U.S. dollar;

· the Mexican inflation rate;

· the U.S. inflation rate; and

· the percentage that the Mexican gross domestic product, or GDP, changed as compared to the previous period.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2006** | **2007** | **2008** |
| Depreciation (appreciation) of the Mexican peso as compared to the U.S. dollar[1] | 1.7% | 1.0% | 26.7% |
| Mexican inflation rate[2] | 4.0% | 3.8% | 6.5% |
| U.S. inflation rate[3] | 2.5% | 4.1% | 0.1% |
| Increase in Mexican gross domestic product[4] | 4.8% | 3.3% | 1.3% |

(1)Based on changes in the rates for calculating foreign exchange liabilities, as reported by Banco de México, the Mexican Central Bank, at the end of each period, which were as follows: Ps. 10.8116 per U.S. dollar as of December 31, 2006, Ps. 10.9157 per U.S. dollar as of December 31, 2007 and Ps. 13.8320 per U.S. dollar as of December 31, 2008.
(2)Based on changes in the Mexican consumer price index from the previous period, as reported by the Banco de México. The Mexican consumer price index at year end was: 121.015 in 2006, 125.564 in 2007 and 133.761 in 2008.
(3)As reported by the U.S. Department of Labor, Bureau of Statistics.
(4)In real terms, as reported by the Mexican National Institute of Statistics as of February 20, 2009.

The general condition of the Mexican economy, changes in the value of the peso as compared to the dollar, inflation and high interest rates have in the past adversely affected, and may in the future adversely affect, our:

- *Depreciation and amortization expense.* Through 2007, we restated our non-monetary assets to give effect to inflation. The restatement of these assets in periods of high inflation increased the carrying value of these assets in pesos, which in turn increased the related depreciation expense and risk of impairments. Our airport concessions are being amortized on a straight-line basis over the life of the concession and rights acquired.

- *Passenger charges.* Passenger charges for international passengers are currently denominated in dollars, while passenger charges for domestic passengers are denominated in pesos. Because, through 2007, MFRS required Mexican companies to restate their results of operations in prior periods in constant pesos as of the most recent balance sheet date, when the rate of inflation in a period exceeded the depreciation of the peso as compared to the dollar for that period, the peso value of dollar-denominated or dollar-linked revenues in the prior period was higher than those of the current period. This effect may occur despite the fact that the amount of such revenues in dollar terms may have been greater in the current period.

- *Comprehensive financing result.* As required by MFRS, our comprehensive financing result reflects gains or losses from foreign exchange, gains or losses from monetary position (through 2007) and gains and losses from interest. As a result, it is impacted by currency depreciation.

- *Maximum rates in pesos.* Our tariffs for the services we provide to international flights or international passengers are denominated in U.S. dollars, but are generally paid in Mexican pesos based on the average exchange rate for the month prior to each flight. During 2007 and 2008, we collected passenger charges from airlines within 78 to 88 days and 75 to 86 days, respectively, following the date of each flight. We intend to charge prices that are as close as possible to the maximum rates that we can charge. Since we are usually only entitled to adjust our specific prices once every six months (or earlier upon a cumulative increase of 5% in the Mexican producer price index, excluding petroleum), a depreciation of the peso as compared to the dollar, particularly late in the year, could cause us to exceed the maximum rates at one or more of our airports, possibly leading to the termination of one of our concessions if it is repeated and sanctioned by the Ministry of Communications and Transportation at least three times. In the event that any one of our concessions is terminated, our other concessions may also be terminated. In addition, if the peso appreciates as compared to the dollar we may underestimate the specific prices we can charge for regulated services and be unable to adjust our prices upwards to maximize our regulated revenues.

In accordance with the new NIF B-10, “Effects of Inflation,” since the cumulative inflation in Mexico measured by the Mexican Consumer Price Index in the three-year period ended December 31, 2007 was below 26%, we ceased recognizing the effects of inflation in our financial statements for the fiscal year beginning January 1, 2008.

**Results of operations by Airport**

The following table sets forth our results of operations for the years indicated for each of our principal airports.

**Airport Results of Operations**

| | Airport Operating Results | | |
|---|---|---|---|
| | Year ended December 31, | | |
| | 2006 | 2007 | 2008 |
| | (millions of pesos, except percentages) | | |
| **Guadalajara:** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 809.3 | Ps. 930.1 | Ps. 930.6 |
| Non-aeronautical services | 201.3 | 232.9 | 233.2 |
| Total revenues | 1,010.6 | 1,163.0 | 1,163.8 |
| Operating costs | 533.4 | 538.8 | 588.5 |
| Costs of services | 281.2 | 298.1 | 345.0 |
| Depreciation and amortization | 252.2 | 240.7 | 243.5 |
| Income from operations | 477.2 | 624.2 | 575.3 |
| Operating margin(1) | 47.2% | 53.7% | 49.4% |
| **Tijuana:** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 342.0 | Ps. 424.3 | Ps. 368.4 |
| Non-aeronautical services | 46.4 | 53.5 | 96.8 |
| Total revenues | 388.4 | 477.8 | 465.2 |
| Operating costs | 286.8 | 304.9 | 322.5 |
| Costs of services | 152.0 | 168.4 | 185.5 |
| Depreciation and amortization | 134.8 | 136.5 | 137.0 |
| Income from operations | 101.6 | 172.9 | 142.7 |
| Operating margin(1) | 26.2% | 36.2% | 30.7% |
| **Puerto Vallarta:** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 397.6 | Ps. 418.0 | Ps. 454.1 |
| Non-aeronautical services | 86.8 | 110.5 | 131.1 |
| Total revenues | 484.4 | 528.5 | 585.2 |
| Operating costs | 227.7 | 245.7 | 285.4 |
| Costs of services | 129.2 | 144.1 | 175.3 |
| Depreciation and amortization | 98.5 | 101.6 | 110.1 |
| Income from operations | 256.7 | 282.8 | 299.8 |
| Operating margin(1) | 53.0% | 53.5% | 51.2% |
| **Los Cabos:** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 379.4 | Ps. 403.6 | Ps. 432.5 |
| Non-aeronautical services | 129.0 | 152.6 | 153.4 |
| Total revenues | 508.4 | 556.2 | 585.9 |
| Operating costs | 183.5 | 219.2 | 231.8 |
| Costs of services | 119.7 | 151.4 | 144.5 |
| Depreciation and amortization | 63.8 | 67.8 | 87.3 |
| Income from operations | 324.9 | 337.0 | 354.1 |
| Operating margin(1) | 63.9% | 60.6% | 60.4% |
| **Hermosillo:** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 115.7 | Ps. 132.2 | Ps. 132.3 |
| Non-aeronautical services | 22.4 | 24.1 | 24.2 |
| Total revenues | 138.1 | 156.3 | 156.5 |
| Operating costs | 101.6 | 110.0 | 119.6 |
| Costs of services | 63.7 | 70.6 | 78.5 |
| Depreciation and amortization | 37.9 | 40.4 | 41.1 |
| Income from operations | 36.5 | 45.3 | 36.9 |
| Operating margin(1) | 26.4% | 29.0% | 23.6% |
| **Guanajuato:** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 147.1 | Ps. 160.7 | Ps. 144.8 |
| Non-aeronautical services | 27.3 | 31.4 | 32.9 |
| Total revenues | 174.4 | 192.1 | 177.7 |
| Operating costs | 100.2 | 107.7 | 116.4 |
| Costs of services | 63.4 | 69.7 | 79.4 |
| Depreciation and amortization | 36.8 | 38.0 | 37.0 |
| Income from operations | 74.2 | 84.4 | 61.3 |
| Operating margin(1) | 42.5% | 44.0% | 34.5% |
| **Other(2):** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 289.1 | Ps. 344.0 | Ps. 299.5 |
| Non-aeronautical services | 52.8 | 59.4 | 57.0 |
| Total revenues | 341.9 | 403.4 | 356.5 |
| Operating costs | 331.3 | 365.1 | 391.3 |
| Costs of services | 216.6 | 241.3 | 269.3 |
| Depreciation and amortization | 114.7 | 123.8 | 122.0 |
| Income from operations | 10.6 | 38.3 | (34.8) |
| Operating margin(1) | 3.2% | 9.5% | (9.8)% |
| **Total(3):** | | | |
| Revenues: | | | |
| Aeronautical services | Ps. 2,480.2 | Ps. 2,812.9 | Ps. 2,762.2 |
| Non-aeronautical services | 566.0 | 664.4 | 728.6 |
| Total revenues | 3,046.2 | 3,477.3 | 3,490.8 |
| Operating costs | 1,764.5 | 1,891.9 | 2,055.5 |
| Costs of services | 1,025.8 | 1,143.6 | 1,277.5 |
| Depreciation and amortization | 738.7 | 748.8 | 778.0 |
| Income from operations | 1,281.7 | 1,584.9 | 1,435.3 |
| Operating margin(1) | 42.1% | 45.6% | 41.1% |

(1) We determine operating margin per airport by dividing income from operations at each airport or group of airports by total revenues for that airport or group of airports.
(2) Reflects the results of operations of our airports located in Morelia, La Paz, Aguascalientes, Mexicali, Los Mochis and Manzanillo.
(3) Total amount includes results from airport operating subsidiaries only.

Historically, our most profitable airports have been our Los Cabos, Guadalajara and Puerto Vallarta International Airports, which handle the majority of our international passengers.  We determine profitability per airport by dividing income from operations at each airport by total revenues for that airport.  Operating margins at our Tijuana International Airport historically have been lower than at our other airports because the maximum rates applicable to aeronautical services provided at our Tijuana International Airport are lower than those applicable to our other principal airports.  In addition, the amortization of our concession relative to the level of revenues is much higher at our Tijuana International Airport than at our other principal airports.

**Summary Historical Results of Operations**

The following table sets forth a summary of our consolidated results of operations for the years indicated.

| | Summary Consolidated Operating Results | | | | |
|---|---|---|---|---|---|
| | Year ended December 31, | | | | |
| | 2006 | 2007 | | 2008 | |
| | Amount | Amount | % change | Amount | % change |
| | (thousands of pesos, except percentages) | | | | |
| **Revenues:** | | | | | |
| Aeronautical services | Ps. 2,480,210 | Ps. 2,812,869 | 13.4% | Ps. 2,762,198 | (1.8)% |
| Non-aeronautical services | 565,983 | 664,455 | 17.4 | 728,587 | 9.7 |
| Total revenues | 3,046,193 | 3,477,324 | 14.2 | 3,490,785 | 0.4 |
| **Operating costs:** | | | | | |
| Cost of services | 759,747 | 839,119 | 10.4 | 952,729 | 13.5 |
| Technical assistance fees | 109,277 | 125,857 | 15.2 | 118,226 | (6.1) |
| Concession taxes | 151,333 | 172,846 | 14.2 | 173,533 | 0.4 |
| Depreciation and amortization | 744,137 | 754,097 | 1.3 | 798,251 | 5.9 |
| Total operating costs | 1,764,494 | 1,891,919 | 7.2 | 2,042,739 | 8.0 |
| Income from operations | 1,281,699 | 1,585,405 | 23.7 | 1,448,046 | (8.7) |
| **Net comprehensive financing income** | | | | | |
| Interest income, net | 77,957 | 152,806 | 96.8 | 105,553 | (30.9) |
| Exchange (loss) gain, net | 5,551 | (2,078) | (137.4) | 92,402 | (4,546.7) |
| Monetary position loss | (55,169) | (59,117) | 7.2 | 0 | (100.0) |
| Gain from embedded derivatives | 1,850 | 5,732 | 154.7 | 16,923 | 195.2 |
| Net comprehensive financing income | 30,189 | 97,343 | 222.4 | 214,878 | 120.7 |
| Other (expense) income | 245 | (2,352) | (1,060.0) | 7,543 | (420.7) |
| Income before income taxes | 1,312,133 | 1,680,396 | 28.1 | 1,670,467 | (0.6) |
| Income tax expense | 384,108 | 277,577 | (27.7) | 129,625 | (53.3) |
| Consolidated net income | 928,025 | 1,402,819 | 51.2 | 1,540,842 | 9.8 |
| **Other operating data (unaudited):** | | | | | |
| Operating margin(1) | 42.1% | 45.6% | | 41.5% | |
| Net margin(2) | 30.5% | 40.3% | | 44.1% | |

(1) Income from operations divided by total revenues, expressed as a percentage.
(2) Net income divided by total revenues, expressed as a percentage.

**Results of operations for the year ended December 31, 2008 compared to the year ended December 31, 2007**

***Revenues***

Total revenues for 2008 increased 0.4%, from Ps. 3,477.3 million in 2007 to Ps. 3,490.8 million in 2008. This increase was mainly due to a 9.7% increase in non-aeronautical services revenues offset by a 1.8% decrease in aeronautical services revenues.

Aeronautical services revenues decreased 1.8%, from Ps. 2,812.9 million in 2007 to Ps. 2,762.2 million in 2008. This decrease was due primarily to decreased revenues from passenger charges, which decreased Ps. 60.8 million, driven by a 5.6% decrease in total passenger traffic (representing 119.9% of the decrease in aeronautical services revenues, contributing a 450.4% decrease in total revenues). However, this decrease was partially offset by the increase of Ps. 22.3 million in revenues from airplane landing and parking fees, an increase of 8.9% compared to 2007. This was the result of a different mix of the incentives offered in 2008 when compared to 2007 to all airlines to attract new routes and frequencies to and from our airports. As a result of the aforementioned and according to the concession agreements for the recognition of the effect of inflation and the application of the efficiency factor, both under the maximum tariff, aeronautical revenues per work load unit increased from Ps. 111.7 in 2007 to Ps. 116.5 in 2008.

Non-aeronautical services revenues for 2008 increased Ps. 64.1 million, or 9.7% compared to 2007. This increase is mainly attributable to revenues derived from car parking services, which rose by Ps. 26.6 million, mainly due to the recovery of the parking facility in our Tijuana International airport that occurred in January 2008, revenues from advertising, which increased Ps. 9.2 million, revenues from the leasing of commercial spaces, which increased Ps. 7.2 million, revenues from the leasing of spaces to food and beverage vendors, which increased by Ps. 6.6 million, revenues from the leasing of spaces to duty-free stores, which increased by Ps. 5.6 million and revenues from the leasing of spaces to car rentals, which increased Ps. 4.6 million. Overall revenue from non-aeronautical services per passenger during 2008 was Ps. 32.7, compared to Ps. 28.2 in 2007, an increase of 16.0%.

***Operating Costs***

*Cost of Services*

Cost of services for 2008 increased by Ps. 113.6 million, or 13.5%, from Ps. 839.1 million in 2007 to Ps. 952.7 million in 2008. Of the total increase, 39.9% was due to a Ps. 45.3 million reserve for doubtful accounts relating to several airlines that discontinued operations in 2008 due to insolvency or suspension by the regulatory authorities. The last airline to suspend or discontinue operations in Mexico that affected us negatively was Líneas Aéreas Allegro, S.A. de C.V., or Allegro, in 2003. See "Item 4, *Business Overview – Our Airports – Changes in Principal Airlines Operating at our Airports*." The increase in cost of services was also due to a Ps. 23.2 million increase in the cost of airport maintenance (mainly in terminal, runway and parking facilities), increased utilities costs of Ps. 22.8 million, an increase in wages and salaries by approximately Ps. 15.8 million resulting primarily from a personnel restructuring and an increase in provisions for labor obligations and personnel benefits for Ps. 5.2 million.

*Technical Assistance Fee and Concession Tax*

The technical assistance fee decreased 6.1%, from Ps. 125.9 million in 2007 to Ps. 118.2 million in 2008. This decrease was mainly due to a decrease in operating income, principally resulting from a Ps. 45.3 million increase in the reserve for doubtful accounts relating to several airlines that discontinued operations in 2008 due to insolvency or suspension by the regulatory authorities. As mentioned above, the last airline to suspend or discontinue operations in Mexico was Allegro in 2003. See "Item 4, *Business Overview – Our Airports – Changes in Principal Airlines Operating at our Airports*." The decrease in the technical assistance fee was also due to the fact that operating costs and expenses grew in a greater proportion than total revenues in 2008.

As a result of increased revenues, government concession taxes increased by 0.4%, from Ps. 172.8 million in 2007 to Ps. 173.5 million in 2008.

*Depreciation and Amortization*

Depreciation and amortization increased 5.9%, from Ps. 754.1 million in 2007 to Ps. 798.2 million in 2008, mainly due to the increase in our infrastructure to fulfill the master development programs and our commitment to provide better services to our clients. The concession's amortization did not report any change.

***Income from Operations***

Operating income decreased 8.7%, from Ps. 1,585.4 million in 2007 to Ps. 1,448.0 million in 2008.

Our operating margin decreased 410 basis points, from 45.6% in 2007 to 41.5% in 2008, mainly due to a higher rate of increase in our operating expenses when compared to the increase in revenues.

The main airports that contributed to the decrease in income from operations for the year ended December 31, 2008 were Guadalajara (income from operations decreased 7.8%, from Ps. 624.2 million to Ps. 575.3 and the operating margin decreased 8.0%, from 53.7% to 49.4%), Tijuana (income from operations decreased 17.5%, from Ps. 172.9 million to Ps. 142.7 million and the operating margin decreased 15.2%, from 36.2% to 30.7%), Guanajuato (income from operations decreased 27.4%, from Ps. 84.4 million to Ps. 61.3 million and the operating margin decreased 21.6%, from 44.0% to 34.5%) and Hermosillo (income from operations decreased 18.5%, from Ps. 45.3 million to Ps. 36.9 million and the operating margin decreased 18.6% from 29.0% to 23.6%). In the case of the Puerto Vallarta airport, although income from operations increased, the operating margin slightly decreased given the higher proportionate increase in operating costs.

***Comprehensive Financing Result***

The comprehensive financing result in 2008 increased by Ps. 117.6 million, or 120.7%, reaching an income of Ps. 214.9 million compared to the Ps. 97.3 million comprehensive financing result reported in 2007. This increase resulted mainly from an exchange gain of Ps. 92.4 million in 2008, compared to an exchange loss of Ps. 2.1 million during the same period in 2007. In addition, NIF B-10, which no longer permits the recognition of inflation, resulted in the Company not recognizing the effect on its monetary position for 2008, while in 2007 the Company had a monetary loss of Ps. 59.1 million. These benefits were offset by the decrease of Ps. 47.2 million in net interest income.

***Income Taxes and Asset Tax***

Income taxes for 2008 resulted in a expense of Ps. 129.6 million, which consists of the following: (a) current income tax expense for the year of Ps. 439.4 million, (b) an increase in the valuation allowance for the asset tax recovery of Ps. 79.1 million, stemming from revised financial projections at certain of our airports, (c) cancellation of recoverable income tax of Ps. 8.5 million all offset by a deferred income tax benefit of Ps. 397.4 million. The effective tax rate for the Company decreased from 17% for 2007 to 8% in 2008 mainly due to inflationary effects recognized only for the tax basis of our assets and liabilities and no longer for the accounting values of our assets and liabilities. Income tax decrease of 147.9 million was mainly driven by the aforementioned factors, as well as due to the 1.0% decrease in income before taxes.

***Net Income***

Net income increased Ps. 138.0 million, mainly due to the increase in comprehensive financing result of Ps. 117.5 million and a significant decrease in income tax expense of Ps. 148.0 million, partially offset by a decrease of Ps. 137.4 million in operating income. The Company’s net income increased 9.8%, from Ps. 1,402.8 million in 2007 to Ps. 1,540.8 in 2008. Net margin increased from 40.3% in 2007 to 44.1% in 2008, due to the aforementioned factors.

**Results of operations for the year ended December 31, 2007 compared to the year ended December 31, 2006**

***Revenues***

Total revenues for 2007 increased 14.2%, from Ps. 3,046.2 million in 2006 to Ps. 3,477.3 million in 2007. This increase was mainly due to a 13.4% increase in aeronautical services revenues and a 17.4% increase in non-aeronautical services revenues.

Aeronautical services revenues increased 13.4%, from Ps. 2,480.2 million in 2006 to Ps. 2,812.9 million in 2007. This increase was due primarily to increased revenues from passenger charges fees, which increased Ps. 355 million, driven by a 14.9% increase in total passenger traffic (representing 106.7% of the increase in aeronautical services revenues and 82.3% of the increase in total revenues). However, this increase was partially offset by the decline of Ps. 37.2 million in revenues from airplane landing, parking fees and boarding fees, a decrease of 11.9% compared to 2006. This was the result of the incentives offered to all airlines to attract new routes and frequencies to and from our airports.

As a result of the aforementioned and according to the concession agreements for the recognition of the effect of inflation and the application of the efficiency factor, both under the maximum tariff, aeronautical revenues per passenger decreased 0.3%, from Ps. 112.1 in 2006 to Ps. 111.7 in 2007.

Non-aeronautical services revenues for 2007 increased Ps. 98.5 million, or 17.4% compared to 2006. This increase is mainly attributable to revenues derived from the leasing of space to timeshare developers, which increased Ps. 23.1 million, revenues from parking spaces, which rose by Ps. 21.3 million, revenues from the leasing of commercial spaces, which increased Ps. 21.2 million, and revenues from the leasing of space to food and beverage vendors, which increased by Ps. 10.3 million. These increases led to overall growth in commercial revenues of Ps. 97.9 million, or 25.4% when compared to 2006 (which represented an increase in non-aeronautical service revenues of 77.0% and 17.6% of the total revenue increase). Overall revenue from non-aeronautical services per passenger during 2007 was Ps. 28.2, compared to Ps. 27.6 in 2006, an increase of 2.2%.

***Operating Costs***

*Cost of Services*

Cost of services for 2007 increased by Ps. 79.4 million, or 10.4%, from Ps. 759.7 million in 2006 to Ps. 839.1 million in 2007, mainly due to a Ps. 15.0 million increase in the cost of airport maintenance and due primarily to a total provision of Ps. 46.3 million for the employee transfer under which unionized employees of each of our subsidiary airport companies were transferred to a new subsidiary, *Corporativo de Servicios Aeroportuarios, S.A. de C.V.,* effective January 1, 2008. We believe the employee transfer, which did not affect workers' rights under applicable collective bargaining agreements, is expected to provide for more equitable compensation among our workforce at different airports as well as more consistent employee costs going forward.

*Technical Assistance Fee and Concession Tax*

The technical assistance fee increased 15.2%, from Ps. 109.3 million in 2006 to Ps. 125.9 million in 2007, mainly because, operating income, as a percentage of the Company's revenues, grew more than operating expenses. As a result of increased revenues, government concession fees increased by 14.2%, from Ps. 151.3 million in 2006 to Ps. 172.8 million in 2007.

*Depreciation and Amortization*

Depreciation and amortization increased 1.3%, from Ps. 744.1 million in 2006 to Ps. 754.1 million in 2007, mainly due to the 5.2% increase in depreciation due to the increase in our infrastructure to fulfill the master development programs and our commitment to provide better services to our clients. The concession's amortization did not report any change.

***Income from Operations***

Operating income increased 23.7%, from Ps. 1,281.7 million in 2006 to Ps. 1,585.4 million in 2007.

Our operating margin increased 350 basis points, from 42.1% in 2006 to 45.6% in 2007, mainly due to our increase in revenues, offset by the increase in our operating expenses.

The main airports that contributed to the increase in income from operations for the year ended December 31, 2007 were Tijuana (income from operations increased 71.3%, from 101.6 million to Ps. 172.9 million and the operating margin increased 38.6%, from 26.2% to 36.2%), Guadalajara (income from operations increased 30.8%, from Ps. 477.2 million to Ps. 624.2 million and the operating margin increased 13.5%, from 47.2% to 53.7%), Los Cabos (income from operations increased 3.7%, from Ps. 324.9 million to Ps. 337.0 million and the operating margin decreased 5.2% from 63.9% to 60.6%) and Puerto Vallarta (income from operations increased 10.2%, from Ps. 256.7 million to Ps. 282.8 million and the operating margin increased 0.5%, from 53.0% to 53.5%). The improvement in Tijuana and Guadalajara was mainly a result of an increase in passenger traffic volumes, and to cost controls. In the case of Puerto Vallarta there were only slight changes in operating margins.

***Comprehensive Financing Result***

The comprehensive financing result in 2007 increased by Ps. 67.1 million, or 223.2%, reaching an income of Ps. 97.3 million compared to the Ps. 30.2 million comprehensive financing income reported in 2006. This increase was derived from the interest gained on financial investments, which generated Ps. 26.4 million more than the previous year, but mainly due to recognizing Ps. 68.5 million in inflationary effects on recoverable asset tax that will be recovered according to the new IETU Tax Law. These increases were offset by an interest expense of Ps. 20.1 million incurred in 2007 corresponding to the credit facility signed during the year for the financing of the master development program projects at the Los Cabos, Puerto Vallarta, Hermosillo and Guanajuato Airports.

***Income Taxes and Asset Tax***

Income taxes for 2007 resulted in a charge of Ps. 277.6 million, which consists of the following: (a) taxes paid for the year of Ps. 492.9 million, (b) minus the benefit from the asset tax recovery of Ps. 286.4 million, stemming from the new Mexican Tax Law IETU, which became effective January 1, 2008, (c) plus cancellation of recoverable income tax of Ps. 42.8 million and d) plus deferred income tax of Ps. 28.3 million. The effective tax rate for the Company decreased from 29.3% in 2006 to 16.5% for 2007. This decrease was mainly driven by the aforementioned factors, as well as due to the 28.1% increase in income before taxes.

***Net Income***

Net income increased Ps. 474.8 million due to the improvement in operating results, previously mentioned, as well as due to the benefit in the comprehensive financing result. The Company's net income increased 51.2%, from Ps. 928.0 million in 2006 to Ps. 1,402.8 million in 2007. Net margin increased from 30.5% in 2006 to 40.3% in 2007, due to the aforementioned factors.

**Liquidity and Capital Resources**

Historically, our operations had been funded through cash flow from operations, and we had not incurred any significant indebtedness until 2007. The cash flow generated from our operations has generally been used to fund operating costs and capital expenditures, including expenditures under our master development programs, and the excess of our cash flow has been added to our accumulated cash balances. In addition, in 2006, 2007 and 2008, we used Ps. 774.3 million, Ps. 1,171.6 million and Ps. 1,122.0, respectively, of our cash balances for the payment of dividends.

At December 31, 2007 and 2008, we had Ps. 1,666.1 million and Ps. 1,781.2 million, respectively, of cash, cash equivalents and financial investments held for trading purposes. This increase was due in part to existing funds from a bank loan of Ps. 311.0 million (in connection with the credit agreement described below), which is expected to be used for capital expenditures in 2009. We believe our working capital and resources expected to be generated from operations, in conjunction with the proceeds from the credit agreement described below, will continue to meet our present requirements.

We executed an unsecured peso-denominated credit agreement with Banamex on August 31, 2007, which provides financing in an amount of Ps. 1,214.0 million, which we expect to use to fund capital expenditures at our Los Cabos, Puerto Vallarta, Hermosillo and Guanajuato international airports. This amount was available for disbursement in three separate tranches as follows: (i) Ps. 600.0 million which was available on September 7, 2007, (ii) Ps. 344.0 million at any time prior to January 31, 2008, and (iii) Ps. 270.0 million at any time prior to January 31, 2009.

On September 7, 2007 and January 30, 2008, we borrowed the first two available tranches of Ps. 600.0 million and Ps. 344.0 million as follows: the Los Cabos airport borrowed Ps. 330.0 million and Ps. 273.0 million, the Puerto Vallarta airport borrowed Ps. 193.0 million and Ps. 26.0 million, the Hermosillo airport borrowed Ps. 44.0 million and Ps. 17.0 million, and the Guanajuato airport borrowed Ps. 33.0 million and Ps. 28.0 million, respectively. In January 2009, we also borrowed Ps. 270 million under the third tranche as follows: the Los Cabos airport borrowed Ps. 202.0 million, the Puerto Vallarta airport borrowed Ps. 8.0 million, the Hermosillo airport borrowed Ps. 41.0 million and the Guanajuato airport borrowed Ps. 19.0 million, respectively. The borrowings mature in seven years from the date of the borrowing and bear a fixed interest rate of 8.52% on unpaid balances. Interest payments and amortization of principal are required to be made in 28 consecutive quarterly payments. We have been paying the amortization of principal and interest on each maturity date on each tranche. We have to comply with the following covenants, among others: (i) limitation on the use of proceeds for the financing of capital expenditures and working capital, (ii) restriction on the incurrence of other debt by any subsidiary, (iii) prohibition on the merger of our Company (or any of its subsidiaries) with any other company, (iv) prohibition on the sale or transfer of assets in an amount greater than Ps. 1.0 million, without previous authorization from Banamex, (v) maintenance of certain financial ratios and (vi) prohibition of dividends in case the airports are unable to fulfill their obligations under the credit agreement.

In 2008, we generated Ps. 1,614.6 million from operating activities, principally reflecting income from operations after taking into consideration non-cash charges such as depreciation and amortization. Income generated from operations was mainly used to make a dividend payment of Ps. 864.0 million on May, 12, 2008 and Ps. 258.0 million on October, 31, 2008, as well as to invest approximately Ps. 522.0 million in machinery and equipment and improvements to our airport facilities.

In 2007, we generated Ps. 2,020.2 million from operating activities, as compared to Ps. 1,525.5 million in 2006, principally reflecting income from operations discussed above after taking into consideration non-cash charges such as depreciation, amortization and deferred income tax. Income generated from operations was mainly used to make a dividend payment of Ps. 837.7 million on May 18, 2007 and Ps. 333.9 on October 31, 2007, as well as to invest approximately Ps. 932.3 million in machinery and equipment and improvements to our airport facilities.

On January 25, 2006, we entered into a line of credit with a financial institution, which provides for the issuance of letters of credit up to an aggregate amount of Ps. 300 million in order to guarantee all amounts claimed by municipal authorities and referred to in Note 20.b to our audited consolidated financial statements. Although no borrowings have been made against the line of credit, until the line of credit expires in 2009, our airports will be subject to certain financial covenants thereunder, including, among others, the requirement to (i) maintain a consolidated tangible net worth (defined as stockholders' equity less intangible assets (including airport concessions) and reserves for inflationary effects, in each case under MFRS) of at least Ps. 2,100 million, (ii) maintain a free and unencumbered cash reserve equal to the amount due on any outstanding letter of credit and (iii) earn consolidated annual EBITDA (as defined in the credit agreement) of at least Ps. 1,000 million. On February 9, 2006, an irrevocable standby letter of credit was issued in respect of the Tijuana tax claim in the amount of Ps. 141.8 million (nominal pesos). See "Item 8, *Legal Proceedings – Property tax claims by certain municipalities.*" The standby letter of credit was granted to the bond institution that issued the bond to municipal authorities in Tijuana in order to release the encumbrance described in Note 20.a to our audited consolidated financial statements. On March 25, 2008, the Tijuana airport received an initial ruling declaring null and void the tax claim by the municipal authority but upholding the right of the municipal authorities to assess real estate taxes over commercial areas. We filed a legal proceeding against the resolution but limited to the court's decision to sustain the municipal authorities' right to claim real estate taxes over the commercial areas. Although this initial ruling is currently being appealed by us, we petitioned that the bond be refunded in the interim because the municipality did not appeal any matter in the resolution. Accordingly, on February 7, 2009, the Company's line of credit for the issuance of letters of credit was cancelled.

Under the terms of our concessions, each of our subsidiary concession holders is required to present a master development program for approval by the Ministry of Communications and Transportation every five years. Each master development program includes investment commitments (including capital expenditures and improvements) applicable to us as concession holder for the succeeding five-year period. Once approved by the Ministry of Communications and Transportation, these commitments become binding obligations under the terms of our concessions. In December 2004, the Ministry of Communications and Transportation approved our master development programs for each of our airports for the 2005 to 2009 period. These 5-year programs will be in effect from January 1, 2005 until December 31, 2009.

The following table sets forth our historical capital expenditures, which reflect our actual expenditures (as compared to our committed investments, which are presented further below), by airport, for the years indicated. The substantial majority of these investments were made under the terms of our master development programs.

**Historical Capital Expenditures by Airport**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2006 | 2007 | 2008(1) |
| | | (thousands of pesos) | |
| Guadalajara | Ps. 195,738 | Ps. 238,682 | Ps. 160,491 |
| Tijuana | 39,766 | 25,401 | 38,512 |
| Puerto Vallarta | 150,711 | 178,223 | 26,723 |
| Los Cabos | 151,507 | 318,842 | 181,211 |
| Hermosillo | 41,236 | 17,330 | 22,271 |
| Guanajuato | 13,507 | 11,637 | 20,942 |
| La Paz | 11,053 | 8,594 | 10,215 |
| Morelia | 17,552 | 2,164 | 8,040 |
| Mexicali | 26,659 | 12,256 | 19,499 |
| Aguascalientes | 5,696 | 22,147 | 6,948 |
| Los Mochis | 12,966 | 15,254 | 13,120 |
| Manzanillo | 23,287 | 8,323 | 8,608 |
| Other | (23,919) | 72,764 | 5,394 |
| Total | Ps. 665,760 | Ps. 931,617 | Ps. 521,974 |

(1) As of December, 31, 2008, the Company invested Ps. 223,530 in capital expenditures, which at that date were unpaid. Therefore, these figures do not reflect that investment.

The following table sets forth our historical capital expenditures by type of investment across all of our airports for the years indicated:

**Historical Capital Expenditures by Type**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2006 | 2007 | 2008(1) |
| | | (thousands of pesos) | |
| Terminals | Ps. 171,931 | Ps. 406,804 | Ps. 138,161 |
| Runways and aprons | 270,980 | 276,597 | 312,754 |
| Machinery and equipment | 108,871 | 65,966 | 39,470 |
| Other | 113,978 | 182,250 | 31,589 |
| Total | Ps. 665,760 | Ps. 931,617 | Ps. 521,974 |

(1) As of December, 31, 2008, the Company invested Ps. 223,530 in capital expenditures, which at that date were unpaid. Therefore, these figures do not reflect that investment.

Our capital expenditures from 2006 through 2008 were allocated to the following types of investments at the majority of our airports:

· *Terminals.* We remodeled many of the terminals at our airports by expanding departure areas (concourses and lounges), baggage claim areas and arrival areas, by improving lighting systems, adding office space, adding taxi and other ground transportation waiting areas, and by increasing handicap services and remodeling our restrooms.

· *Runways and aprons.* We improved the lighting systems on our runways and access roads, expanded our aircraft parking areas, and made improvements and renovations to the fences on the outlying areas of our properties subject to our concessions.

- *Machinery and equipment.* We invested in machinery and equipment such as fire extinguishing vehicles, emergency back-up electricity generators, metal detectors and other security-related equipment, ambulances, moving walkways and public information systems.

- *Other.* We installed sewage treatment plants and systems at several of our airports, improved our drainage systems, and installed underground electric wiring systems at several of our airports.

The following table sets forth our estimated committed investments for each airport for 2005 through 2009 under our master development programs. These amounts are based on investment commitments approved by the Ministry of Communications and Transportation and have been adjusted by us to take into consideration increases in petroleum and steel prices since the Ministry's approval. We are required to comply with the investment obligations under these programs on a year-by-year basis. For a discussion of the regulations applicable to our compliance with our master development programs, see "Item 4, *Regulatory Framework – Master Development Programs*."

**Estimated Committed Investments by Airport**

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** |
| | (thousands of pesos)[1][2][3] | | | | |
| Guadalajara | Ps. 221,029 | Ps. 162,231 | Ps. 182,321 | Ps. 156,512 | Ps. 26,719 |
| Tijuana | 73,242 | 29,178 | 24,668 | 51,270 | 58,659 |
| Puerto Vallarta | 190,673 | 102,525 | 157,102 | 29,395 | 19,774 |
| Los Cabos | 54,501 | 178,569 | 155,249 | 227,932 | 199,996 |
| Hermosillo | 51,656 | 44,820 | 14,578 | 22,912 | 47,906 |
| Guanajuato | 38,032 | 21,368 | 14,563 | 34,424 | 29,316 |
| La Paz | 40,906 | 20,359 | 9,119 | 13,903 | 20,637 |
| Morelia | 43,038 | 24,714 | 8,166 | 10,212 | 35,389 |
| Mexicali | 65,763 | 17,603 | 14,362 | 17,573 | 16,487 |
| Aguascalientes | 16,157 | 9,178 | 7,794 | 16,798 | 29,861 |
| Los Mochis | 16,308 | 11,630 | 8,682 | 14,687 | 11,216 |
| Manzanillo | 34,888 | 25,214 | 11,917 | 10,807 | 16,027 |
| Total | Ps. 846,193 | Ps. 647,389 | Ps. 608,521 | Ps. 606,425 | Ps. 511,987 |

(1) Figures expressed in constant pesos as of December 31, 2004 based on the Mexican production, merchandise and construction price index (*Índice Nacional de Precios a la Producción, Mercancías y Servicios Finales, Sector Secundario Construcción*), which is the index that the Ministry of Communications and Transportation directed us to apply in restating those values. We have submitted a formal request to the Ministry of Communications and Transportation seeking confirmation that the correct index to be applied to update the amounts set forth in our master development programs is instead the Mexican Producer Price Index. Should the Ministry of Communications and Transportation approve our request, each of the figures set forth in the table above would be reduced by approximately 6%.
(2) Reflects changes to the master development programs for our Puerto Vallarta and Los Cabos airports agreed to with the Ministry of Communications and Transportation in 2007.
(3) Variations in estimated committed investment amounts reported by us from time to time are the result of changes in the allocation of investment amounts to different airports and revisions to, and deferrals of, investments in baggage screening systems, which investments cannot be finalized until we reach a definitive agreement with our various airline customers.

The following table sets forth our estimated committed investments for 2005 through 2009 by type of investment:

**Estimated Committed Investments by Type**

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (thousands of pesos)(1)(2)(3) | | | | |
| Terminals | Ps. 220,943 | Ps. 121,055 | Ps. 247,043 | Ps. 298,476 | Ps. 225,305 |
| Runways and aprons | 154,424 | 350,617 | 212,660 | 187,384 | 180,045 |
| Machinery and equipment | 52,483 | 36,853 | 17,690 | 11,011 | 8,387 |
| Baggage screening systems—initial investments | 333,224 | 0 | 0 | 0 | 0 |
| Baggage screening system—additional investments | 20,358 | 64,042 | 64,042 | 64,042 | 64,042 |
| Other | 64,761 | 74,822 | 67,086 | 45,512 | 34,208 |
| Total | Ps. 846,193 | Ps. 647,389 | Ps. 608,521 | Ps. 606,425 | Ps. 511,987 |

(1) Figures expressed in constant pesos as of December 31, 2004 based on the Mexican production, merchandise and construction price index (*Índice Nacional de Precios a la Producción, Mercancías y Servicios Finales, Sector Secundario Construcción*), which is the index that the Ministry of Communications and Transportation directed us to apply in restating those values. We have submitted a formal request to the Ministry of Communications and Transportation seeking confirmation that the correct index to be applied to update the amounts set forth in our master development programs is instead the Mexican Producer Price Index. Should the Ministry of Communications and Transportation approve our request, each of the figures set forth in the table above would be reduced by approximately 6%.

(2) Reflects changes to the master development programs for our Puerto Vallarta and Los Cabos airports agreed to with the Ministry of Communications and Transportation in 2007.

(3) Variations in estimated committed investment amounts reported by us from time to time are the result of changes in the allocation of investment amounts to different airports and revisions to, and deferrals of, investments in baggage screening systems, which investments cannot be finalized until we reach a definitive agreement with our various airline customers.

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 the Mexican Airport Law expressly provides 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.

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. Although we will purchase and install the new baggage screening equipment in 2009, we will not operate the screening systems, because we believe this to be the responsibility of our airline customers under the Mexican Airport Law. However, we would operate the screening systems once we reach a written agreement with our airline costumers regarding the allocation of cost and responsibility. If we are required to operate the new screening systems, our exposure to liability could increase. We expect incur ongoing expenses to maintain the equipment we have purchased.

Differences between estimated committed investments and historical capital expenditures are due primarily to our not having yet installed this baggage screening equipment. The installation of the new equipment was originally contemplated under our master development programs, but as a result of the issues outlined above, we do not believe that we are, or at any time have been, in legal breach of our Master Development Programs.

We expect to continue funding the majority of our operations in the short-term and long-term through cash flow from operations, although we have incurred indebtedness. We have, and expect to continue to, allocate a majority of our investments for the period 2005 through 2009 to our five largest airports. In particular, a portion of our investments is being dedicated to expanding and remodeling the Guadalajara, Puerto Vallarta and Los Cabos international airports terminals.

**Critical Accounting Policies**

We prepare our audited consolidated financial statements in conformity with MFRS. As such, we are required to make estimates, judgments and assumptions that affect (i) certain reported amounts of our assets and liabilities, (ii) the disclosure of our contingent assets and liabilities at the date of the financial statements, (iii) recoverability of deferred tax assets as well as tax contingencies and (iv) certain reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on our historical experience, on technical merits for tax positions, on financial projections and on various other reasonable factors that together form the basis for making judgments about the carrying values of our assets and liabilities. Our actual results may differ from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. Our significant accounting policies are described in Note 3 to our audited consolidated financial statements.

We believe our most critical accounting policies that result in the application of estimates and/or judgments are the following:

***Income Taxes***

In conformity with NIF D-4, “Income Taxes,” of MFRS, we recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. At December 31, 2008, we recorded, within the long-term deferred income tax asset, an estimated amount of recoverable asset tax paid, based on financial projections that show that we will recover the excess of asset tax over income tax relating to our Guanajuato, Guadalajara, Puerto Vallarta and Tijuana airports. As a result of changes in Mexican tax law, the asset tax balance may be recovered through rebates of up to 10% of the total asset tax paid out and pending recovery over the next ten years (starting in 2008), provided that this sum does not exceed the difference between the income tax paid during the period and the asset tax paid during the years 2007, 2006 and 2005, whichever is lower, whenever the income tax exceeds asset tax in any of those years. Additionally, we have recorded a tax loss carryforward, expiring on 2048 as permitted by the Mexican tax authorities for concession operation relating to our Aguascalientes, La Paz, Morelia and Mexicali airports. We regularly review our deferred tax assets for recoverability and, if necessary, establish a valuation allowance based on historical taxable income, projected future taxable income and related income tax expense compared to future estimated asset tax and the expected timing of the reversals of existing temporary differences. If these estimates and related assumptions change in the future, we may be required to make additional adjustments to our deferred tax assets, which may result in a reduction of, or an increase in, income tax expense. Beginning October 2007, and according to Interpretation of Financial Reporting Standard 8, “Effects of the Business Flat Tax” (“INIF 8”), based on its financial projections from 2009-2012, the Company must determine whether it will incur regular income tax or the new Business Flat Tax, or IETU, and, accordingly, recognize deferred taxes based on the tax it expects to pay.

***Impairment in the Value of Long-Lived Assets***

We must test for impairment when indicators of potential impairment in the carrying amount of tangible and intangible long-lived assets in use exist, unless there is conclusive evidence that the indicators of impairment are temporary. An impairment is recorded when the carrying amount of long-lived assets exceeds the greater of the present value of future net cash flows provided by the assets on the net sales price upon disposal. Present value of future net cash flows is based on management's projections of future operations, discounted using current interest rates. Our evaluations throughout the year and up to the date of this filing did not reveal any impairment of tangible and intangible long-lived assets. We can give no assurance that our evaluations will not change as a result of new information or developments which may change our future projections of net cash flows or the related discount rates and result in future impairment charges.

**Principal Differences Between MFRS and U.S. GAAP**

Our audited consolidated financial statements are prepared in accordance with MFRS, which differs in certain respects from U.S. GAAP. See Note 26 to our audited consolidated financial statements for a discussion of these differences. Consolidated net income under U.S. GAAP was Ps. 1,141.3 million, Ps. 1,756.8 million and Ps. 1,961.2 million for the years ended December 31, 2006, 2007 and 2008, respectively.

The principal differences between MFRS and U.S. GAAP as they relate to us are the treatment of our investments in our concessions and the rights to use our airport facilities, the recognition of the fair value of embedded derivatives, the treatment of AMP's portion of shares held in trust, which are forfeitable, the treatment of employee postretirement benefits and the effects of these adjustments on deferred income taxes. Each of these differences affects both consolidated net income and stockholders' equity.

**Off-balance Sheet Arrangements**

We are not party to any off-balance sheet arrangements.