We are subject to the Mexican Federal Duties Law, which requires each of our airports to pay a concession fee to the Mexican government, which is currently equal to 5% of the gross annual revenues (regulated and non-regulated) of each concession holder obtained from the use of public domain assets pursuant to the terms of its concession. The concession fee 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 fee, 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 primarily reflect the amortization of the investments realized in our nine concessions under our master development plans. Our current master development plans went into effect as of January 1, 2009 and expire December 31, 2013.

**Taxation**

Mexican companies were generally required to pay the greater of their income tax liability or their asset tax liability (determined at a rate of 1.25% 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 (basically liabilities owed to Mexican residents excluding those with financial institutions or their intermediaries)). In December 2006, the Mexican authorities approved a change in the methodology used to calculated asset tax liabilities and reduced the tax rates to 1.25% from 1.8%, applicable to the average tax value of virtually all of the company's assets without reducing the average tax value of certain liabilities. 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. As a result of changes in the Mexican tax law, the asset tax balance may be recovered through deductions over the following ten years of up to 10% each year of the total asset tax carry-forward at December 31, 2007, provided that this amount does not exceed the difference between the income tax paid in the year and the lowest amount of asset tax paid during each of the three previous years. The asset tax carry-forward may be adjusted for changes in the National Consumer Price Index (*Indice Nacional de Precios al Consumidor*, or NCPI).

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. This law, which eliminated the asset tax and replaced it with the IETU as described below, 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 deducting authorized deductions (including 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. With the exception of Aeropuerto de Cancún, S.A. de C.V. (Cancún Airport), we and all of our subsidiaries pay, and we expect will continue to pay IETU rather than income tax. Accordingly, in 2007, we had a net write-off of Ps. 150.0 million, representing the cumulative deferred income taxes of these subsidiaries. In addition, as of December 31, 2007, we recognized a deferred IETU tax liability of Ps. 706.6 million and deferred IETU tax asset of Ps. 217.4 million, corresponding to timing differences generated in the calculation of the IETU taxable base which are expected to occur in future periods in the following subsidiaries: Aeropuerto de Cozumel, S.A. de C. V., Aeropuerto de Mérida, S. A. de C. V., Aeropuerto de Oaxaca, S. A. de C. V., Aeropuerto de Tapachula, S.A. de C.V., Aeropuerto de Veracruz, S.A. de C.V., Aeropuerto de Villahermosa, S.A. de C.V. and Servicios Aeroportuarios del Sureste, S.A. de C.V. In 2008, these subsidiaries paid aggregate IETU of Ps. 75.9 million.

Because our financial and tax projections indicate that our Cancún Airport subsidiary is expected to pay income tax in the future, and since we are required to amortize the Cancún Airport investments and concession over a longer period than the related amortization for tax purposes under Mexican FRS, we expect to continue recognizing a deferred income tax liability in our financial statements as a result of the difference between the amount of the Cancún Airport investments amortization for tax and financial reporting purposes.

**Employee Statutory Profit Sharing**

We are subject to the mandatory employee statutory profit sharing regime established by Mexican federal labor laws. Under this regime, 10% of a company's unconsolidated annual profits, as calculated for tax purposes, must be distributed among employees other than the chief executive officer. We were not required to pay employee statutory profit sharing in 2006, 2007 and 2008 because we generated tax losses in those years. We have nevertheless committed to pay each employee a minimum payment of Ps. 14,000 per year in lieu of statutory profit-sharing. On May 3, 2005, the Mexican Supreme Court ruled in a plenary session relating to four cases that net operating loss carry-forwards could not be deducted when calculating net taxable income for profit sharing liability purposes. In light of these decisions, we have decided not to include net operating loss carry-forwards in the calculation of our profit sharing liability.

**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% | 0.96% | 26.7% |
| Mexican inflation rate(2) | 4.1% | 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 Mexico, 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. 13.8325 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 Mexico. The Mexican consumer price index at year end was: 121.0150 in 2006, 125.5640 in 2007 and 133.7610 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 Statistical, Geographic and Information Institute (INEGI) 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.* Until December 31, 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. In 2008, we ceased recognizing the effects of inflation, and accordingly, the carrying value of the assets no longer increased; however, depreciation expense related to those restated assets was still being recognized during 2008. Our airport concessions are being amortized on a straight-line basis over the life of the concession.

- *Passenger charges.* Passenger charges for international passengers are currently denominated in dollars, while passenger charges for domestic passengers are denominated in pesos. Therefore, our passenger charges, which are stated herein in pesos, will be affected by a depreciation or appreciation in the value of the peso as compared to the dollar.

- *Comprehensive financing result (cost).* As required by Mexican FRS, our comprehensive financing cost reflects gains or losses from foreign exchange, gains or losses from monetary position (until January 1, 2008) and gains and losses from interest. As a result, it is impacted by both inflation and 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. We generally collect passenger charges from airlines 60-115 days 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. 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.

Following the new Mexican FRS B-10, since the cumulative inflation in Mexico measured by the NCPI 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.

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**Operating Results by Airport**

The following table sets forth our results of operations for the periods indicated.

| | Year Ended December 31, 2006 | | 2007 | | 2008 | |
|---|---|---|---|---|---|---|
| | Airport Operating Results (millions of constant pesos as of December 31, 2007) | | | | (millions of nominal pesos) | |
| **Cancún:** | | | | | | |
| Revenues: | | | | | | |
| Aeronautical services | Ps. | 1,210.0 | Ps. | 1,370.4 | Ps. | 1,551.8 |
| Non-aeronautical services | | 547.1 | | 737.7 | | 891.5 |
| Total revenues | | 1,757.1 | | 2,108.1 | | 2,443.3 |
| Net operating income | | 840.9 | | 667.3(1) | | 356.2 |
| **Mérida:** | | | | | | |
| Revenues: | | | | | | |
| Aeronautical services | | 101.8 | | 124.5 | | 127.6 |
| Non-aeronautical services | | 39.9 | | 47.6 | | 51.8 |
| Total revenues | | 141.7 | | 172.1 | | 179.4 |
| Net operating income | | 14.7 | | 22.8(1) | | 2.5 |
| **Villahermosa:** | | | | | | |
| Revenues: | | | | | | |
| Aeronautical Services | | 77.6 | | 91.0 | | 106.5 |
| Non Aeronautical Services | | 23.0 | | 27.5 | | 33.4 |
| Other | | | | 12.5 | | |
| Total revenues | | 100.6 | | 131.0 | | 139.9 |
| Net operating income | | 17.0 | | 42.7(1) | | 27.6 |
| **Other:** (3) | | | | | | |
| Revenues: | | | | | | |
| Aeronautical services | | 258.2 | | 305.1 | | 316.0 |
| Non-aeronautical services | | 65.5 | | 69.6 | | 90.2 |
| Total revenues | | 323.7 | | 374.7 | | 406.1 |
| Net operating (loss) income | | (11.7)(2) | | 433.4(1) | | 997.4 |
| **Total:** | | | | | | |
| Revenues: | | | | | | |
| Aeronautical services | | 1,647.6 | | 1,891.0 | | 2,101.9 |
| Non-aeronautical services | | 675.5 | | 894.9 | | 1,066.8 |
| Total revenues | | 2,323.1 | | 2,785.9 | | 3,168.7 |
| Net operating income | | 860.9 | | 1,166.2(1) | | 1,383.7 |

(1) Reflects the results of intercompany transactions between us and our subsidiaries and among our subsidiaries. During the third quarter of 2007, we and our subsidiaries entered into an intercompany agreement that enables us to recognize results by considering our subsidiaries as one economic unit, and allows us to make corporate charges and credits to and from our subsidiaries for the purpose of establishing sufficient cash flow at each subsidiary to support such subsidiary's respective obligations. The implementation of this strategy affects operating income results reported by individual airports but does not affect our consolidated results.

(2) The loss in 2006 reflects the decrease in passenger volume due to Hurricane Wilma. Passenger volume recovered strongly in 2007.

(3) Reflects the results of operations of our parent holding company, our administrative services company, our airports located in Veracruz, Minatitlán, Oaxaca, Huatulco, Tapachula and Cozumel and consolidation adjustments.

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**Summary Historical Results of Operations**

The following table sets forth our consolidated results of operations for the periods indicated.

**Consolidated Operating Results**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2006** | **2007** | 2008 |
| | (thousands of constant pesos as of December 31, 2007) | | (thousands of nominal pesos) |
| **Revenues:** | | | |
| Aeronautical services | Ps. 1,647,594 | Ps. 1,890,950 | Ps. 2,101,879 |
| Non-aeronautical services | 675,530 | 894,941 | 1,066,828 |
| Total revenues | 2,323,124 | 2,785,891 | 3,168,707 |
| **Operating Expenses:** | | | |
| Cost of services | (665,275) | (743,642) | (810,101) |
| General and administrative expenses | (101,156) | (104,019) | (114,159) |
| Technical assistance fee(1) | (73,707) | (91,945) | (104,485) |
| Government Concession fee(2) | (116,007) | (139,294) | (154,752) |
| Depreciation and amortization | (506,124) | (540,821) | (601,513) |
| Total operating expenses | (1,462,269) | (1,619,721) | (1,785,010) |
| Net operating income | 860,855 | 1,166,170 | 1,383,697 |
| **Comprehensive Financing Result:** | | | |
| Interest income, net | 103,322 | 106,482 | 137,454 |
| Exchange (losses) gains, net | 4,106 | 1,612 | 36,818 |
| Loss from monetary position | (91,642) | (92,950) | 0 |
| Net comprehensive financing income | 15,786 | 15,144 | 174,272 |
| Non ordinary items(3) | (16,242) | (2,385) | (9,734) |
| Income before taxes | 860,399 | 1,178,929 | 1,548,235 |
| Provision for taxes | (312,432) | (656,568) | (498,766) |
| Net income | 547,967 | 522,361 | 1,049,469 |
| **Other Operating Data (Unaudited):** | | | |
| Operating margin(4) | 37.1% | 41.9% | 43.7% |
| Net margin(5) | 23.6% | 18.8% | 33.1% |

(1) We are required to pay ITA a technical assistance fee based on the technical assistance agreement. This fee is described in “Operating Costs —Technical Assistance Fee and Government Concession Fee”.

(2) Each of our subsidiary concession holders is required to pay a concession fee to the Mexican government under the Mexican Federal Duties Law. The concession fee is currently 5% of each concession holder’s gross annual revenues from the use of public domain assets pursuant to the terms of its concession. This fee is described in “Operating Costs —Technical Assistance Fee and Government Concession Fee”.

(3) Non-ordinary items refers to restructuring and contract termination fees and loss on natural disasters. On January 1, 2007, we adopted Mexican FRS B-3, *Statement of Income*, which incorporates, among other things, a new approach to classifying income and expenses as ordinary and non-ordinary, eliminates special and extraordinary items and establishes employees’ profit sharing as an ordinary expense and not as tax. Accordingly, our financial statements for 2006 have also been reclassified to conform to the current year presentation. Such reclassifications consisted of 1) Ps. 16,242 reclassified from extraordinary items to non-ordinary items, and 2) Ps. 3,904 reclassified from provision for income taxes and employees’ statutory profit sharing to general and administrative expenses.

(4) Operating income divided by total revenues, expressed as a percentage.

(5) 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 were Ps. 3,168.7 million, 13.7% higher than the Ps. 2,785.9 million recorded in 2007. The increase in total revenues resulted from an increases in revenues from aeronautical services and non-aeronautical services, as described below.

Our revenues from aeronautical services, net of rebates, increased 11.2% to Ps. 2,101.9 million in 2008 from Ps. 1,891.0 million in 2007, due primarily to the 9.3% increase in passenger volume. Revenues from passenger charges increased 12.7% to Ps. 1,633.2 million in 2008 (77.7% of our aeronautical revenues during the period) from Ps. 1,449.8 million in 2007 (76.7% of our aeronautical revenues during the period). Aeronautical revenues per workload unit increased 2.0% from 113.2 in 2007 to 115.5 in 2008, principally because of the relative increase of international passenger traffic versus domestic passenger traffic and the relatively higher rates charged for international traffic.

Revenues from non-aeronautical services increased 19.2% to Ps. 1,066.8 million in 2008 from Ps. 894.9 million in 2007, principally due to increased passenger traffic and the opening of Terminal 3 in May 2007, which, when combined with other factors, led to a 35.0% increase in revenues from duty-free shops, a 10.2% increase in food and beverage revenues, a 23.5% increase in revenues from retail stores and a 24.0% increase in other income, which consisted principally of revenue from tourism services and hotel reservations providers. Increases of 21.6% in advertising revenues, 1.8% in revenues from parking lots, 10.6% in revenues from car rental companies, 28.6% in revenues from banking and currency exchange services, 10.8% in revenues from teleservices, and 20.5% in revenues from ground transportation also contributed to the increase in revenues from non-aeronautical services. Non-aeronautical revenue per terminal passenger increased 8.5%, from Ps. 55.2 per passenger in 2007 to Ps. 59.9 per passenger in 2008.

Our revenues from regulated sources in 2008 were Ps. 2,211.2 million, an 11.0% increase compared to Ps. 1,991.7 million in 2007, mainly due to the increase in total passenger traffic of 12.3%. During 2008, Ps. 957.5 million of our revenues derived from non-regulated sources, a 20.6% increase from the Ps. 794.1 million of revenues derived from non-regulated sources in 2007. This increase was primarily due to the 22.4% increase in commercial revenues described above, from Ps. 687.4 million in 2007 to Ps. 841.2 million in 2008.

***Operating Expenses and Operating Income***

Total operating expenses were Ps. 1,785.0 million in 2008, a 10.2% increase from the Ps. 1,619.7 million recorded in 2007, primarily as a result of an 8.9% increase in cost of services, a 11.2% increase in depreciation and amortization, a 13.6% increase in technical assistance fees, a 11.1% increase in our concession fee and a 9.7% increase in general and administrative expenses. As a percentage of total revenues, operating expenses decreased to 56.3% of total revenues in 2008 from 58.1% of total revenues in 2007.

Cost of services increased 8.9% to Ps. 810.1 million in 2008 from Ps. 743.6 million in 2007. The increase was principally due to higher personnel costs related to our personnel reorganization, professional fees resulting from the operation of the checked baggage security system which was installed in 2008 and the opening of Terminal 3, which resulted in increases in energy costs, security costs, insurance premiums, and maintenance expenses. In recent years, our cost of services per workload unit has decreased, from Ps. 50.9 in 2007 to Ps. 50.8 in 2008.

General and administrative expenses increased 9.8% to Ps. 114.2 million in 2008 from Ps. 104.0 million in 2007. This increase was primarily attributable to increased personnel costs related to our personnel reorganization which occurred in the second quarter of 2008.

Technical assistance fees increased by 13.6% to Ps. 104.5 million in 2008 from Ps. 91.9 million in 2007, and concession fees increased by 11.1% to Ps. 154.8 million in 2008 from Ps. 139.3 million in 2007. The technical assistance fees increased in 2008 due to the corresponding increase in our consolidated earnings before comprehensive financing costs, income taxes, and depreciation and amortization, which is the basis used to determine the technical assistance fees. The increase in government concession fees was primarily the result of increased revenues.

Depreciation and amortization costs increased by 11.2% to Ps. 601.5 million in 2008 from Ps. 540.8 million in 2007. This increase was principally due to the depreciation of new investments in fixed assets and improvements made to concession assets.

Operating income increased 18.7% to Ps. 1,383.7 million in 2008 from Ps. 1,166.2 million in 2007. This increase in operating income was primarily a result of the 13.7% increase in revenues, which more than offset the increase in total operating expenses of 10.2%.

Operating income for Cancún Airport decreased by 46.6% to Ps. 356.2 million in 2008 from Ps. 667.3 million in 2007 primarily as a result of an intercompany agreement that we entered into in the third quarter of 2007 that enables us to recognize results by considering our subsidiaries as one economic unit, and allows us to make corporate charges and credits to and from our subsidiaries for the purpose of establishing sufficient cash flow at each subsidiary to support such subsidiary’s respective obligations. Our eight other airports, our parent holding company and our administrative services company, on an aggregate basis, reported operating income of Ps. 1,027.5 million in 2008 compared to operating income of Ps. 498.9 million in 2007. During 2008, revenues in those eight airports, our parent holding company, and the administrative services company increased 51.7% and passenger traffic volume in the other eight airports increased 4.2%, respectively, from 2007. The increase in revenues largely resulted from the increase in non-aeronautical revenues.

***Comprehensive Financing Result***

Our net comprehensive financing result increased to income of Ps. 174.3 million in 2008 as compared to income of Ps. 15.1 million in 2007, primarily due to an increase in interest income in 2008, the elimination of losses from monetary position resulting from the fact that we are no longer required to adjust for inflationary effects in accordance with FRS B-10, and an increase in foreign exchange gains.

***Income Taxes, Asset Tax and deferred flat rate business tax***

As a result of changes in Mexican tax law that took effect January 1, 2008, which established the IETU and eliminated the asset tax, pursuant to Mexican Financial Reporting Standards we reviewed our deferred assets and liabilities position. As a result of this review, we recognized a deferred IETU tax liability of Ps. 699.3 million and deferred IETU tax asset of Ps. 199.3 million corresponding to timing differences generated in the calculation of the IETU taxable base which are expected to occur in future periods in such subsidiaries. In addition, as a result of the personnel reorganization we undertook in 2008, we were not required to pay employee statutory profit-sharing in 2008, and therefore we cancelled our provision for deferred employee profit-sharing.

***Net Income***

Net income increased to Ps. 1,049.5 million in 2008 from Ps. 522.4 million in 2007. This was mainly the result of the decrease in our provision for income taxes because of the elimination of the Asset Tax and the corresponding reduction in our effective tax rate as discussed above in “Taxation”, the elimination of losses from monetary position resulting from the fact that we are no longer required to adjust for inflationary effects in accordance with FRS B-10, and the increase in revenues discussed above.

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

***Revenues***

Total revenues for 2007 were Ps. 2,785.9 million, 19.9% higher than the Ps. 2,323.1 million recorded in 2006. The increase in total revenues resulted from an increases in revenues from aeronautical services and non-aeronautical services, as described below.

Our revenues from aeronautical services, net of rebates, increased 14.8% to Ps. 1,891.0 million in 2007 from Ps. 1,647.6 million in 2006, due primarily to the 17.8% increase in passenger volume. Revenues from passenger charges increased 14.4% to Ps. 1,449.8 million in 2007 (76.7% of our aeronautical revenues during the period) from Ps. 1,267.6 million in 2006 (76.9% of our aeronautical revenues during the period). Aeronautical revenues per workload unit decreased 1.7% from 115.2 in 2006 to 113.2 in 2007, principally because of the relative rise of domestic passenger traffic versus international passenger traffic and the relatively lower rates charged for domestic traffic.

Revenues from non-aeronautical services increased 32.5% to Ps. 894.9 million in 2007 from Ps. 675.5 million in 2006, principally due to increased passenger traffic and the opening of Terminal 3 in May 2007, which led to a 20.7% increase in revenues from duty-free shops, a 39.3% increase in food and beverage revenues, a 34.9% increase in revenues from retail stores and a 76.6% increase in other income, which consisted principally of the receipt of final payment for the lease of the Airshop restaurant at Terminal 2 of Cancún Airport and revenue from tourism services and hotel reservations providers. Increases of 66.4% in advertising revenues, 21.5% in revenues from parking lots, 25.3% in revenues from car rental companies, 9.2% in revenues from banking and currency exchange services, 2.8% in revenues from teleservices, and 33.0% in revenues from ground transportation also contributed to the increase in revenues from non-aeronautical services. Non-aeronautical revenue per terminal passenger increased 12.9%, from Ps.48.9 per passenger to Ps.55.2 per passenger. Our revenues from regulated sources in 2007 were Ps. 1,991.7 million, a 14.8% increase compared to Ps. 1,734.5 million in 2006, mainly due to the increase in total passenger traffic of 17.8%. During 2007, Ps. 794.1 million of our revenues derived from non-regulated sources, a 34.9% increase from the Ps. 588.7 million of revenues derived from non-regulated sources in 2006. This increase was primarily due to the 32.5% increase in commercial revenues described above.

***Operating Expenses and Operating Income***

Total operating expenses were Ps. 1,619.7 million in 2007, a 10.8% increase from the Ps. 1,462.3 million recorded in 2006, primarily as a result of an 11.8% increase in cost of services, a 6.9% increase in depreciation and amortization, a 24.7% increase in technical assistance fees and a 20.1% increase in concession fee and a 2.8% increase in general and administrative expenses. As a percentage of total revenues, operating expenses decreased to 58.1% of total revenues in 2007 from 62.9% of total revenues in 2006.

Cost of services increased 11.8% to Ps. 743.6 million in 2007 from Ps. 665.3 million in 2006. The increase was principally due to higher personnel costs (particularly in information technology) associated with the implementation of internal accounting controls pursuant to the Sarbanes-Oxley Act of 2002, and the opening of Terminal 3, which resulted in increases in energy costs, security costs, insurance premiums, and maintenance expenses. In recent years, our cost of services per workload unit has decreased, from Ps. 53.8 in 2006 to Ps. 50.9 in 2007.

General and administrative expenses increased 2.8% to Ps. 104.0 million in 2007 from Ps. 101.2 million in 2006. This increase was primarily attributable to increased marketing costs related to our participation in tourism fairs during 2007 aimed at attracting new airline service to our airports.

Technical assistance fees increased by 24.7% to Ps. 91.9 million in 2007 from Ps. 73.7 million in 2006, and concession fees increased by 20.1% to Ps. 139.3 million in 2007 from Ps. 116.0 million in 2006. The technical assistance fees increased in 2007 due to the corresponding increase in our consolidated earnings before comprehensive financing costs, income taxes, and depreciation and amortization, which is the basis used to determine the technical assistance fees. The increase in government concession fees was primarily the result of increased revenues.

Depreciation and amortization costs increased by 6.9% to Ps. 540.8 million in 2007 from Ps. 506.1 million in 2006. This increase was principally due to the depreciation of investments in fixed assets and improvements made to concession assets.

Operating income increased 35.5% to Ps. 1,166.2 million in 2007 from Ps. 860.9 million in 2006. This increase in operating income was primarily a result of the 19.9% increase in revenues, which more than offset the increase in total operating expenses of 10.8%.

Operating income for Cancún Airport decreased by 20.6% to Ps. 667.3 million in 2007 from Ps. 840.9 million in 2006 primarily as a result of an intercompany agreement that we entered into in the third quarter of 2007 that enables us to recognize results by considering our subsidiaries as one economic unit, and allows us to make corporate charges and credits to and from our subsidiaries for the purpose of establishing sufficient cash flow at each subsidiary to support such subsidiary's respective obligations. Our eight other airports, our parent holding company and our administrative services company, on an aggregate basis, reported operating income of Ps. 498.9 million in 2007 compared to operating income of Ps. 20 million in 2006. During 2007, revenues in those eight airports, our parent holding company, and the administrative services company increased 19.7% and passenger traffic volume in the other eight airports increased 20.9%, respectively, from 2006. The increase in revenues largely resulted from the increase in non-aeronautical revenues.

***Comprehensive Financing Result***

Our net comprehensive financing result decreased to income of Ps. 15.1 million in 2007 as compared to income of Ps. 15.8 million in 2006, primarily due to an increase in interest income in 2007, which was offset in part by a decrease in foreign exchange gains.

***Income Taxes, Asset Tax and deferred flat rate business tax***

As a result of changes in Mexican tax law that took effect January 1, 2008, which established the IETU and eliminated the asset tax, pursuant to Mexican Financial Reporting Standards we reviewed our deferred assets and liabilities position. As a result of this review, we had a net write-off of Ps. 150 million, representing the cumulative deferred income taxes of the subsidiaries that are expected to pay IETU in the future, and we recognized a deferred IETU tax liability of Ps. 706.6 million and deferred IETU tax asset of Ps. 217.4 million corresponding to timing differences generated in the calculation of the IETU taxable base which are expected to occur in future periods in such subsidiaries.

***Net Income***

Net income declined to Ps. 522.4 million in 2007 from Ps. 548.0 million in 2006. This was mainly the result of the increase in deferred fixed rate company taxes due to the tax reforms discussed above in “Taxation”.

**Liquidity and Capital Resources**

*Sources of Liquidity*

Historically, our operations, financing and investing activities have been funded through cash flow from operations. The cash flow generated from our operations has generally been used to cover operating expenses and capital expenditures, to make dividend payments and to increase our cash balances. In 2008, 2007 and 2006 we used Ps. 951.0 million, Ps. 231.0 million and Ps. 219.0 million, respectively, to pay dividends. At December 31, 2008, we had Ps. 1,734.0 million in cash and marketable securities. In 2008, we adopted FRS B-2, which requires us to present a statement of cash flows, which classifies cash receipts and payments according to whether they stem from operating, investing or financing activities, and which replaced the statement of changes in financial position. The results of our 2007 and 2006 operations, financing and investing activities continue to be presented as changes in financial position.

*Cash Flows*

In 2008, we had Ps. 1,555.2 million in cash flow from operating activities. Cash flow used in financing activities was Ps. 951.3 million, as a result of payment of dividends of Ps. 600.0 million and Ps. 351.3 million of tax on dividends paid. Cash flow used in investing activities in 2008 was Ps. 796.1 million, principally for purchases of machinery, furniture, equipment, construction in progress related to the second runway at Cancún Airport, in each case pursuant to our master development plans, and the purchase of land for development in Huatulco.

In 2007, we generated Ps. 1,622.6 million in resources from operating activities. Our resources used in financing activities were Ps.320.1 million, as a result of payment of dividends of Ps. 231.2 million and Ps. 88.9 million of tax on dividends paid. Our resources used in investing activities in 2007 were Ps. 665.2 million for purchases of machinery, furniture, equipment and construction in progress related to the second runway at Cancún Airport.

In 2006, we generated Ps. 1,070.4 million in resources from operating activities. Our resources used in financing activities were Ps. 307.9 million, as a result of payment of dividends of Ps. 218.6 million and Ps. 89.3 million of tax on dividends paid, partially offset by recovered income tax on dividends paid in previous years. Our resources used in investing activities in 2006 were Ps. 1,129.9 million for the construction of the Terminal 3 building at Cancún Airport, which began operations on May 18, 2007.

*Indebtedness*

As of December 31, 2008 and 2007, we had no material outstanding indebtedness. In May 2009, Aeropuerto de Cancún, S.A. de C.V., our subsidiary that operates the Cancún airport, executed three term credit facilities, consisting of a Ps. 250 million three-year term credit facility from each of IXE Banco, Banco Santander and BBVA Bancomer. The facilities each have 11 equal amortizations of principal, are denominated in pesos, and charge interest at a rate based on the *Tasa de Interes Intercambiaria de Equilibria*, or Interbank Equilibrium Interest Rate ("TIIE") plus 1.75% to 2.00%. Each of these facilities may be used for general corporate purposes, and we expect to use them to fund capital expenditures related to our master development plans. We have guaranteed our subsidiary's obligations under each of these facilities. As of May 31, 2009, Ps. 600 million had been disbursed under these facilities.

Some of these credit facilities require us and our subsidiary to maintain a liquidity ratio of at least 1.25 to 1.00, an interest coverage ratio of at least 5.00 to 1.00, a ratio of liabilities to stated capital of no greater than 0.75 to 1.00, and a ratio of earnings before income, taxes, depreciation and amortization to debt of at least 2.00 to 1.00, or incur more than Ps. 500 million of additional debt. If we fail to comply with these and other covenants, certain facilities restrict our ability to pay dividends to our shareholders.

*Capital Expenditures*

Under the terms of our concessions, every five years our subsidiary concession holders must present a master development plan to the Ministry of Communications and Transportation for approval. Each master development plan includes concession holders' investment commitments for the succeeding five-year period, including capital expenditures and improvements. Once approved by the Ministry of Communications and Transportation, these commitments become binding obligations under the terms of our concessions.

On March 31, 2009, the Ministry of Communications and Transportation approved each of our master development plans. The current terms of the master development plans went into effect as of January 1, 2009 and will be in effect until December 31, 2013.

The following table sets forth our historical investments in the periods indicated.

**Capital Expenditures**

| Year ended December 31, | (thousands of pesos) |
|---|---|
| 2006 | 1,129,915(1) |
| 2007 | 665,160(1) |
| 2008 | 935,772(2) |

(1) Expressed in constant pesos as of December 31, 2008.

(2) Expressed in nominal pesos.

Although we currently intend to fund the investments and working capital required by our business strategy through cash flow from operations, we may incur debt to finance all or a portion of these investments in the future.

**Critical Accounting Policies**

The preparation of our financial statements requires that we make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses generated during the reporting period. There can be no assurance that actual results will not differ from those estimates and assumptions. The impact and any associated risks related to such policies on our business operations are addressed where such policies affect our reported and expected financial results throughout our discussion of our results of operations. Critical accounting policies are defined as those that are both important to the portrayal of our financial condition and results of operations and which require us to exercise significant judgment. Our most critical accounting policies are described briefly below. For a detailed discussion of the application of these and other accounting policies, see Notes 2 and 18 of our financial statements.

*Revenue Recognition*

Revenues are obtained from aeronautical services, which generally relate to the use of airport infrastructure by air carriers and passengers, and from non-aeronautical services.

Aeronautical services revenues consist of passenger charges for departing passengers (excluding diplomats, infants, and transfer and transit passengers), landing charges based on the average between aircraft's maximum takeoff weight and the zero-fuel weight and hour of arrival, aircraft parking charges based on the time an aircraft is on the ground and hour of arrival, passenger walkway charges for the connection of aircraft to terminals, based on hour of arrival, and airport security charges for departing passengers. Aeronautical services revenue is recognized as passengers depart, at the time of landings and as services are provided, as the case may be.

Non-aeronautical service revenues consist primarily of the leasing of space in airport terminals, access fees from third parties providing handling, catering and other services at the airports and miscellaneous other revenues.

Rental income is recognized on terminal space that is leased through operating leases. Such leases stipulate either: fixed monthly rental fees or fees based on the greater of a minimum monthly rental fee and a specified percentage of the lessee's monthly revenues or the number of departing passengers. Access fees and other service revenues are recognized as services are provided. All amounts are calculated and recognized on a monthly basis.

Under the Airport Law and its regulations, our revenues are classified as Airport Services, Complementary Services or Commercial Services. Airport Services consist primarily of the use of runways, taxiways and aprons for landings and departures, aircraft parking, the use of passenger walkways, security services, hangars, automobile parking facilities as well as the general use of terminal space and other infrastructure by aircraft, passengers and cargo, including the lease of space essential for the operation of airlines and complementary service providers. Complementary Services consist primarily of ramp and handling services, catering, maintenance and repair, as well as related activities to support air carriers. Revenues from access fees charged to third parties providing complementary services are classified as Airport Services. Commercial Services consist of services that are not considered essential to the operation of an airport, such as the lease of space to retailers, restaurants and banks.

*Allowance for Doubtful Accounts*

We perform ongoing credit evaluations of our customers and adjust credit limits based upon the customer's payment history and current creditworthiness. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. Even though these credit losses have historically been within our expectations and we have an established allowance to provide for losses, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our accounts receivable are concentrated in the hands of a few large customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collection of our accounts receivables and our future operating results.

*Valuation of Rights to Use Airport Facilities and Airport Concessions*

We periodically review the carrying value of our rights to use airport facilities and airport concessions. This review is based on our projections of anticipated discounted future cash flows over the life of our assets or concessions, as appropriate. Since our airport concessions expire in 2048, significant management judgment is required to estimate these future cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions about such cash flows could materially affect our evaluations including assumptions concerning passenger traffic, changes in rates, inflation and operating costs. Additionally, in analyzing the carrying value of our airport concessions, we compare the aggregate carrying value of all nine of our airport concessions to the net cash flows derived from all of the airports, as we are not permitted to dispose of or cease operating any individual airport. The aggregate net cash flows from all of our airports exceeds the carrying value of the airport concessions. Accordingly, because we analyze our valuation estimates on an aggregate level, we have not recognized any impairment loss in the carrying value of an individual airport concession where the carrying value of the individual airport concession exceeds the net cash flows of that airport.

*Deferred Income Tax, Employees' Statutory Profit Sharing, Flat Rate Business Tax, Asset Tax and Dividend Tax*

Our income tax expense, employees' statutory profit sharing and asset tax is comprised of current expenses and deferred expenses. Deferred income tax and deferred flat rate business tax represent the tax effects of temporary differences generated from the differences in the accounting and tax treatment of balance sheet items, such as our airport concessions, rights to use airport facilities and from non-balance sheet items such as tax loss carry-forwards and credits. Deferred employees' statutory profit sharing is calculated in a similar manner. These temporary differences and tax loss carry-forwards and credits are accounted for as deferred tax assets or liabilities on our balance sheet. The corresponding difference between the beginning and year-end balances of the recognized deferred tax assets and liabilities is recorded in earnings. Asset tax is a minimum tax that is calculated as 1.25% of the average tax value of virtually all of our assets. In 2006 and 2007, we were subject to the asset tax, which may be recovered through deductions over the following ten years of up to 10% each year of the total asset tax credit carry-forward at December 31, 2007, provided that this amount does not exceed the difference between the income tax paid in the year and the lowest amount of asset tax paid during each of the three previous years. The asset tax carry-forward may be adjusted for changes in the National Consumer Price Index. The asset tax was eliminated in 2008 in favor of the flat rate business tax. Deferred income and flat rate tax assets, deferred employees' statutory profit sharing assets, dividend tax and recoverable asset tax are not subject to valuation allowances if we estimate that it is more likely than not that the assets will be realized. We have analyzed each airport on an individual basis and have recognized valuation allowances against deferred tax assets, deferred employees' statutory profit sharing and recoverable asset tax for some of our airport subsidiaries where taxable income is not expected in the near future. We have not recognized valuation allowances against tax loss carry-forwards generated by our other airport subsidiaries, whereby taxable profits are expected, because each is taxed on an individual basis and under current tax law these tax carry-forwards can be carried forward through the term of the airport concessions or a period of ten years. As our airport concessions expire in 2048, significant management judgment is applied in the determination of the tax projections. Such tax projections take into consideration a number of factors, including the number of passengers we anticipate in our airports, future operation rates, operation costs, and inflation. There can be no assurance that actual results will be as projected.

*Contingent Liabilities*

We are a party to a number of legal proceedings. Under generally accepted accounting principles, liabilities are recognized in the financial statements when a loss is both estimable and probable. If the loss is neither probable nor estimable or if the likelihood of a loss is remote, no amounts are recognized in the financial statements. Based on legal advice we have received from our Mexican counsel and other information available to us, we have not recognized any losses in the financial statements as a result of these proceedings.

*Recently Issued Accounting Standards*

During 2008, the *Consejo Mexicano para la Investigación y Desarollo de Normas de Información Financiera*, or Mexican Commission for Research and Development of Financial Reporting Standards ("CINIF") issued certain FRS and certain Interpretations to Financial Reporting Standards ("IFRS"), which became effective on January 1, 2009 (except for IFRS 14, which will become effective on January 1, 2010), as follows:

- FRS B-7, *Business Acquisitions*, supersedes bulletin B-7, *Business Acquisitions*, which was effective up to December 31, 2008, and establishes the general standards for valuing and disclosing the initial recognition of net assets acquired in a business acquisition on the acquisition date, as well as any related non-controlling participation, goodwill and purchase gain.

- FRS B-8, *Consolidated and Combined Financial Statements*, supersedes Bulletin B-8, *Consolidated and Combined Financial Statements and Valuation of Permanent Share Investments*", which was effective up to December 31, 2008, and establishes the general standards for the preparation and presentation of the consolidated and combined financial statements; as well as for the disclosures accompanying such financial statements.

- FRS C-7, *Investment in Associates and other Permanent Investments*, establishes the standards for the accounting recognition of investments in associates, as well as other permanent investments that do not involve control, joint control or significant influence.

- FRS C-8, *Intangible Assets*, supersedes Bulletin C-8, *Intangible Assets*, which was effective until December 31, 2008, and establishes the valuation, presentation and disclosure rules for the initial and subsequent recognition of intangible assets acquired individually or through a business acquisition, or internally generated during the normal course of an entity's operation.

- FRS D-8, *Shared Based Payments,* supersedes the supplemental application in Mexico of IFRS 2, *Shared Based Payments*, and establishes the standards for recognition of shared based payments in financial statements.

- IFRS 14, *Contracts for Construction, Sale and Rendering of Services Related to Real Estate*, is an interpretation of Bulletin D-7, *Contracts for Construction and Manufacturing of Certain Capital Goods*, and relates to the recognition of income and associated costs and expenditures arising from contracts for construction, sale and rendering of services related to real estate. This interpretation will be effective from January 1, 2010 for any entity that executes contracts for construction, sale and rendering of services related to real estate. Early adoption is allowed.

We do not believe that any of the foregoing FRS or IFRS will have a significant impact on our results of operation.

**Differences between Mexican FRS and U.S. GAAP**

Our financial statements are prepared in accordance with Mexican FRS, which differs in certain respects from U.S. GAAP. See Note 18 to our financial statements.

The principal differences between Mexican FRS and U.S. GAAP as they relate to us are the treatment of the investments in our concessions and rights to use airport facilities and the related effect on deferred income taxes, the treatment of fees from leasehold agreements, impairment reversals and write-offs of asset tax recoverables. Each of these differences affects both net income and stockholders' equity. See Note 18 to our financial statements for a discussion of these differences and the effect on our results of operation.

*New U.S. Accounting Standards*

We are currently evaluating the impact, if any, that the adoption of the following recently issued accounting standards will have on our financial position, result of operations and disclosures.

- In December 2007, the Financial Accounting Standards Board, or "FASB" published SFAS No. 160, *Non Controlling Interests in Consolidated Financial Statements*, which is an amendment of ARB No. 51. This statement addresses the reporting of minority interests in the results of the parent and provides direction for the recording of such interests in the financial statements. It also provides guidance for the recording of various transactions related to the minority interests, as well as certain disclosure requirements. SFAS No. 160 will be effective for fiscal years, and interim periods beginning after December 15, 2008; earlier adoption is prohibited and shall be applied prospectively. The presentation and disclosure requirements shall be applied retrospectively for all periods presented.

- In December 2007, the FASB published SFAS No. 141-R, which replaces SFAS No. 141, *Business Combinations*. This statement improves the reporting of information about a business combination and its effects. This statement establishes principles and requirements for how the acquirer will recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquisition. Also, the statement determines the recognition and measurement of goodwill acquired in the business combination or a gain from a bargain purchase, and finally, determines the disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141-R will be effective for all business combinations with an acquisition date on or after the beginning of the first annual reporting period after December 15, 2008; earlier adoption is prohibited.

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- In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (“FSP FAS 157-2”) *Effective Date of FASB Statement No. 157*, which delays the effective date of FASB Statement No. 157, *Fair Value Measurements*, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP FAS 157-2 will be effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years.

- On March 19, 2008 the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance and cash flows. SFAS No. 161 will be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

- In April 2008, the FASB issued FASB Staff Position No. FAS 142-3 (“FSP FAS 142-3”), *Determination of the Useful Life of Intangible Assets*. FSP FAS No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP FAS No. 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP FAS No. 142-3 will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

- In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with U.S. GAAP. SFAS No. 162 will be effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

- In May 2008, the FASB issued SFAS No. 163, *Accounting for Financial Guarantee Insurance Contract — an interpretation of FASB Statement No. 60*. This statement requires that an insurance enterprise recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. This statement also requires expanded disclosure about financial guarantee insurance contracts. SFAS No. 163 will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

- In May 2008, the FASB issued FASB Staff Position No. APB 14-1 (“FSP ASB 14-1”), *Accounting for Convertible Debt Instruments That May Be Settled In Cash Upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 changes the accounting treatment for convertible debt instruments that require or permit partial cash settlement upon conversion. The accounting changes require issuers to separate convertible debt instruments into two components: a non-convertible bond and a conversion option. The separation of the conversion option creates an original issue discount in the bond component which is to be amortized as interest expense over the term of the instrument using the interest method, resulting in an increase to interest expense and a decrease in net income and earnings per share.

- On November 12, 2008, FASB issued FAS No. 104-e and FIN 46(R)-e, *Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities*. Enhanced disclosures pursuant to FAS No. 104-e and FIN 46(R)-e will be required of all public entities effective for periods ending after December 15, 2008.

- In December 2008 the FASB approved FASB Staff Position No. FAS 132(R)-1 (“FSP FAS 132(R)-1”), *Employers’ Disclosures about Pensions and Other Postretirement Benefits*, which provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 also includes a technical amendment to SFAS 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. The disclosures about plan assets required by this FSP FAS 132(R)-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2009.

**Off-balance sheet arrangements**

We are not party to any off-balance sheet arrangements, nor have we been involved in any such transactions in the past.

**Tabular disclosure of contractual obligations**

The following table summarizes our material contractual obligations as of December 31, 2008.

| | **Payments due by period** (in millions of nominal pesos) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
| Master Development Plans(1) | Ps.4,733.2 | Ps. 903.5 | Ps.3,305.3 | Ps. 524.4 | Ps. — |
| Purchase Obligations | — | — | — | — | — |
| Operating Lease Obligations | 1 | 1 | — | — | — |
| Technical Assistance Agreement(2) | 104 | 104 | — | — | — |
| **Total** | **Ps.4,838.2** | **Ps. 1,088.5** | **Ps.3,305.3** | **Ps. 524.4** | **Ps. —** |

(1) The master development plans, which contain the investment commitments for our airports have been approved for each year through December 31, 2013. The plans also contain indicative investments for calendar years 2014 through 2023, but these amounts are not binding on us.

(2) Reflects fixed minimum amount due under the Technical Assistance Agreement. Actual amount to be paid in any year may be higher because technical assistance fees are calculated as the greater of a fixed dollar amount (subject to certain adjustments) and 5% of our annual consolidated earnings before comprehensive financing cost, income taxes and depreciation and amortization (determined in accordance with Mexican FRS and calculated prior to deducting the technical assistance fee).