We are 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 (excluding revenues from improvements to concession assets) of each concession holder obtained from the use of public domain assets pursuant to the terms of its concession. In 2011 and 2012, this tax was Ps. 193.8 million and Ps. 217.3 million, respectively. The concession tax rate may vary on an annual basis as determined solely by the Mexican Federal Congress, and there can be no assurance that this rate will not increase in the future. If the Mexican Federal Congress increases the concession tax rate, 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 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 2011 and 2012, 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 write offs were Ps. 27.5 million in 2011 and Ps. 17.2 million in 2012. For further information regarding depreciation and amortization expenses, refer to Notes 8, 9, 10, 11 and 12 to our audited consolidated financial statements.

**Cost of improvements to concession assets**

In conformity with out Master Development Programs we have to invest in additions and upgrades to our concession assets, and these investments are reflected according to IFRIC 12. In our case, because we hire third parties to provide construction and upgrade services, our costs reflect the amounts paid to third parties, and we do not recognize a premium on the cost of services. Because revenues from improvements to concession assets are equal to the cost of improvements to concession assets, the application of IFRIC 12 does not have a cash impact on our results.

**Taxation**

We and each of our subsidiaries pay taxes on an individual (rather than consolidated) basis.

Beginning January 1, 2008, as a result of changes in the Mexican tax law, Mexican companies must pay the greater of their income tax (currently determined at a rate of 30% for 2011 to 2013, 29% for 2014 and 28% thereafter) or a business flat tax rate (*Impuesto Empresarial a Tasa Única*, or IETU), which replaced the asset tax. IETU is calculated by applying a tax rate, which since 2010 has been 17.5%, to income based on cash flows. This cash flow income is determined by taking authorized deductions (excluding wages, social security contributions, interest expense 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. The IETU tax law established that the excess of the income tax over the asset tax could be recovered during the ten years following the implementation of the IETU tax law by up to 10% of the total asset tax carryforward at December 31, 2007 each year, 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 years preceding December 31, 2007.

We regularly review our deferred tax assets for recoverability, which are reduced as necessary to the extent that a future tax benefit is no longer probable, based on an analysis of 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 2011 and 2012 were 14% and 16%, respectively. In 2012, our effective tax rate increased to 16% or 200 basis points as compared to 2011, resulting from an increase in our current tax expense derived from an increase in our earnings before income taxes of 12.1%, whereas our deferred tax income remained relatively stable. We paid Ps. 550.3 million and Ps. 531.8 million in corporate taxes in 2011 and 2012, respectively, representing 29.4% and 25.3% of our earnings before taxes.

According to the mechanism established to recover existing asset tax credit carryforwards, which ultimately benefit us, we have ten years beginning in 2008 to recover those existing asset tax credits. Every year, we review and adjust, as necessary, our financial projections based on new expectations of revenues, expenses and capital expenditures, whether for our Master Development Programs, for new maximum tariffs or new passenger traffic projections. Based on these changes which resulted in our ability to recover tax on assets that was previously determined to be unrecoverable, coupled with our financial projections from 2008 to 2017, we recognized in 2007 Ps. 354.9 million associated with a recoverable tax on assets paid in previous years. In 2011, we increased the recoverable asset by Ps. 19.0 million, based on revised financial projections from 2012 to 2017. The recoverable tax on assets decreased Ps. 32.3 million due to a refund request we made in 2011 to the tax authorities, which has been already received in its entirety. In 2012, we decreased the recoverable asset by Ps. 16.1 million, based on revised financial projections from 2013 to 2017. The recoverable tax on assets decreased Ps. 49.5 million due to a refund request we made in 2012 to the tax authorities, which as of the date of this report has been fully received.

### Employee Profit Sharing

We are 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.

### Employee Retirement Plans

Under Mexican legislation, we must make payments equivalent to 2% of our workers’ comprehensive daily salary to a defined contribution plan that is part of the retirement savings system. The expense was Ps. 4.3 million in 2011 and 2012.

### 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, | |
|---|---|---|
| | 2011 | 2012 |
| Depreciation (appreciation) of the Mexican peso as compared to the U.S. dollar[1] | 13.1% | (6.9)% |
| Mexican inflation rate[2] | 3.8% | 3.6% |
| U.S. inflation rate[3] | 2.9% | 1.7% |
| Increase in Mexican gross domestic product[4] | 3.9% | 3.9% |

(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. 13.9787 per U.S.$ 1.00 as of December 31, 2011 and Ps. 13.0101 per U.S.$ 1.00 as of December 31, 2012.
(2) Based on changes in the Mexican consumer price index from the previous period, as reported by the Mexican National Institute for Statistics and Geography (INEGI). The Mexican consumer price index at year end was: 103.551 in 2011 and 107.246 in 2012.
(3) As reported by the U.S. Department of Labor, Bureau of Labor Statistics.
(4) In real terms, as reported by INEGI as of February 18, 2013.

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.* According to IFRS, if inflation rates over a three-year period approach or exceed 100.0%, the incorporation of inflation in an entity's financial statements becomes necessary. Therefore, non-monetary assets would be restated, and as a result depreciation and amortization of those assets would be higher, negatively affecting our net income.
- *Passenger charges*. Passenger charges for international passengers are currently denominated in dollars, but are invoiced and collected in pesos. Meanwhile, passenger charges for domestic passengers are denominated in pesos. Consequently, an appreciation of the peso against the U.S. dollar could cause declines in our revenues from passenger charges for international passengers and consequently our aeronautical revenues. An appreciation of the peso would produce a decline in peso-denominated revenues when compared with the previous year, because our tariffs for the services we provide to international flights or international passengers are denominated in U.S. dollars but are generally invoiced and paid for in Mexican pesos based on the average exchange rate for the month prior to each flight on which the charge is incurred.
- *Finance income (cost).* As required by IFRS, our finance income (cost) reflects gains or losses from foreign exchange and gains and losses from interest earned or incurred, and as a consequence a depreciation or appreciation of the peso would impact the finance income (cost).
- *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 invoiced and paid in Mexican pesos based on the average exchange rate for the month prior to each flight. During 2011 and 2012, we collected passenger charges from airlines within 60 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 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.

- *Non-aeronautical revenues.* In addition, some of our non-aeronautical revenue contracts are denominated and invoiced in U.S. dollars; however, some of them are collected in Mexican pesos. Consequently, an appreciation of the peso against the U.S. dollar would cause declines in our revenues from these U.S. dollar-denominated contracts.

**Results of operations by subsidiary**

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

**Results of Operations by Subsidiary**

| | Subsidiary Operating Results Year ended December 31, 2011 | 2012 |
|---|---|---|
| | (thousands of pesos, except percentages) | |
| **Guadalajara:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 1,141,167 | Ps. 1,221,886 |
| Non-aeronautical services | 287,174 | 339,221 |
| | 1,428,342 | 1,561,107 |
| Improvements to concession assets | 189,794 | 132,211 |
| Total revenues | 1,618,136 | 1,693,318 |
| Total costs | 771,067 | 778,299 |
| Costs of operations[4] | 367,965 | 405,500 |
| Cost of improvements to concession | 189,794 | 132,211 |
| Depreciation and amortization | 210,171 | 240,538 |
| Other expense | 3,137 | 50 |
| Income from operations | 847,069 | 915,019 |
| Operating margin[1] | 52.35% | 54.04% |
| **Tijuana:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 437,238 | Ps. 486,674 |
| Non-aeronautical services | 92,010 | 113,157 |
| | 529,248 | 599,831 |
| Improvements to concession assets | 157,310 | 49,762 |
| Total revenues | 686,558 | 649,593 |
| Total costs | 474,492 | 408,030 |
| Costs of operations[4] | 200,089 | 227,948 |
| Cost of improvements to concession | 157,310 | 49,762 |
| Depreciation and amortization | 117,077 | 130,316 |
| Other expense | 16 | 4 |
| Income from operations | 212,066 | 241,563 |
| Operating margin[1] | 30.89% | 37.19% |
| **Los Cabos:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 485,138 | Ps. 543,341 |
| Non-aeronautical services | 191,352 | 268,588 |
| | 676,490 | 811,929 |
| Improvements to concession assets | 366,186 | 173,878 |
| Total revenues | 1,042,676 | 985,807 |
| Total costs | 637,479 | 498,479 |
| Costs of operations[4] | 177,637 | 209,106 |
| Cost of improvements to concession | 366,186 | 173,878 |
| Depreciation and amortization | 93,048 | 115,384 |
| Other expense | 608 | 111 |
| Income from operations | 405,197 | 487,328 |
| Operating margin[1] | 38.86% | 49.43% |

| | Subsidiary Operating Results Year ended December 31, 2011 | 2012 |
|---|---|---|
| | (thousands of pesos, except percentages) | |
| **Puerto Vallarta:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 423,820 | Ps. 451,560 |
| Non-aeronautical services | 142,293 | 159,754 |
| | 566,114 | 611,314 |
| Improvements to concession assets | 207,288 | 88,139 |
| Total revenues | 773,402 | 699,453 |
| Total costs | 497,407 | 401,100 |
| Costs of operations[4] | 175,741 | 194,550 |
| Cost of improvements to concession | 207,288 | 88,139 |
| Depreciation and amortization | 111,430 | 118,503 |
| Other expense (income) | 2,948 | (92) |
| Income from operations | 275,995 | 298,353 |
| Operating margin[1] | 35.69% | 42.66% |
| **Hermosillo:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 149,920 | Ps. 168,732 |
| Non-aeronautical services | 26,034 | 31,790 |
| | 175,954 | 200,522 |
| Improvements to concession assets | 33,792 | 11,564 |
| Total revenues | 209,746 | 212,086 |
| Total costs | 146,517 | 143,766 |
| Costs of operations[4] | 74,274 | 88,279 |
| Cost of improvements to concession | 33,792 | 11,564 |
| Depreciation and amortization | 38,453 | 43,364 |
| Other (income) expense | (2) | 559 |
| Income from operations | 63,229 | 68,320 |
| Operating margin[1] | 30.15% | 32.21% |
| **Guanajuato:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 135,946 | Ps. 156,768 |
| Non-aeronautical services | 31,053 | 34,987 |
| | 166,999 | 191,755 |
| Improvements to concession assets | 43,739 | 45,211 |
| Total revenues | 210,738 | 236,966 |
| Total costs | 152,526 | 162,998 |
| Costs of operations[4] | 71,558 | 79,129 |
| Cost of improvements to concession | 43,739 | 45,211 |
| Depreciation and amortization | 37,153 | 38,835 |
| Other expense (income) | 76 | (177) |
| Income from operations | 58,212 | 73,968 |
| Operating margin[1] | 27.62% | 31.21% |
| **Other Airport Subsidiaries[2]:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 304,697 | Ps. 337,021 |
| Non-aeronautical services | 54,664 | 60,956 |
| | 359,361 | 397,977 |
| Improvements to concession assets | 38,119 | 69,468 |
| Total revenues | 397,480 | 467,445 |
| Total costs | 400,893 | 455,345 |
| Costs of operations[4] | 239,790 | 258,167 |
| Cost of improvements to concession | 38,119 | 69,468 |
| Depreciation and amortization | 123,054 | 127,124 |
| Other (income) expense | (70) | 586 |
| (Loss) income from operations | (3,413) | 12,100 |
| Operating margin[1] | (0.86)% | 2.59% |
| **Other Subsidiaries[3]:** | | |
| Total costs | 22,333 | (16,852) |
| Costs of operations[4] | 9,877 | (30,310) |
| Depreciation and amortization | 12,583 | 13,166 |
| Other (income) expense | (126) | 292 |
| (Loss) income from operations | (22,335) | 16,851 |

| | Subsidiary Operating Results | |
|---|---|---|
| | Year ended December 31, | |
| | 2011 | 2012 |
| | (thousands of pesos, except percentages) | |
| **Total:** | | |
| Revenues: | | |
| Aeronautical services | Ps. 3,077,927 | Ps. 3,365,982 |
| Non-aeronautical services | 824,580 | 1,008,452 |
| | 3,902,507 | 4,374,434 |
| Improvements to concession assets | 1,036,227 | 570,233 |
| Total revenues | 4,938,734 | 4,944,667 |
| Total costs | 3,102,714 | 2,831,165 |
| Costs of operations(4) | 1,316,931 | 1,432,369 |
| Cost of improvements to concession | 1,036,227 | 570,233 |
| Depreciation and amortization | 742,969 | 827,230 |
| Other expense | 6,587 | 1,333 |
| Income from operations | 1,836,020 | 2,113,502 |
| Operating margin(1) | 37.2% | 42.7% |

(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 Morelia, La Paz, Aguascalientes, Mexicali, Los Mochis and Manzanillo airports.
(3) Other subsidiaries data reflects the results of operations of our administrative, operating and car parking services providers.
(4) Cost of operations includes cost of services, technical assistance fees and concession taxes.

Historically, our most profitable airports have been our Guadalajara, Los Cabos 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 principal 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. This is because 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 because the original concession value assigned to the Tijuana International Airport was proportionately higher.

**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, | | |
| | 2011 | 2012 | |
| | Amount | Amount | % change |
| **Revenues:** | | | |
| Aeronautical services | Ps. 3,077,927 | Ps. 3,365,982 | 9.4% |
| Non-aeronautical services | 824,580 | 1,008,452 | 22.3 |
| | 3,902,507 | 4,374,434 | 12.1 |
| Improvements to concession assets | 1,036,227 | 570,233 | (45.0) |
| Total revenues | 4,938,734 | 4,944,677 | 0.1 |
| **Operating costs:** | | | |
| Cost of services | 986,938 | 1,060,002 | 7.4 |
| Technical assistance fees | 136,191 | 155,072 | 13.9 |
| Concession taxes | 193,802 | 217,295 | 12.1 |
| Depreciation and amortization | 742,969 | 827,230 | 11.3 |
| Other expense | 6,587 | 1,333 | (79.8) |
| Cost of improvements to concession assets | 1,036,227 | 570,233 | (45.0) |
| Total costs | 3,102,714 | 2,831,165 | (8.8) |
| Income from operations | 1,836,020 | 2,113,502 | 15.1 |
| **Finance (cost) income** | | | |
| Interest income, net | 14,692 | 759 | (94.8) |
| Exchange gain (loss), net | 22,626 | (14,782) | (165.3) |
| Net finance (cost) income | 37,318 | (14,023) | (137.6) |
| Income before income taxes | 1,873,338 | 2,099,479 | 12.1 |
| Income tax expense | (261,758) | (327,449) | 25.1 |
| Consolidated net income | 1,611,580 | 1,772,030 | 10.0 |
| **Other operating data (unaudited):** | | | |
| Operating margin(1) | 37.2% | | 42.7% |
| Net margin(2) | 32.6% | | 35.8% |

(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, 2012 compared to the year ended December 31, 2011**

***Revenues***

Total revenues for 2012 increased 0.1%, from Ps. 4,938.7 million in 2011 to Ps. 4,944.7 million in 2012, due to an increase of Ps. 288.0 million in aeronautical services revenues, an increase of Ps. 183.9 million in non-aeronautical services revenues. This was partially offset by a Ps. 466.0 million decrease in revenues from improvements to concession assets as a result of the committed investments outlined in our Master Development Programs, which for 2012 were less than the corresponding amounts in 2011.

Aeronautical services revenues increased 9.4%, from Ps. 3,077.9 million in 2011 to Ps. 3,365.9 million in 2012, primarily due to a 5.3% increase in passenger traffic compared to 2011, a 0.9% increase in the Mexican Producer Price Index excluding petroleum and a 5.5% increase in specific tariffs as of June 2012. Revenues from passenger charges increased 10.4% or Ps. 266.4 million primarily driven by a 5.4% increase in passengers that paid passenger charges and the increase in specific tariffs as of June 2012. During 2012, revenues from aircraft landing and parking fees increased 7.5%, or Ps. 22.8 million, while the leasing of spaces to airlines for ticket counter and back office space and complementary services decreased 2.0%, or Ps. 3.2 million.

Table of Contents

Non-aeronautical services revenues for 2012 increased Ps. 183.9 million, or 22.3%, from Ps. 824.6 million in 2011 to Ps. 1,008.5 million in 2012. The primary factor influencing the change in non-aeronautical revenues from 2011 to 2012 was a combined Ps. 118.3 million increase in our duty-free operations, recovery of costs revenues, car parking and advertising revenues. The increase in duty-free operations revenue was mainly due to the opening of the new Terminal 2 in the Los Cabos airport, where a new duty-free contract was entered into, which included a one-time payment of Ps. 26.6 million (which under the contract cannot be returned to the tenant under any circumstances) as well as higher rents than those paid by the previous tenant. The increase in recovery of cost revenues is related to the operation of the baggage screening systems which began in the fourth quarter of 2011. The increase in car parking is due to the increase in passenger traffic as well as the new parking fee structure implemented at the beginning of 2012. The increase in advertising is the result of the fact that since May 2011 we have been directly operating the advertising at all of our airports. Additionally, during 2012, our leasing of space to time share developers, food and beverages, car rentals and VIP lounges (lounges operated directly by us) contributed a combined increase of Ps. 49.2 million as compared to 2011.

Revenues from improvements to concession assets in 2012 decreased Ps. 466.0 million, or 45.0%, from Ps. 1,036.2 million in 2011 to Ps. 570.2 million in 2012. The main factor that determines the change in revenues from improvements to concession assets from 2011 to 2012 was a decrease in our commitments under the Master Development Programs for 2012, mainly due to the completion of construction of: (i) the new terminal at the Los Cabos airport, (ii) the expansion of the main terminal at the Tijuana airport, (iii) the construction of the overhanging cover at the Guadalajara airport and (iv) the expansion of the satellite building at the Puerto Vallarta airport.

*Revenues by Airport*

Total revenues at each of our airports increased, mainly due to the increase in aeronautical services revenues.

At the Guadalajara airport, revenues increased by 4.6% or Ps. 75.2 million, from Ps. 1,618.1 million in 2011 to Ps. 1,693.3 million in 2012. Aeronautical revenues increased 7.1% or Ps. 80.7 million, from Ps. 1,141.2 million in 2011 to Ps. 1,221.9 million in 2012, due to a Ps. 81.1 million or 7.1% increase in passenger charges caused by a 3.3% increase in passenger traffic and a 5.5% increase in tariffs due to inflation. Non-aeronautical revenues, at the Guadalajara airport, increased 18.1% or Ps. 52.0 million, from Ps. 287.2 million in 2011 to Ps. 339.2 million in 2012, due principally to an increase of Ps. 44.2 million in car parking, advertising, VIP lounges, recovery of costs and other commercial revenues. The increase was partially offset by a Ps. 57.6 million decrease in revenues from improvements to concession assets (revenues increased 9.3% taking into account only revenues from aeronautical and non-aeronautical services).

At the Tijuana airport, revenues decreased by 5.4% or Ps. 37.0, from Ps. 686.6 million in 2011 to Ps. 649.6 million in 2012, mainly due to a Ps. 107.5 million decrease in revenues from improvements to concession assets (revenues increased 13.3% taking into account only revenues from aeronautical and non-aeronautical services). Aeronautical revenues increased by 11.3% or Ps. 49.4 million, from Ps. 437.2 million in 2011 to Ps. 486.7 million in 2012 at the Tijuana airport, due to an increase in passenger charges of Ps. 45.4 million. Non-aeronautical revenues increased at the Tijuana airport by 23.0% or Ps. 21.2 million, from Ps. 92.0 million in 2011 to Ps. 113.2 million in 2012, principally due to a Ps. 16.5 million increase in revenues from car parking, recovery of costs and advertising.

At the Los Cabos airport, revenues decreased by 5.5% or Ps. 56.9 million, from Ps. 1,042.7 million in 2011 to Ps. 985.8 million in 2012, mainly due to a decrease of Ps. 192.3 million in revenues from improvements to concession assets (revenues increased 20.0% taking into account only revenues from aeronautical and non-aeronautical services). Aeronautical revenues increased by 12.0% or Ps. 58.2 million, from Ps. 485.1 million in 2011 to Ps. 543.3 million in 2012 at the Los Cabos airport, due to a 7.5% increase in passenger and the 5.5% increase in tariffs due to inflation. Non-aeronautical revenues increased at the Los Cabos airport by 40.4% or Ps. 77.2 million, from Ps. 191.4 million in 2011 to Ps. 268.6 million in 2012, mainly due to a Ps. 58.1 million increase in revenues from duty-free operations, recovery of costs and leasing of spaces to time-share developers.

At the Puerto Vallarta airport, revenues decreased by 9.6% or Ps. 73.9 million, from Ps. 773.4 million in 2011 to Ps. 699.5 million in 2012, mainly due to a decrease of Ps. 119.1 million in revenues from improvements to concession assets (revenues increased by 8.0% taking into account only revenues from aeronautical and non-aeronautical services). Aeronautical revenues increased by 6.6% or Ps. 27.8 million, from Ps. 423.8 million in 2011 to Ps. 451.6 million in 2012 at the Puerto Vallarta airport, due to a 2.4% increase in passenger traffic and a 5.5% increase in tariffs due to inflation. Non-aeronautical revenues increased at the Puerto Vallarta airport by 12.3% or Ps. 17.5 million, from Ps. 142.3 million in 2011 to Ps. 159.8 million in 2012, due principally to a Ps. 10.7 million increases in recovery of costs, revenues from duty-free operations and advertising.

At the Hermosillo airport, revenues increased by 1.1% or Ps. 2.4 million, from Ps. 209.7 million in 2011 to Ps. 212.1 million in 2012 primarily due to an increase in aeronautical revenues resulting from a 7.3% increase in passenger traffic and a 5.5% increase in tariffs related to inflation (revenues increased 14.0% taking into account only revenues from aeronautical and non-aeronautical services). Aeronautical revenues increased by 12.5% or Ps. 18.8 million, from Ps. 149.9 million in 2011 to Ps. 168.7 million in 2012 at the Hermosillo airport. Non-aeronautical revenues increased by 22.1% or Ps. 5.8 million, from Ps. 26.0 million in 2011 to Ps. 31.8 million in 2012, due to a Ps. 3.5 million increase in revenues from car parking, advertising and car rentals. The increase in aeronautical and non-aeronautical revenues was partially offset by a decrease of Ps. 22.2 million in revenues from improvements to concession assets in 2012 as compared to 2011.

At the Guanajuato airport, revenues increased by 12.4% or Ps. 26.3 million, from Ps. 210.7 million in 2011 to Ps. 237.0 million in 2012, mainly due to an increase of Ps. 20.8 million in aeronautical revenues (revenues increased 14.8% taking into account only revenues from aeronautical and non-aeronautical services). Aeronautical revenues increased by 15.3% from Ps. 135.9 million in 2011 to Ps. 156.8 million in 2012 at the Guanajuato airport, mainly due to an 11.3% increase in passenger traffic and a 5.5% increase in tariffs related to inflation. Non-aeronautical revenues increased at the Guanajuato airport by 12.7% or Ps. 3.9 million, from Ps. 31.1 million in 2011 to Ps. 35.0 million in 2012, due primarily to a Ps. 3.9 million increase in revenues from car parking, recovery of costs and advertising. Revenues from improvements to concession assets increased 3.4% or Ps. 1.5 million from Ps. 43.7 million in 2011 to Ps. 45.2 million in 2012.

Revenues at our other 6 airports increased by 17.6% or Ps. 69.9 million, on an aggregate basis from Ps. 397.5 million in 2011 to Ps. 467.4 million in 2012, largely due to a Ps. 32.3 million increase in aeronautical revenues (revenues increased 10.7% taking into account only revenues from aeronautical and non-aeronautical services). Aeronautical revenues at these airports increased by 10.6% or Ps. 32.3 million, from Ps. 304.7 million in 2011 to Ps. 337.0 million in 2012, mainly due to a 6.1% increase in passenger traffic and a 5.5% increase in tariffs due to inflation. Non-aeronautical revenues increased by 11.5% or Ps. 6.3 million, from Ps. 54.7 million in 2011 to Ps. 61.0 million in 2012, due primarily to a Ps. 6.4 million increase in revenues from car parking, advertising, recovery of costs, and other commercial revenues. Revenues from improvements to concession assets increased 82.2% or Ps. 31.4 million from Ps. 38.1 million in 2011 to Ps. 69.5 million in 2012.

***Total Costs***

*Cost of Services*

Cost of services, which is comprised of employee costs, maintenance, safety, security, insurance, utilities and other expenses, increased by Ps. 73.1 million, or 7.4%, from Ps. 986.9 million in 2011 to Ps. 1.0 billion in 2012. Safety, security and insurance expenses increased 21.5%, or Ps. 28.2 million, due to the outsourcing of certain of our check-point staff, the increase in implementation of additional security measures required by airport authorities related to checking for liquids carried by boarding passengers and outsourcing to a third party to operate the new baggage screening system equipment at our airports. Employee costs increased 5.4%, or Ps. 20.8 million, mainly due to severance payments of Ps. 14.4 million related to the personnel responsible for operating our airbuses and walkways, because beginning on November 1, 2012 we outsourced the entire operation to a third party, which assumed full responsibility. In addition, increases in salaries, annual incentives, labor union fees and other employee costs together amounted to Ps. 7.0 million. Maintenance expenses increased 11.4% or Ps. 20.6 million mainly due to routine maintenance on runways, security equipment, machinery and equipment, in addition to major maintenance undertaken in certain operational areas. Utility expenses increased 14.2%, or Ps. 17.4 million, mainly due to an increase in electricity rates and higher consumption of electricity as a result of the expansion of our terminals, the operation of new baggage screening system equipment, in part related with the fulfillment of our Master Developments Programs during 2012.

The main airports that contributed to the increase in the cost of services for 2012 were Guadalajara (cost of services increased 9.7%, to Ps. 272.7 million in 2012 from Ps. 248.5 million in 2011, as a result of an increase in advertising commissions of Ps. 4.9 million, an increase in the provision for doubtful accounts of Ps. 4.0 million and an increase in security and insurance Ps. 7.2 million), Los Cabos (cost of services increased 17.6%, to Ps. 149.4 million in 2012 from Ps. 127.1 million in 2011, as a result of the increase in electricity consumption due to the operation of new Terminal building), and Tijuana (cost of services increased 14.1%, to Ps. 169.4 million in 2012 from Ps. 148.5 million in 2011, as a result of increases in security costs of Ps. 5.9 million, maintenance expenses of Ps. 5.3 million, the provision for doubtful accounts of Ps. 4.4 million and an increase in electricity consumption of Ps. 3.0 million).

*Technical Assistance Fee and Concession Tax*

The technical assistance fee increased 13.9%, or Ps. 18.9 million, from Ps. 136.2 million in 2011 to Ps. 155.1 million in 2012. This increase was mainly due to an increase in our consolidated income from operations, which is used to calculate this fee. See "Item 4, Information on the Company – History and Development of the Company – Investment by AMP".

As a result of increased revenues (excluding revenues from improvements to concession assets as they do not form part of income for purposes of the government concession tax), government concession taxes increased 12.1%, from Ps. 193.8 million in 2011 to Ps. 217.3 million in 2012.

*Depreciation and Amortization*

Depreciation and amortization increased 11.3% or Ps. 84.2 million, from Ps. 743.0 million in 2011 to Ps. 827.2 million in 2012, mainly due to the growth in infrastructure resulting from our fulfillment of our Master Development Programs and our commitment to provide better services to our clients. The amortization of concessions did not fluctuate materially.

*Cost of improvements to concession assets*

Cost of improvements to concession assets in 2012 decreased Ps. 466.0 million, or 45.0%, from Ps. 1.0 billion in 2011 to Ps. 570.2 million in 2012. The primary factor influencing the decrease in cost of improvements to concession assets from 2011 to 2012 was the change in amounts allocated in our Master Development Programs for 2012 as compared to 2011.

*Operating Costs by Airport*

Operating costs at most of our airports decreased, mainly due to the 45.0% decrease in the cost of improvements to concession assets described above.

Operating costs for the Guadalajara airport were Ps. 778.3 million in 2012, a 0.9% or Ps. 7.2 million increased from the Ps. 771.1 million recorded in 2011. This increase was primarily due to a 14.4% or Ps. 30.4 million increase in depreciation and amortization, from Ps. 210.2 million in 2011 to Ps. 240.5 million in 2012. Additionally the cost of maintenance, security, professional services and utilities increased 34.4% or Ps. 16.6 million. The increase in operating costs was partially offset by a Ps. 57.6 million decrease in the cost of improvements to concession assets from Ps. 189.8 million in 2011 to Ps. 132.2 million in 2012 (operating costs increased 11.2% or Ps. 64.8 million, without including improvements to concession assets).

Operating costs for the Tijuana airport decreased Ps. 66.5 million or 14.0%, to Ps. 408.0 million in 2012 from the Ps. 474.5 million recorded in 2011. This decrease was due to a 68.4% or Ps. 107.5 million decrease in the cost of improvements to concession assets from Ps. 157.3 million in 2011 to Ps. 49.8 million in 2012. The decrease was partially offset by a Ps. 20.9 million increase in the cost of services and a Ps. 13.2 million increase in depreciation and amortization (operating costs increased 13.0% or Ps. 41.1 million, without including improvements to concession assets).

Operating costs for the Los Cabos airport decreased 21.8% or Ps. 139.0 million, to Ps. 498.5 million in 2012 from the Ps. 637.5 million recorded in 2011. This decrease was mainly due to a 52.5% or Ps. 192.3 million decrease in the cost of improvements to concession assets from Ps. 366.2 million in 2011 to Ps. 173.9 million in 2012. This decrease was partially offset by a Ps. 22.3 million increase in the cost of services and a Ps. 22.3 million increase in depreciation and amortization (operating costs increased 19.6% or Ps. 53.3 million without including improvements to concession assets).

Operating costs for the Puerto Vallarta airport were Ps. 401.1 million in 2012, a 19.4% or Ps. 96.3 million decrease from the Ps. 497.4 million recorded in 2011. This decrease was primarily due to a 57.5% or Ps. 119.2 million decrease in the cost of improvements to concession assets from Ps. 207.3 million in 2011 to Ps. 88.1 million in 2012. The decrease was partially offset by a Ps. 14.0 million increase in the cost of services and a Ps. 7.1 million increase in depreciation and amortization (operating costs increased 7.9% or Ps. 22.8 million without including of improvements to concession assets).

Operating costs for the Hermosillo airport decreased 1.8% or Ps. 2.7 million, to Ps. 143.8 million in 2012 from the Ps. 146.5 million recorded in 2011. This decrease was due to a 65.7% or Ps. 22.2 million decrease in the cost of improvements to concession assets from Ps. 33.8 million in 2011 to Ps. 11.6 million in 2012. This decrease was partially offset by a Ps. 11.7 million increase in the cost of services and a Ps. 4.9 million increase in depreciation and amortization (operating costs increased 17.3% or Ps. 19.5 million without including improvements to concession assets).

Operating costs for the Guanajuato airport increased 6.9% or Ps. 10.5 million, from the Ps. 152.5 million recorded in 2011 to Ps. 163.0 million in 2012. This increase was primarily due to a 3.4% or Ps. 1.5 million increase in the cost of improvements to concession assets from Ps. 43.7 million in 2011 to Ps. 45.2 million in 2012. Additionally the cost of services increased Ps. 5.4 million and depreciation and amortization increased Ps. 1.7 million (operating costs increased 8.3% or Ps. 9.0 million without including improvements to concession assets).

Operating costs for our 6 other airports increased 13.6% or Ps. 54.4 million, from the Ps. 400.9 million recorded in 2011 to Ps. 455.3 million in 2012. This increase was primarily due to a 82.2% or Ps. 31.3 million increase in the cost of improvements to concession assets from Ps. 38.1 million in 2011 to Ps. 69.5 million in 2012 (operating costs increased 6.4% or Ps. 23.1 million without including improvements to concession assets). Additionally, the cost of services increased Ps. 14.3 million and depreciation and amortization increased Ps. 4.1 million.

***Income from Operations***

Operating income increased 15.1%, or Ps. 277.5 million, from Ps. 1.8 billion in 2011 to Ps. 2.1 billion in 2012. This increase was due to higher revenue in 2012, which was partially offset by increases in expenses. Our operating margin increased 557 basis points, from 37.2% in 2011 to 42.7% in 2012 (taking into account only the sum of aeronautical and non-aeronautical revenues, the operating margin increased 130 basis points from 47.0% to 48.3% in 2012).

*Income from Operations by Airport*

Operating margin is calculated by dividing income from operations at each airport by total revenues for that airport.

Operating income for the Guadalajara airport increased by 8.0% or Ps. 67.9 million, from Ps. 847.1 million in 2011 to Ps. 915.0 million in 2012, mainly due to an increase in aeronautical and non-aeronautical revenues of Ps. 132.8 million. This increase was partially offset by an increase in the costs of operations of Ps. 37.5 million and an increase in depreciation and amortization of Ps. 30.4 million. The operating margin increased 169 basis points, from 52.3% to 54.0% (operating margin decreased 69 basis points from 59.3% to 58.6%, taking into account the sum of aeronautical and non-aeronautical revenues only).

Operating income for the Tijuana airport increased by 13.9% or Ps. 29.5 million, from Ps. 212.1 million in 2011 to Ps. 241.6 million in 2012, primarily due to a slightly greater increase in aeronautical and non-aeronautical revenues as a result of an increase in passenger traffic then the corresponding increase in operating costs. The operating margin increased 630 basis points from 30.9% to 37.2% (operating margin increased 20 basis points to 40.1% from 40.3%, taking into account the sum of aeronautical and non-aeronautical revenues only).

Operating income for the Puerto Vallarta airport increased by 8.1% or Ps. 22.4 million, from Ps. 276.0 million in 2011 to Ps. 298.4 million in 2012, primarily due to a slightly greater increase in the aeronautical and non-aeronautical revenues as a result of the increase in passenger traffic then the corresponding increase in operating costs. The operating margin increased 697 basis points from 35.7% to 42.7% (operating margin increased 5 basis points to 48.75% from 48.80%, taking into account the sum of aeronautical and non-aeronautical revenues only).

Operating income for the Los Cabos airport increased by 20.3% or Ps. 82.1 million, from Ps. 405.2 million in 2011 to Ps. 487.3 million in 2012, primarily due to an increase in the aeronautical and non-aeronautical revenues. The operating margin increased 1,057 basis points from 38.9% to 49.4% (operating margin increased 12 basis points to 59.9% from 60.0%, taking into account the sum of aeronautical and non-aeronautical revenues only).

Operating income for the Hermosillo airport increased by 8.1% or Ps. 5.1 million, from Ps. 63.2 million in 2011 to Ps. 68.3 million in 2012, primarily due to an increase in the aeronautical and non-aeronautical revenues. The operating margin increased 207 basis points from 30.1% to 32.2% (operating margin decreased 186 basis points from 35.9% to 34.1%, taking into account the sum of aeronautical and non-aeronautical revenues only).

Operating income for the Guanajuato airport increased by 27.1% or Ps. 15.8 million, from Ps. 58.2 million in 2011 to Ps. 74.0 million in 2012, primarily due to an increase in the aeronautical and non-aeronautical revenues. The operating margin increased 359 basis points from 27.6% to 31.2% (operating margin increased 372 basis points from 34.9% to 38.6% taking into account the sum of aeronautical and non-aeronautical revenues only).

Operating income for our 6 other airports increased by 454.5% or Ps. 15.5 million, to a gain of Ps. 12.1 million in 2012 from a loss of Ps. 3.4 million in 2011. The change in operating income was primarily due to a higher percentage increase in the sum of aeronautical and non-aeronautical revenues as compared to our fixed costs.

***Finance income (cost)***

The finance income (cost) experienced a negative variation of Ps. 51.3 million in 2012 with respect to 2011, from an income of Ps. 37.3 million in 2011 to an expense of Ps. 14.0 million in 2012. This decrease was mainly due to the impact of exchange rate variations, which went from a gain of Ps. 22.6 million in 2011 to a loss of Ps. 14.8 million in 2012, resulting in a negative impact of Ps. 37.4 million. This decline occurred due to the 13.1% devaluation of the Mexican peso versus the U.S. dollar during 2011, while during 2012, the Mexican peso appreciated 6.9%; additionally, the Company held a larger dollar position. Furthermore, interest income declined from Ps. 14.7 million in 2011 to Ps. 0.8 million in 2012, due to a decline in interest capitalization for qualifying assets as a result of a decrease in committed investments in 2012 compared to 2011.

***Income Taxes***

Income taxes for 2012 were Ps. 327.4 million, which principally consisted of the following: (i) current income tax expense for the year of Ps. 551.8 million; it was partially offset with deferred income tax derived from the concession value, other assets and tax loss carryforwards of Ps. 208.2 million and (ii) an increase in the recoverable asset tax of Ps. 16.1 million, stemming from revised financial projections at certain of our airports. Our effective tax rate increased from 14% for 2011 to 16% in 2012. As compared with 2011, income taxes increased Ps. 65.7 million, from Ps. 261.8 million in 2011 to Ps. 327.4 million in 2012. Additionally, current income tax increased Ps. 71.2 million from 2011 to 2012 mainly due to the 12.1% increase in income before taxes.

***Net Income***

Net income increased by 10.0% or Ps. 160.4 million, from Ps. 1.6 billion in 2011 to Ps. 1.8 billion in 2012, mainly due to the Ps. 277.5 million increase in operating income, and partially offset by the Ps. 51.3 million negative variation in finance income (cost). Our net margin increased from 32.6% in 2011 to 35.8% in 2012 (net margin decreased to 40.5% from 41.3%, taking into account the sum of aeronautical and non-aeronautical revenues only).

**Liquidity and Capital Resources**

Historically, our operations had been funded through cash flow from operations, and we did not incur 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 2011 and 2012, we used Ps. 1.0 billion and Ps. 1.1 billion, respectively, of our cash balances for the payment of dividends.

At December 31, 2011 and 2012, we had Ps. 2.1 billion and Ps. 1.7 billion of cash and cash equivalents, and Ps. 278.3 million and Ps. 433.6 million of financial investments held for trading purposes, respectively. These increases in 2012 were due in part to new funds from a bank loan of Ps. 601.3 million, used for capital expenditures in 2012. We believe our working capital and resources expected to be generated from operations, in conjunction with the proceeds from our credit agreements, will continue to meet our present operating requirements.

*Cash Flows*

In 2012, we generated Ps. 2.7 billion from operating activities, principally reflecting income from operations after taking into consideration the effect of our non-monetary assets, such as depreciation and amortization. Income generated from operations was mainly used to make: i) dividend payments of Ps. 847.5 million on May 31, 2012 and Ps. 282.5 million on November 1, 2012, ii) a capital reduction of Ps. 870.0 million, and iii) capital expenditures of approximately Ps. 193.3 million in machinery, equipment and improvements to our airport facilities.

In 2011, we generated Ps. 2.3 billion from operating activities, principally reflecting income from operations after taking into consideration the effect of our non-monetary assets, such as depreciation and amortization. Income generated from operations was mainly used to make: i) dividend payments of Ps. 780.0 million on May 31, 2011 and Ps. 255.1 million on November 29, 2011, ii) capital expenditures of approximately Ps. 238.8 million in machinery, equipment and improvements to our airport facilities, and iii) a repurchase of Ps. 777.5 million in shares.

*Indebtedness*

On December 9, 2009, our Guanajuato, Guadalajara, Hermosillo and Puerto Vallarta airports entered into unsecured credit agreements with cross guarantees provided by the individual airports with Banamex and HSBC for Ps. 325.7 million from each institution, for a total of Ps. 651.4 million. The loans accrue interest at a variable TIIE rate plus 350 basis points, with principal and interest to be paid quarterly for a period of seven years. Under these contracts with both banks, the airports 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) do not constitute, assume or permit that any obligation exist on any of its goods (iii) restrictions on the incurrence of other debt by any subsidiary of each airport receiving a disbursements, if any, (iv) prohibition on the merger of the airport receiving the disbursement (or any of its subsidiaries) with any other company, (v) prohibition on the sale or transfer of assets from each airport receiving a disbursement in an amount greater than Ps. 1.0 million, unless the sale occurs in the regular course of business, (vi) maintenance of certain financial ratios and (vii) prohibition of dividends or reimbursement of capital if the airports are unable to fulfill their obligations under the credit agreement.

In connection with the loans entered into on December 9, 2009, each of those airports entered into a cash flow hedge with Banamex to hedge interest rate risk, which sets a ceiling of 7% on the TIIE, stipulated in the loan agreements (representing the strike price of the hedge), which when added to the 350 basis points established in the loan agreements and the related hedge agreement, results in an effective maximum interest rate of 10.50%. The effective date of the hedge begins in the fourth year of the related debt agreement and extends to the end of the term of the debt. This hedge applies to both loans issued by Banamex and HSBC.

The fair value of our hedging derivative financial instrument was an asset of Ps. 4.5 million as of December 31, 2011 and of Ps. 1.0 million as of December 31, 2012.

On May 26, 2011, we entered into an additional line of credit for the Guadalajara, Puerto Vallarta, Los Cabos, Hermosillo and Guanajuato airports, to finance working capital and capital investments previously committed pursuant to our Master Development Programs at these airports for the years 2011 and 2012, for a total amount of Ps. 1.0 billion with HSBC, represented by unsecured credit agreements with cross guarantees provided by the individual airports. The loans bear interest at the variable 28-day TIIE rate plus 165 basis points and require quarterly principal and interest payments over a period of seven years. During 2011 and 2012 a total of Ps. 913.1 million was disbursed under the line of credit, the remaining Ps. 110.8 million will be disbursed during 2013.

On June 6, 2011, we entered into an additional line of credit for the Guadalajara, Puerto Vallarta, Los Cabos, Hermosillo and Guanajuato airports, to finance working capital and capital investments previously committed pursuant to our Master Development Programs at these airports for the years 2011 and 2012, for a total amount of Ps. 551.4 million with Banamex, represented by unsecured credit agreements with cross guarantees provided by the individual airports. The loans bear interest at the variable 91-day TIIE rate plus 135 basis points for the 2011 disbursements and at the variable 91-day TIIE rate plus 143 basis points for the 2012 disbursements. The loan requires quarterly principal and interest payments over a period of seven years from the date of the disbursement. Ps. 355.1 million in funds from this line were disbursed on different dates during 2011. The remaining Ps. 196.3 million was to be disbursed during 2012. However, on March 16, 2012, Banamex notified the Guadalajara, Puerto Vallarta, Los Cabos, Hermosillo and Guanajuato airports that based on article 294 of Mexico's Negotiable Instruments and Credit Operations Law (*Ley General de Títulos y Operaciones de Crédito*) and pursuant to clause XXIV of the credit agreement entered into with these airports, Banamex would not make any future disbursements outlined in clause V of the credit agreement. On November 7, 2012, the Company notified Banamex that the remaining balance of the loan would be prepaid. Ps. 77.9 million of the remaining balance was prepaid on December 7, 2012 and Ps. 105.3 million was prepaid on December 23, 2012. A final payment was made on January 11, 2013 for Ps.104.6 million, for a total of Ps. 287.8 million; thereby repaying the loan balance in full. With these payments credit loans will be completely liquidated. This prepayment was financed by a new loan from BBVA Bancomer for a line of credit for the Guadalajara, Los Cabos, Puerto Vallarta, Hermosillo and Guanajuato airports for Ps. 287.8 million, which was contracted on November 23, 2012 and which bears interest at the variable 91-day TIIE rate plus 120 basis points at quarterly principal and interest payments for a period of seven years. This is an unsecured credit agreement with crossed guarantees between the airports receiving the credit. As of December 31, 2012, we were in compliance with all covenants stipulated by these credit agreements.

*Capital Expenditures*

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 2009, the Ministry of Communications and Transportation approved our Master Development Programs for each of our airports for the 2010 to 2014 period. This 5-year program will be in effect from January 1, 2010 until December 31, 2014.

The table below sets forth our historical capital expenditures. Capital expenditures are calculated on a cash flow basis, meaning that capital expenditures are equal to those investments actually paid for by each airport during a given year and not including investments allocated for by the airport during that year but not paid for during the given year. The investments shown in the table below therefore reflect our expenditures actually paid for by our airports for the years indicated. In order to be compared with our committed investments for a given year, the investments made in the previous year but paid for in the given year need to be subtracted while the investments allocated but not paid for in the given year need to be added. For the 2011 and 2012, the total of our investments allocated but unpaid were Ps. 276.4 million and Ps. 163.6 million respectively.

**Capital Expenditures**

| Year ended December 31, | (thousands of pesos) (1) |
|---|---|
| 2012 | Ps. 979,014 |
| 2011 | 1,255,036 |

(1) Expressed in nominal pesos.

In 2012, we spent Ps. 979.0 million on capital expenditures, principally for terminals, and runways and aprons. In 2011, we spent Ps. 1.3 billion on capital expenditures, principally for terminals, equipment for the inspection of checked baggage, runways and aprons. On December 15, 2011, we established two trusts to set aside the financing needs for the expansion of the main terminal at our Tijuana airport and for the new Terminal 2 at our Los Cabos airport, respectively. The funds set aside in these trusts will be used exclusively to make payments from work on each of the projects and are available for immediate use. See “Item 4, *History and Development of the Company* – Master Development Programs” for more detail on our historical capital expenditures.

During 2011 and 2012, 38.1% and 19.7% respectively, of our capital expenditures were funded by cash flows from operations, while the remaining balance was funded with bank loans. We currently intend to fund the investments and working capital required by our business strategy through cash flows from operations and from the indebtedness described above.

**Share Repurchase Program**

At the General Ordinary Shareholders’ Meeting held July 22-25, 2010, a stock buy-back program for Series B shares was approved under the Mexican Securities Law rules, for a maximum amount of Ps. 1.00 billion from July 25, 2010 to April 27, 2011. During that period we purchased 20,217,600 shares at an average price of Ps. 45.20 for Ps. 913.8 million. These shares represent 3.6% of our total outstanding shares. At the General Ordinary Shareholders’ Meeting held on April 27, 2011, a stock buy-back program for Series B shares was approved for a maximum amount of Ps. 473.5 million for the twelve months following April 27, 2011. During that period we purchased 10,061,800 shares at an average price of Ps. 47.06 for Ps. 473.5 million. These shares represent 1.8% of our total outstanding shares. At the General Ordinary Shareholders’ Meeting held on April 16, 2012, a stock buy-back program for Series B shares was approved for a maximum amount of Ps. 280.0 million for the twelve months following April 16, 2012. No shares, however, were repurchased during 2012.

**Critical Accounting Policies**

We prepare our audited consolidated financial statements in conformity with IFRS.

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 2.g to our audited consolidated financial statements.

Table of Contents

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

*Contingencies and Provisions*

We are a party to a number of legal proceedings. Under IFRS, 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.

*Allowance for doubtful accounts*

We systematically and periodically review the aging and collection of our accounts receivable and record an allowance for doubtful accounts when evidence exists that they will not be fully recoverable. We believe such risk is adequately covered by guarantee deposits in cash or other kind of guarantees by clients.

*Income Taxes*

In conformity with IFRS, 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 year-end for 2011 and 2012, we recorded, within the long-term deferred income tax asset, an estimated amount of recoverable asset tax paid (Ps. 345.0 million and Ps. 335.3 million, respectively), 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, (See "Item 5, *Operating and Financial Review and Prospects – Taxation*"), 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 and Morelia airports and GAP itself, which has ten years to apply its tax loss. We regularly review our deferred tax assets for recoverability 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. Based on our financial projections, we must determine whether we will incur regular income tax or IETU, and, accordingly, recognize deferred taxes based on that expectation. In 2011, we canceled the recoverable income taxes paid on dividends for a total amount of Ps. 0.6 million, as we did not believe we would recover that amount in future years. In 2012, we canceled the recoverable income taxes paid on dividends for a total amount of Ps. 0.2 million, as we do not believe we will recover that amount in future years. Every year we review the amount of income taxes paid on dividends according to our financial projections and determine the amount that could be recovered.

In accordance with the Income Tax Law for 2012, income tax rate was 30% for 2011 and 2012. In 2012, the income tax rates for 2013 and 2014 were modified, from 29% to 30% and from 28% to 29%, respectively. The income tax rate will be 28% for 2015 and thereafter. Additionally, beginning in 2010, the IETU rate is 17.5%. We have recalculated our deferred tax assets and liabilities using the appropriate tax rates depending on when the tax differences triggering the deferred tax asset or liability will be reversed.

*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 or 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.

*Accounting for the Concession*

We believe we have carried out a comprehensive implementation of the standards applicable to the accounting treatment of our concession and have determined that, among others IFRIC 12 is applicable to us. We treat our investments related to improvements and upgrades to be performed in connection with our Master Development Programs under the intangible asset model established by IFRIC 12 and do not recognize a provision for maintenance, as all investments required by the Master Development Programs, regardless of their nature, directly increase the maximum tariff per traffic unit. Accordingly, all amounts invested under the Master Development Programs have a direct correlation to the amount of fees we will be able to charge each passenger or cargo service provider, and thus, a direct correlation to the amount of revenues we will be able to generate. As a result, we define all expenditures associated with investments required by the Master Development Programs as revenue generating activities given that they ultimately provide future benefits, whereby subsequent improvements and upgrades made to the concession are recognized as intangible assets based on the principles of IFRIC 12. Additionally, compliance with the committed investments per the Master Development Programs is mandatory, as well as the fulfillment of the maximum tariff and therefore, in case of a failure to meet any one of these obligations (Master Development Program amounts or maximum tariff), we could be subject to sanctions and our concessions could be revoked. See "Item 4, *Regulatory Framework – General Obligations of Concession Holders*".

*Depreciation and Amortization*

In light of the nature of our business and our concessions, we make certain assumptions and professional judgments regarding recognition of depreciation and amortization of our tangible and intangible assets. Depreciation of our tangible assets is calculated under the straight-line method based on the useful lives of the related assets. The estimated useful life and the depreciation method are reviewed at the end of each year, and the effect of any changes in the estimate recorded is recognized on a prospective basis. To determine the amortization period of intangible assets, we focus either on the period over which they will generate future economic benefits or the concession term, whichever is less. We believe that the decisions made are the most reasonable based on information available, on the judgments made and the way in which we manage our operations.

**Recently Issues Accounting Standards**

New or revised International Financial Reporting Standards:

| Standard | Effective as of |
|---|---|
| IFRS 13 *Fair Value Measurement* | January, 1, 2013 |
| Amendments to IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities* | January, 1, 2013 |
| Amendments to IFRS *Annual improvements to IFRS 2009-2011, except for the amendments to IAS 1* | January, 1, 2013 |
| Amendments to IAS 1 *Presentation of Concepts From Other Comprehensive Income* | January, 1, 2013 |
| Amendments to IAS 32 Disclosures – *Offsetting Financial Assets and Financial Liabilities* | January, 1, 2014 |
| IFRS 9 Financial Instruments | January, 1, 2015 |
| Amendments to IFRS 9 and IFRS 7 *Mandatory effective date of IFRS 9 and Transition Disclosures* | January, 1, 2015 |

Following is a summary of these standards; for a full description see Note 32 in our consolidated financial statements.

**IFRS 13 *Fair Value Measurement*** – Establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

***Amendments to the IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities*** – The amendment requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

***Amendments to IFRS Annual improvements to IFRS 2009-2011, except for the amendments to IAS 1*** – The amendment makes amendments to several standards. Amendments are effective for annual periods beginning on or after January 1, 2013. The amendments include:

- Amendments to IAS 16 *Property, Plant and Equipment* – Clarifies the recognition of spare parts, stand-by equipment and servicing equipment in accordance with IAS 16 when they meet the definition of as property, plant and equipment. Otherwise, such items are classified as inventory.
- Amendments to IAS 32 Financial Instruments: Presentation – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes*.

**Amendments to IAS 1 *Presentation of Concepts from Other Comprehensive Income*** – The amendment retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section.

**Amendments to IAS 32 Disclosures – *Offsetting Financial Assets and Financial Liabilities*** – The amendments clarify certain aspects because of diversity in application of the requirements on offsetting.

**IFRS 9 *Financial Instruments*** – Issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.