

**BREAKSTONE GROUP INCORPORATED**

**Moderator: Adolfo Castro**  
**October 24, 2006**  
**9:00 am CT**

Operator: Good morning. My name is Thea and I will be your conference operator today. At this time I would like to welcome everyone to the ASUR Third Quarter 2006 Earnings conference call.

All lines have been placed on mute to prevent any background noise.

After the speaker's remarks, there will be a question and answer session. If you would like to ask a question at that time simply press star and the number 1 on your telephone keypad. If you would like to withdraw your question press the pound key.

I would now like to turn the conference over to Adolfo Castro, CFO. Sir, please go ahead.

Adolfo Castro: Thank you, Thea. Good morning, everybody. This is Adolfo Castro, Chief Financial Officer of ASUR. Welcome to the discussion of our results for the third quarter 2006.

Allow me to remind you that certain statements made during the course of our discussion today may constitute forward-looking statements which are based on management's current expectations and beliefs, and are subject to a number of risks and uncertainties that could cause actual results to differ materially, including risks that may be beyond our company's control.

For this risk, please refer to ASUR's filing with the Securities and Exchange Commission and the Mexican Stock Exchange.

During the third quarter, together with our insurance companies, we concluded the calculation of the total damage involved in the repairs to the structure of our Cancun Airport and filed a claim of approximately Ps.170 million.

As of September 30, 2006 there is still around 5,000 hotel rooms to be repaired that were damaged by the Hurricane Wilma. Nevertheless, we continue to maintain our view that there will be a full recovery by the end of this year.

We're actively working on repairing and expanding capacity of Cancun International Airport in order to be ready to serve passengers who will be visiting Mexico's Caribbean coast during this year's winter vacation season.

Repairs at Terminal 1 are moving along. As I have mentioned before, we expect to partially restart operations in December 2006. Once Terminal 1 partially restarts operations and together with the capacity extension made on Terminal 2, the total terminal capacity for the airport of Cancun will be equivalent to the one that we had before Hurricane Wilma.

The construction process for Terminal 3 is progressing well. And we expect it will be in operation during the second half of next year. And for now we can estimate that the second runway could be operational during 2008.

Let me now discuss the results for the third quarter. The numbers are in yesterday's press release, so I won't go into these too much in too much detail.

This quarter we saw the first positive passenger traffic numbers since the event, with a total passenger traffic for the quarter up 2.29% year-over-year.

This improvement continues to be largely supported by the positive trend in domestic traffic, which we have seen since the beginning of this year. In fact, domestic passenger traffic was up by 6.57%, and international traffic down by 0.90%.

Passenger traffic for the third quarter at Cancun and Cozumel Airports was up by 2.1%, compared with the declines of 6.9% in the second quarter and 24.6% in the first quarter of last year – of this year.

It is also valid to mention that during the third quarter last year we have had the impact of Hurricane Emily that affected the Riviera Maya region, damaging around 5,000 hotel rooms.

This quarter we also had the negative effect on passenger traffic of the 132 flights that were canceled in Oaxaca during August and September as a result of the public demonstrations that started last May. As a result, total passenger traffic at Oaxaca Airport declined by 16.68% year-over-year.

Protestors have threatened to close the airport and block regional highways. And on August 24, the United States Department issued an advisory regarding to travel to Oaxaca.

As we mention it on the release, at this moment we are unable to predict whether or how the conflict will be resolved, or how the ongoing demonstrations may affect our operations.

Total passenger traffic year-over-year fell by 2.38%, 4.97% and 8.91% for the months of July, August and September respectively for passengers to and from the United States.

International passenger traffic accounted for 56 of the total traffic for the quarter, still below of the 57.3% for the third quarter of 2005.

Passenger traffic to and from Mexico, Canada and the United States represented 85.5% of the total passenger traffic; still below the 86.1% for third quarter in 2005.

Total revenues declined 96.6% year-over-year, mainly as a result of the decline in commercial revenues by 22.12%. Commercial revenues per passenger for the quarter decreased by 14.96%. This was mainly the result of the decrease by 57.36% of revenues related to duty-free business lines.

It is important to mention that during the third quarter 2005 this business line recorded Ps.32.5 million, from the extraordinary payment of Dufry in Mexico and Aldeasa.

Excluding this impact, duty-free services would have increased by 5.23%. Also notice that duty-free revenues were also negatively affected during this

quarter as a result of additional international security measures and a decrease in international passengers.

Finally, our EBITDA margin for the quarter fell 55.38% from the 61.68% in third quarter 2005, mainly as a result of lower revenues and a 13.15% increase in operating expenses. This is mostly due to additional cost associated with the implementation of new baggage screening procedures and higher insurance premiums.

As from the first day of July this year, we initiated the operation of the whole baggage screening for domestic passengers. Going forward we do not expect expenses to decrease.

On the contrary, expenses on absolute terms will rise as a result of the opening of Terminal 3 at Cancun Airport and maintenance expense resulting from the equipment that was installed as from the first day of January this year.

The comprehensive financing cost for the quarter was an expense of Ps. 17.8 million, compared with revenue of Ps. 24.4 million of the third quarter last year.

This was the result of a 98 – 97.8% increase in the Mexican inflation in the – an average of 28% increase in the rate of cetes, appreciation of the Mexican peso by 26 cents.

Results for the quarter were also impacted by extraordinary charges related to the final adjustment of the insurance payments resulting from Hurricane Wilma. The cost of the minor accident of Minatitlan Airport and the labor dispute initiated some time ago that we lost on a final ruling.

Net income fell by 52.74% to Ps. 82.8 million. During the quarter, we made capital investments of Ps. 280 million.

Now let me open the floor for questions.

Operator, please go ahead.

Operator: At this time I would like to remind everyone that if you would like to ask a question please press star and the number 1 on your telephone keypad now. Once again, ladies and gentlemen, if you would like to ask a question please press star 1 on your telephone keypad now. We'll pause for just a moment to compile the Q&A roster.

The first question is from Nick Sebrell with Morgan Stanley.

Nick Sebrell: Good morning, Adolfo. How are you doing?

Adolfo Castro: Fine. And you?

Nick Sebrell: I'm good. Just a couple of questions, I wondered if you could review, I know you spoke a little bit about it, but tell us a little more, total room supply, what the outlook is for year end and where we're going to be in Cancun in terms of hotel rooms relative to a year ago, if you have an expectation or if the Tourist Association has an expectation. And then to continue on with how Terminal 1, the repairs and the completion of opening that up again might affect your traffic.

Adolfo Castro: Okay. In the case of hotel rooms in Cancun and I am not talking about Riviera Maya, I am talking about Cancun.

Nick Sebrell: Okay.

Adolfo Castro: Today what I think is that there are 5,000 hotel rooms out of service. If we see the entire region, including the Riviera Maya, last year as a result of Hurricane Emily we had the same amount of hotel rooms out of service. So we can say today that we have more or less in the region the same amount of hotel rooms that we had last year.

Talking about the recovery process in the case of Cancun, today you know that this is the low season for the year, so there's not too much incentives to open your hotel right now.

What I think is that they are going to be making a huge effort to be able to open the rest of these 5,000 hotel rooms by the year end. What I expect is that at the end of the year we will have more or less the same amount of rooms that we had before the Hurricane Wilma.

In terms of the repairs in Terminal 1, we're almost done down there. What I expect is that no later the first of December this year, we will be in operation in Terminal 1.

What does – this will mean in terms of passenger traffic? I would say that the importance of this terminal is that we will be able to secure or to ensure the necessary terminal capacity for the winter season.

You know that the high season for us starts the second half of December and finalizes later on April, so we have to be ready for these passengers that will come to Cancun in this winter season.

You know, as I have said before, Terminal 3 is not going to be ready for this winter season, so Terminal 3 is going to be ready for the second half of next year. So we have to ensure the necessary capacity in order to serve the passengers that will come to the region.

Nick Sebrell: Okay. Just in numbers, the maximum capacity of Cancun, just to remind me, will change from what to what with the terminal?

Adolfo Castro: Well it will not – well for the moment, and let me explain myself, before the Hurricane Wilma, and this is round figures, we had terminal capacity if I run let's say 10 million passengers, divided in 8 million for Terminal 2 and 2 million for Terminal 1.

As a result of Wilma we lost Terminal 1. And because of this we started working very hard to expand capacity in Terminal 2. Today I can say that we can easily manage 9 million in the case of Terminal 2.

And we will be able to manage around 1.5, 1.2 million in Terminal 1. So capacity is as it was before the Hurricane Wilma.

In the case of Terminal 3, what we expect is that this terminal will be able to manage between 5 to 6 million passengers.

Nick Sebrell: Thank you.

Adolfo Castro: You're welcome.

Operator: Your next question is from Gonzalo Fernandez with Santander.

Gonzalo Fernandez: Adolfo, hello everyone one question, I noticed that the (kickbacks) for ensuring that that's the right increase this quarter. I don't know it's that particular reason and for this tax increase. And what kind of tax rate do you expect going forward?

And second, in other groups are trying to – to have some legal procedures in order to change the calculation of the tax of the airport concession. Are you doing something similar in order to lower the tax rate?

Adolfo Castro: Gonzalo, I'm sorry, but I couldn't hear you first question. Your line was cutting.

Gonzalo Fernandez: The first question is the increasing in the tax rate this quarter. There's some explanation for that. And what kind of tax rate are you expecting going forward?

Adolfo Castro: Okay. That's a very good question. Yes, we had an increase in the tax rate for this quarter, as a result of an extraordinary event. Let me explain myself.

Last year at the end of last year and as a result of the destruction of Terminal 1, we decided to write off Terminal 1 during December last year. Due to the fact that we had to reconstruct this because of the lack of capacity, during this quarter we are turning back the record that we have done in December last year.

As a result of these, we are seeing a negative effect in the deferred taxes of the quarter. So the tax rate for the moment is higher than normal. What I expect as a tax rate in a normalized world is a 29%-28%. I do not expect something more, apart from the thing that I was mentioning.

In terms of legal procedures against authorities, normally ASUR does not disclose or does not create expectations in some issues that we do not have certainty that we will win. Today having these kind of trials is a (unintelligible).

Nobody really knows what will happen. You can win some of those because somebody made a mistake or you will be losing those by the same reason. So I will let you know in due course when we think that we have a good chance for something to be won.

Gonzalo Fernandez: Adolfo, thank you.

Operator: Your next question is from Gordon Lee with UBS.

Gordon Lee: Hi. Good morning, Adolfo. A couple of questions, one, I was wondering if you could just tell us what you're expecting for total CAPEX in – well I got to the fourth quarter this year, '07 and '08, both the regular CAPEX and also whatever extraordinary CAPEX might be associated with some of the investments that you've discussed.

And the second point or the second question is if you wouldn't mind giving us a sense of what increase in expenses we should expect from the rollout of Terminal 3 next year. Thank you.

Gordon Lee: Hi. Good morning, Gordon. In terms of the total CAPEX that's – we have said we have a master development plan program that was amendment during the third quarter last year. And of course with that the expectation for this year is \$113 million more or less.

And we will – we believe for the moment that we will be very close to that amount. In terms of increasing expenses of Terminal 3, we are I would say almost nine months to the opening of Terminal 3. I do not have for the moment an exact figure about what will be the incremental cost of the Terminal 3.

I know that you have been asking for these during the second quarter earnings release. But let me tell you, I do not have yet an accurate figure. I cannot estimate right now what will be the cost of additional energy. We are today calculating how much or how many additional people we will require to start operation of that terminal.

What I can say to you is that this terminal will add more or less 50% additional terminal capacity to Cancun Airport. And I do not expect a 50% increase in expenses as a result of this.

You can try to make your own estimations. Today we have around, including Terminal 1, around 76,000 square meters of terminal. This terminal will be 40,000 additional square meters.

Of course I hope that this terminal will be more efficient of the ones that we have because the ones that we have are older and the design was not basically the appropriate.

Let me try to give very rough estimation and of course this is not a legal commitment. And this is not an accurate number. It could be from 20% to 25% additional expense compared with the expense that we have today in the Terminal 2 and Terminal 1 in Cancun.

Gordon Lee: Perfect. Thank you very much, Adolfo.

Adolfo Castro: You're welcome.

Operator: Your next question is from Vanessa Quiroga with Credit Suisse.

Vanessa Quiroga: Hello, Adolfo.

Adolfo Castro: Good morning, Vanessa.

Vanessa Quiroga: I have a couple of questions. Good morning. I've got a couple of questions. One is what is the operating expenses related to the screening system, the ongoing expenses, let's say, for every year?

And the second question would be if you can give us an update on investments that you have been totally analyzing for ASUR, either in Mexico or outside Mexico? Thank you.

Adolfo Castro: Okay. The expenses related to the operation of the baggage claim, of course first of all is personnel. And we're talking about 90 additional people that we have to hire. Also we're talking about a lot of energy. This equipment is high energy consumer.

And we're talking about also consumables. Consumables are used to make the test of the explosives detection. So this is the kind of additional expenses that we are having right now.

For the future you will see additional expenses of the ones that we are having today, like maintenance of the equipment. Remember that this project was around \$40 million in terms of investment amount. So believe me, this is a

huge amount that we need to operate and we will need to maintain in the future.

In terms of investments that we are analyzing outside Mexico, for the moment I can say to you that we are not analyzing anything. And that's what I can say to you.

Vanessa Quiroga: Adolfo, can you tell us how much is your current operating expenses for the baggage screening system?

Adolfo Castro: All of them and what I'm saying is there will be more in the future. Remember that this equipment is new. Next year we will have to pay someone to maintain this equipment.

Vanessa Quiroga: And in dollar terms?

Adolfo Castro: Sorry.

Vanessa Quiroga: And in dollar terms for this year, what your in dollar terms what in this year what you are currently spending

Adolfo Castro: I cannot understand your question. What are you asking?

Vanessa Quiroga: To quantify the expenses, at least what you are having already.

Adolfo Castro: Sorry, but I can't – your line is cutting.

Vanessa Quiroga: If you could quantify the – your expenses related to the baggage cleaning system, at least what you are having currently.

Adolfo Castro: Okay, what you want is an amount?

Vanessa Quiroga: Yes, please.

Adolfo Castro: I don't have that right now. But I can try to find out and I will let you know.

Vanessa Quiroga: Okay thank you.

Adolfo Castro: You're welcome.

Operator: Ladies and gentlemen, once again if you would like to ask a question please press star and the number 1 on your telephone keypad now. Again to ask a question please press star 1 on your telephone keypad now. We'll pause for just a moment.

And there is a follow up from Gonzalo Fernandez with Santander.

Gonzalo Fernandez: Hi. Just one question. And what is the status of the request you made to the communication ministry to being able to operate the second airport in the Riviera Maya. And if you can expand a little in the reasoning behind this request.

Adolfo Castro: Okay, Gonzalo. We have requested these some time ago. And we are requesting these in accordance with Article 12 of the Airport Law, Article 12, Second Point, which talks about complementary airports.

In terms of the status I cannot give you an answer – an exact answer because in this kind of things you really don't know – well there is no due date for these so the ministry of communications and transport has not said yes and has not said no.

Also I have to mention that in the case of Article 12 is not something that you fill all the requirements and they are obliged to give you what you are asking. The law says very clear that they may grant a concession under these circumstances.

Also it's important to say that in accordance with our concession title we will have to receive the approval from the Federal Competence Commission, so it's not just the Ministry of Communications and Transportation. It's also the Federal Competence Commission.

The answer could come in 30 days. It could come in 40 days. It could come in 60 days or it could not come. I really don't have a due date for this. What I can say to you is that we have worked really hard on looking this complementary airport.

Gonzalo Fernandez: Okay, thank you.

Adolfo Castro: You're welcome.

Operator: Your next question is from Jose Costa Buck with T. Rowe Price.

Jose Buck: Yes. Hi, Adolfo. A follow up question on the operating expenses. Do you think or do you expect that these operating expenses will be recognized in future tariff provisions, particularly these related to a screening procedures?

Adolfo Castro: Well I can say to you today that those have been recognized in our maximum tariff. This project was considered in the year 2003 mass development plan program that we presented to the authorities and that was approved.

So what I can say to you is that those are there. Also it's important to say that you are – well during the quarter you are seeing a higher aeronautical revenue. This is the result of the beginning of collecting some revenues from this activity.

As from the first day of July this year we're making this collection for domestic passengers. Probably you didn't notice the revenue in the beginning of the year for international passengers because we were very close to maximum rate in the airports that it's majority passenger meets is international.

Today or in July where we have initiated these for domestic passengers, you can see an important increase. Basically this is as a result of or that we will be closer to the maximum rate compliance due in this year as a result of these activities.

So we are getting a revenue. We are getting also a higher expense. But all of the – and also the investment but all of this was considered in the maximum tariff review that was completed during the year 2003.

Jose Buck: Okay thanks. And just to clarify, on the amount of this additional cost, if I see year-on-year the incremental was Ps. 35 million are you saying that pretty much all of this incremental are related to this new screening baggage procedures?

Adolfo Castro: Yeah, but not all of these I can say to you that we have insurance – the higher insurance cost, could represent around 8 million and some probably are the minor items. But the major portion of these is of course related to baggage claim.

Jose Buck: Okay, thank you.

Adolfo Castro: You're welcome.

Operator: There is a follow-up question from Nick Sebrell with Morgan Stanley.

Nick Sebrell: Hi. Thanks for taking my follow up. I just wanted to ask another question regarding the second airport, two things actually. One, we saw a lot of articles in the local news that apparently they somehow misunderstood that you –they had stated that you were awarded the new concession.

I was wondering how that might have arose, like how that happened. What is it that they heard or saw that might have indicated to them that, you know, they thought you had been awarded the concession?

And then the second is what's the logic of the location of – that you have proposed in Playa del Carmen instead of further south at Tulum? That's it.

Adolfo Castro: Okay, Nick. In case of the first part of your question, there was apparently because I cannot confirm, but there was a statement made by the Secretary of Tourism of the state saying that we have received the concession, which was not the case and which was not truth.

Also in my opinion, she cannot say this because the only one that can grant concessions in this country is the Ministry of Communications and Transport.

In terms of the location, we have been talking about these with the State Government and the Federal government. And we are proposing a location where we think that we can find some piece of land to make this project happen and also in terms of security reasons, we are putting some kind of

distance between one airport and the other. For the moment and for clear reasons I cannot disclose exactly the location that we are proposing to the state government and the Federal government.

Nick Sebrell: Okay thanks.

Adolfo Castro: Because we are proposing something close to Tulum.

Nick Sebrell: Okay. Thank you.

Operator: Ladies and gentlemen, once again if you would like to ask a question please press star 1 on your telephone keypad now. Again to ask a question please press star 1 at this time. We'll pause for just a moment.

And there is a question from Rodrigo Echagaray with Snodgrass Research.

Rodrigo Echagaray: Hello. How are you doing? This is Rodrigo from Snodgrass Research Group.

Adolfo Castro: Hi. Good morning, Rodrigo.

Rodrigo Echagaray: Adolfo, I have a question on the following. Can you give some clarity on safety regulations are and will affect duty free sales in the near future?

Adolfo Castro: Well of course I cannot talk about the future because these kind of things can pop up from tonight, okay. What I can talk about is what is happening now and what has happened during the quarter.

You know that during the quarter there was some kind of problem between the UK and the United States. And the TSA basically said that or make a new

rule saying that there will be no liquids or gels inside the plane in the carry-on baggage.

As a result of these, I can say to you that basically during almost two weeks there were no duty free sales. After that, the TSA approved the possibility of receiving duty free products on board. For the moment I cannot say to you that this will not have an impact.

I strongly believe that there are some passengers that doesn't like these kind of things and that they do not have the trust in the duty free company. And because of this they don't want to buy something.

I hope that this of course will disappear in the future and everybody will be ready to or willing to do this kind of purchases under these kind of rules. But I can say to you that in accordance with my experience this still has an impact in our duty free sales.

The major impact of course during the quarter was related to these two weeks that we will not be able basically to sell this kind of products to people that were traveling internationally.

Rodrigo Echagary: Fair enough. Thank you, Alfredo.

Adolfo Castro: Thank you, Rodrigo.

Operator: Once again, ladies and gentlemen, if you would like to ask a question please press star followed by the number 1 on your telephone keypad now. Again to ask a question please press star 1 at this time. We'll pause for just a moment.

Ladies and gentlemen, again if you would like to ask a question please press star 1 on your telephone keypad now. We'll pause for just a moment.

And at this time there are no further questions. At this time I would like to turn the conference back over to Mr. Castro for any closing remarks.

Adolfo Castro: Well, thank you all of you and thank you for participating in this third quarter conference call. I hope that you will be in the fourth quarter conference call. Thank you again. Have a good day. Bye.

Operator: Ladies and gentlemen, thank you for participating in today's ASUR Third Quarter 2006 Earnings conference call. You may disconnect at this time.

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