

BREAKSTONE GROUP INC.

Moderator: Adolfo Castro
February 22, 2007
9:00 am CT

Operator: Please stand by your conference is about to begin. Good morning my name is (Nathan). And I will be your conference operator today. At this time I would like to welcome everyone to the ASUR Fourth Quarter 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 during this time, simply press the star then the number one on your telephone keypad.

If you would like to withdraw your question, press the pound key. Thank you. At this time I will turn over the call to Mr. Adolfo Castro, CFO. Mr. Castro, you may begin.

Adolfo Castro: Thank you (Nathan). Good morning everybody. This is Adolfo Castro, Chief Financial Officer of ASUR. Welcome to the discussion of our results for the fourth 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 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 an explanation of these risks please refer to ASUR's filings with the Securities and Exchange Commission and the Mexican Stock Exchange. As expected by the end of December Cancun and the Riviera Maya regions reached full recovery in terms of number of hotel rooms that were there in the region before Hurricane Wilma.

On December we restarted partial operations at Terminal 1 having capacity for an addition 1.5 million passengers. With this addition I am pleased to report that Cancun Airport now has enough capacity to support our winter season that started December 15 of 2006 which is comparable to the capacity prior to Hurricane Wilma.

The construction process for Terminal 3 is progressing very well and we continue to expect that it will begin operations during the second quarter of this year. With this new terminal we will increase the terminal capacity at Cancun Airport by 53%.

Work for the second runway is also moving along and we remain on schedule for 2008.

Let me now discuss the results for the quarter. The numbers are in yesterday's press release so as usual I will not go too much in detail. As expected we reported the strong passenger traffic numbers with a total passenger traffic for the quarter up by 57% year over year.

This improvement was largely driven by the pick up in international passenger traffic which was up 105%. Domestic traffic also increased following the trend we saw through the year, up 22% this quarter. Passenger traffic for the fourth quarter at Cancun and Cozumel Airports was up by 105% compared with the increase of 2.1% in the third quarter and declines of 6.9% in the second quarter and 24.6% in the first quarter of 2006.

Traffic also benefited from the growth of 30.49% at Vera Cruz Airport reflecting new routes operated by local carriers. This quarter passenger traffic was again impacted by the ongoing public demonstrations in Oaxaca which forced the cancellation of 133 flights and resulted in a 35.95% drop in passenger traffic at that airport.

During the quarter protesters continued to threaten to close the airport and blocked regional highways. The U.S. Department has issued several advisories regarding travel to Oaxaca. As we have mentioned before, 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 growth year over year by 26.1%, 113% and 111% for the months of October, November, and December respectively for passengers to and from the United States. International passenger traffic accounted for 55.2% of the total traffic of the quarter, above the 42.4% for the full quarter 2005 but below the 53.3% posted in the third quarter 2005 before Hurricane Wilma.

Passenger traffic between Mexico, Canada and the United States represents 83.7% of the total traffic slightly below the 83.9% for the fourth quarter 2005.

Total revenues also show a strong growth this quarter, up 66.37% mainly due to the 98.56% increase in commission revenues.

With improvement across all business lines, as a result commercial revenues per passenger for the quarter rose 27.54% year over year to \$46.31 pesos per passenger. Commercial revenues per passenger were also above the Mex\$45.93 pesos recorded in the third quarter 2005 before the hurricane.

It is important to mention that a portion of this is resulted from one-time income as we have mentioned in the report. Finally, the margin for the quarter rose to 58.86% from 41.11% in the year ago quarter, driven by a strong increase in revenue which more than offset a 13.92% increase of in cost of services.

The increase was mostly due to the respective additional cost associated with the implementation of the new baggage screening procedures, higher insurance premiums and of course higher concession fees and technical assistance fees. Keep in mind that as I have mentioned in the past, expenses on absolute terms will continue to rise as a result of the opening of Cancun's Airport Terminal 3 and due to the maintenance expense resulting from the security equipment installed in 2005. As a percentage of revenues, however, cost of services for the quarter declined to 63% from 93% in the year ago quarter given the strong growth in revenue. I also want to note that in December the Mexican authorities approved a change in the methodology used to calculate asset tax which resulted in a tax rate reduction to 1.25% from 1.8% now applicable the average tax value of virtually all of the company's assets without deducting the average tax value of certain liabilities. Going forward, we expect a positive impact from this change in the methodology.

Net income rose by almost 20 times to Mex\$131 million pesos during the quarter.

During the quarter we have made investments of Mex\$372.9 million pesos and investments for the full year topped the list Mex\$1,089 million pesos. Now let me open the floor for questions. Operator, please go ahead.

Operator: At this time we will take your questions. To ask a question, please press the star and the one on your touchtone phone. To withdraw your question, please press the pound sign. Once again please press star and one. We'll pause for moment while the queue is being positioned. We'll take our first question from Marcelo Celles, Credit Suisse.

Marcelo Celles: Hi good morning Adolfo.

Adolfo Castro: Hi good morning Marcelo.

Marcelo Celles: Adolfo, I have two questions. The first question is regarding the adjusted tax reduction. Do you think you could give us a little bit more color in terms of what sort of reduction we could expect of the effective tax rate going forward?

And if we are going to have any positive impact in the income statement arising from, you know, maybe a reduction in [pre-tax] liability associated with this reduction in the asset tax? And my second question is it would be great if you could give us an update on the status of the airport in the Mayan Riviera.

Adolfo Castro: Okay. In the case of the asset taxes you have seen the Mexican authorities reduce the tax rate and change its methodology. You know, that we have to

calculate these company by company. And some of the companies, some of the smaller airports have some debt in the balance sheet.

Because of these, I would say that we can see a positive effect of the total calculation. The amount that I have calculated and of course, this is not a legal commitment and we cannot estimate this accurately, but we can say that the reduction in the payment to the Mexican authorities could be around Mex\$40 million pesos.

How much of this is going to be reflected in the P&L is something that I don't have in the top of my head for the moment. You can do your own calculations. You know that a piece of this has to go to the P&L. We are reporting every quarter how much of what we pay goes to the P&L.

In the case of the second airport to the Riviera Maya region, as you know we have requested the concession to the SET. Today we have to receive – well not today. We are in the process to receive an opinion from the Anti-Trust Commission.

What I can say to you is that we have receiving some news about that the SET wants to make a bidding process on this airport. If you remember at the end of the year 2005 the federal government was saying exactly the same, that they wanted to make a bidding process on this. I really don't know how this will end up. For the moment this is all what I can say.

Marcelo Celles: I think Adolfo if – just one follow up question. Regarding the asset tax, does this reduction in asset tax may make you feel more inclined to take on additional – to take on or maybe get some leverage in the balance sheet? Is it a possibility or just something that is still far away?

Adolfo Castro: Marcelo, of course this is – this will have an impact if we take some debt. But of course we are not taking debt or we will take debt not because of this. The asset tax is not the real reason why we do not have debt in the balance sheet.

Marcelo Celles: Thank you Adolfo.

Operator: Our next question comes from Vanessa Quiroca, Credit Suisse.

Vanessa Quiroca: Hi Adolfo. How are you?

Adolfo Castro: Hi Vanessa.

Vanessa Quiroca: My questions regarding commercial revenues. Could you please break down the one time income that you received during the fourth quarter?

Adolfo Castro: Well I cannot give you the exact amount because we have a confidentiality agreement with the concessioner. What I can say to you that this was a related to the agreement that we have signed with them in the case of food and beverage for Terminal 3. And in case of the duty-free products this was related to a very old claim about taxes. But I cannot disclose the amounts to you.

Vanessa Quiroca: Or any – do you have how much it would have grown if it wasn't for this one time income?

Adolfo Castro: I don't have the calculation.

Vanessa Quiroca: Okay. Thanks.

Operator: Our next question comes from Esteban Polidura, Merrill Lynch.

Esteban Polidura: Thank you. Good morning Adolfo and first of all, congratulations with the report. A quick question, have you been able to substitute Banamex for another tenant? And if so – and if not, when can we expect it or when do you expect to do that?

Adolfo Castro: We have not replaced – we have not found someone to replace Banamex. We're working on that. I do not have a certain date for that process. I hope that we are able to find someone during the first half of 2007.

Esteban Polidura: Perfect thank you.

Operator: Once again as a reminder, please press star and one on your touchtone phone to ask a question. And to withdraw your question, press the pound sign. Our next question comes from Nick Sebrell, Morgan Stanley.

Nick Sebrell: Morning Adolfo. A couple of questions. First, cost of services, they were a bit lower than we expected, significantly lower than last quarter. I was wondering is this something we can expect for first and second quarter again a similar performance at least before the new terminal opens at Cancun is the first question.

Second question, is looking at the tariff per workload unit it seemed to increase fairly significantly between third quarter and fourth quarter about Mex\$102 pesos last quarter Mex\$109 pesos in the fourth. What's behind that?

Adolfo Castro: Okay so your first question was about commercial revenues.

Nick Sebrell: Oh I'm sorry no cost of services where I guess if you totaled them about 158.5 and last quarter they were what 179 I think. And I was just surprised to see

that decrease. I thought the baggage handling and other costs were going to be recurring and obviously they weren't or at least some portion of that was not recurring.

Adolfo Castro: Well what I can say to you is that cost of services have decreased basically for due to result of maintenance decreases. Every single quarter has its own seasonality. I cannot compare what we do in the first quarter with what we do in the fourth quarter.

It will be better for you if you can compare quarters with quarters. The activities during the quarters are not exactly the same. Let me just give you one example. If it is raining, you will not spend in many things that you will do once it's not raining. And so it has something to do with seasonality.

Nick Sebrell: No, I understand. But normally there is an increase from third quarter to fourth quarter, if you look on previous years and that didn't happen this year so.

Adolfo Castro: Basically because of maintenance.

Nick Sebrell: Okay. No it's clear. And then second question is the tariff per work load unit.

Adolfo Castro: Yes. Well, you know, the type the work load unit is – it has to be reviewed with one year calculation. Normally what we do is we make our own adjustment during the fourth quarter. And in some cases as you can see in the filings we have some distance. But what you are saying is that during the fourth quarter that it weren't the implicit rate than we put it in that way has increased compared with the third quarter -- that's what you are saying.

Nick Sebrell: Yes.

Adolfo Castro: Basically it was the result of the judgment that we have made in some of the airports.

Nick Sebrell: Okay.

Adolfo Castro: In order to be as close as possible to the maximum rate.

Nick Sebrell: Right. And so if we look at that adjusted rate then that should be similar going forward on an inflation-adjusted basis right, or in real terms it should be similar.

Adolfo Castro: Yes you have to – you have the maximum rates in the filings in the 20th report every maximum rate for every single airport.

Nick Sebrell: No true, true. Okay thank you.

Adolfo Castro: What we have to do is to decrease that by 0.75% in real terms because that's the efficiency factor. And then you will have to estimate how much are we going to be as close to this number.

Nick Sebrell: Right understood.

Adolfo Castro: This year we were at almost 99% of – for the weighted average for all the airports in the maximum rate.

Nick Sebrell: Perfect thanks.

Operator: Once again please press the star and the number one on your telephone keypad to ask a question. To withdraw your question, please press the pound sign. We'll go next to Gonzalo Fernandez, Santander.

Gonzalo Fernandez: Hi Adolfo. Good morning. Just two quick questions, one is if in February you have a (unintelligible) requirement from a (unintelligible) from the U.S. requiring passports unintelligible the airports. And the second is we were worried that there was some low cost carriers interested in locating their operations in Cancun. Is there any advances in that?

Adolfo Castro: Okay Gonvalo. I couldn't hear your question very well but let me try to say your first question was about the change that the U.S. government has made on passports. What I think – hello.

Gonzalo Fernandez: Yes hello. For question is the requirement of (unintelligible) passport requirements.

Adolfo Castro: Okay your line is very noisy. But let me try to answer your questions. Your question, the U.S. government change in migration policy now they are requesting everybody goes with a passport when they are going outside the country.

This was not normal in the case of Cancun. In the case of Cancun I can say to you that probably 50% of the people that arrived there from the United States were without a passport. We were concerned about this change in the measure from the United States.

And personally I spoke with some of the tour operators since October last year to see what would be the impact of this. What I can say to you is that they

were more or less right expecting no major change or no major impact on this new measure from the United States.

For the moment what I can say to you is that we have not seen a major impact on this. In the case of the low-cost carriers, yes you are right someone is telling that they want to make a home base in Cancun.

Personally I don't believe too much on this because Cancun is not a transit city for Mexico. You know that Cancun is at the end of the country from the southeast. If they are willing to make their home base to try to move some people from Cancun to the southeast region of the country, that means a regional low cost carriers is something that I will believe. But not for the – to try to connect someone inside the country outside the southeast region. No I don't believe in that.

Gonzalo Fernandez: Okay thank you.

Operator: Our next question comes from Tomas Lajous, UBS.

Tomas Lajous: Good morning Adolfo. Thank you for the call. Two quick questions. The first one is in terms of the asset tax. This reduction I assume includes not calculating on net assets rather than – sorry on gross assets rather than net assets.

If there were to be a change in the law or an appeal to the law, would this reduction be further if it were still to calculate adjustment on net assets? And the second question is, what expectations do you have for new hotel room additions in Cancun over the next year if any?

Adolfo Castro: Okay. Tomas, in the case of your first question I was not able to understand what you were asking.

Tomas Lajous: Sorry. I mean do you have an impact from having sort of inter-company loans or other kinds of liabilities that, under the new asset tax calculation including all of those gross assets, increases the taxable base? And do you have any expectations to appeal this law or for the law to change so that you're back to calculating asset tax on net assets? And if so, what would be the impact?

Adolfo Castro: Okay. Yes, you are absolutely right. And I was trying to explain that in the beginning. Yes some of the smaller airports have some debt. And this is basically debts among the companies. Of course this has an impact on the new regulation because we are losing the possibility of deducting these amounts.

That's why I have said that the impact that we expect right now is Mex\$40 million pesos which is not exactly the same proportion that the tax rate base decreases. If I am going to appeal or not, normally we do not disclose our appeals.

This is probably an internal policy or an internal way to do the things. What I can say to you is that we can appeal yes. And we will be recovering this. But the general change in the methodology is today a positive for us and we will be paying less to the Mexican tax authorities.

Tomas Lajous: Thank you.

Adolfo Castro: In case of the new hotel rooms in the Riviera Maya region and Cancun, I do not have an exact amount of the hotel rooms that are under construction today. What I can say to you is that in accordance with the studies that we have received from external consultants because today we are preparing our new

mass development plan. We can estimate more or less between 6 and 7% pro rate in terms of hotel rooms.

Operator: Once again to ask a question, please press the star and the number one on your telephone keypad. To withdraw your question, please press the pound sign. We'll go next to Alexander Green, Citigroup.

Alexander Green: Hi good morning Adolfo.

Adolfo Castro: Hi Alexander.

Alexander Green: Adolfo, just a quick follow up on that taxation. Can you tell us how many of the airports are still paying the asset tax?

Adolfo Castro: All of them.

Alexander Green: All of them.

Adolfo Castro: Yes.

Alexander Green: All right. And then any guidance for 2007 on growth and margin?

Adolfo Castro: Well I normally you know that I don't like to talk about margins because margins in this company are the result of two independent variables. But what I can say to you and this is round figures, rough estimations without legal commitment.

What I expect is that the additional passenger traffic that we can expect for this year compared with last year will not be reflected in the margin because

of the increasing in expenses or in costs related to the opening of Terminal 3.
So to make this very simple, I do not expect growth in the margin for 2007.

Alexander Green: All right. Thank you.

Operator: Our next question comes from Alejandra Marcos, Banorte.

Alejandra Marcos: Yes hi Adolfo. Just a quick question. For the end of the year do you know where Cancun and the Riviera might be at full capacity in terms of hotel rooms?

Adolfo Castro: Can we talk about just the Riviera Maya that will be very close to 30,000.

Alejandra Marcos: And do you expect that the – with the 7 or 6 and 7% of growth in terms of hotel rooms for the next year, you could also grow in that terms for Cancun and Cozumel Airport in terms of passenger traffic?

Adolfo Castro: Well you know that Cozumel is completely independent from the Riviera Maya region and from the Cancun region. In the case of Cancun it will be a very nice number for us, but of course I cannot say that this is a complete direct proportion.

And what we really don't know is when this new or additional 6% will be added in terms of the year. But you have seen the past. You have the historical numbers. And you can say that there is a very close correlation to one between passenger traffic and hotel rooms. So make your own numbers.

Alejandra Marcos: Okay thank you.

Adolfo Castro: Thank you.

Operator: As a reminder please press the star and the number one on your telephone keypad to ask a question. To withdraw your question, press the pound sign. We'll go next to Mauricio Santos, GBM.

Mauricio Santos: Hi Adolfo. How are you? Congratulations on your report.

Adolfo Castro: Thank you.

Mauricio Santos: I was – well the thing is that I was going to ask you about the – how much passenger traffic growth you are expecting during 2007. But you already told me that it's closely related to the hotel room growth right.

Adolfo Castro: It could be very close to that.

Mauricio Santos: Okay. Thank you very much.

Adolfo Castro: Thank you.

Operator: Please press star and one to ask a question. Press the pound sign to withdraw your question. We'll take a follow up question from Nick Sebrell, Morgan Stanley.

Nick Sebrell: Adolfo, I just wanted to check to make sure I got the number right. You said Mex\$40 million pesos rough estimate of the impact of the tax reduction.

Adolfo Castro: Yes and Nick what I'm saying is Mex\$40 million pesos less in the payment that doesn't mean that this will imply a Mex\$40 million peso reduction in the payment.

Nick Sebrell: No that's completely clear. Thank you.

Adolfo Castro: Okay thank you.

Operator: Once again please press the star and one on your telephone keypad to ask a question. Please press the pound sign to withdraw your question. Mr. Castro, that was our last question. I'll turn the program back over to management for any concluding remarks.

Adolfo Castro: Okay. Once again thank you all of you. What I can say to you as a final remark two important issues is one is the Riviera Maya airports try to be in touch with the news from the SET. And let's try to see if they're going to make a bidding process or not.

And the final one is related to Terminal 3. As I said before we're expecting now to open this during the second quarter of this year. I hope that the next conference call I will have better news on dates and final integration date. Thank you all of you.

Operator: That concludes this morning's conference call. Thank you for calling. You may disconnect.

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