In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

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COMPANIES HOUSE

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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

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with accounting requ

→ **Filling in this form**
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

Part 1 Corporate company name

Corporate name of overseas company ❶: Aerovias de Mexico, S.A. de C.V. and subsidiaries

UK establishment number: B R 0 1 6 1 2 3

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷: LEY GENERAL DE SOCIADADS MERCANTILE/CIRCULAR UNICA

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts: Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☑ Yes Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3

Name of organisation or body ❸: MEXICAN INSTITUTE OF PUBLIC ACCOUNTANTS

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts: Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☑ Yes Go to Section A4

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Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	International Standards on Auditing	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature [signature] X

This form may be signed by
~~Director~~, ~~Secretary~~, Permanent representative

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name	VIKRAM PATEL
Company name	VECTRIS CHARTERED ACCOUNTANTS
Address	SHAKESPEARE HOUSE
	168 LAVENDER HILL
Post town	LONDON
County/Region	
Postcode	SW11 5TG
Country	ENGLAND
DX	
Telephone	0207 801 6280

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

You may return this form to any Companies House address

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

Aerovías de México, S. A de C. V. and subsidiaries

Consolidated financial statements

December 31, 2015 and 2014

(With the Independent Auditors' Report)

Aerovías de México, S A de C V and subsidiaries

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Notes to the consolidated financial statements	11

KPMG

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kpmg com mx

Independent Auditors' Report

Board of Directors and Stockholders
Aerovías de México, S A de C V

We have audited the accompanying consolidated financial statements of Aerovías de México, S A de C V and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014. the consolidated statements of profit or loss and other comprehensive income changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits We conducted our audits in accordance with International Standards on Auditing Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aerovias de Mexico, S A de C V and subsidiaries as of December 31, 2015 and 2014, the consolidated statements of profit or loss and other comprehensive income and the consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board

KPMG CARDENAS DOSAL, S C

Salvador Prado Sánchez

April 11, 2016

Aerovias de México, S A de C V and subsidiaries

Consolidated statements of financial position

As of December 31 2015 and 2014

(In thousands of Mexican pesos)

	Note		2015	2014
Assets				
Current assets				
Cash and cash equivalents	9	$	4,810,993	2,924,280
Restricted cash	9		232,937	146,192
Financial assets	10		1,148 701	652,381
Derivative financial instruments	10		11,213	20,894
Trade and other receivables, net	13		3,528,723	3,271,835
Due from related parties	7		204,737	457,656
Prepayments and deposits	11		1,155,985	1,024,798
Inventories	12		1,237,218	1,185,366
Total current assets			**12,330,507**	**9,683,402**
Non-current assets				
Property and equipment, net	14		23,543,879	17,528,576
Intangible assets	16		736,023	556,359
Derivative financial instruments	10		3,890	13,815
Prepayments and deposits	11		11,201,819	8,475,162
Investments in equity accounted investees	17		151,637	137,015
Trade and other receivables	13		53,038	47,117
Other non-current assets			795,639	593,446
Deferred tax assets	19		297,056	543,660
Total non-current assets			**36,782,981**	**27,895,150**
Total assets		$	**49,113,488**	**37,578,552**

The notes on pages 11 to 70 are an integral part of these consolidated financial statements

Aerovías de México, S A de C V and subsidiaries

Consolidated statements of financial position (Continued)

As of December 31 2015 and 2014

(In thousands of Mexican pesos)

	Note		2015	2014
Liabilities				
Current liabilities				
Loans and borrowings	20	$	4,400,475	2,461,121
Trade and other payables	23		8,309,872	8,101,357
Due to related parties	7		2,095,284	3,760,001
Provisions	22		360,799	974,860
Air traffic liability			5,350,300	2,055,645
Income taxes payable and employee s statutory profit sharing			45,016	41,446
Total current liabilities			**20,561,746**	**17,394,430**
Non-current liabilities				
Loans and borrowings	20		16 028,842	10,450,461
Employee benefits	21		3,330,460	3,424,497
Provisions	22		322 370	442,700
Due to related parties	7		-	256,650
Derivative financial instruments	10		8,563	-
Other	23		-	1,291
Total non-current liabilities			**19,690,235**	**14,575,599**
Total liabilities			**40,251,981**	**31,970,029**
Equity				
Capital stock	24		10,213 756	7,435,229
Deficit			(2 398,480)	(2,617 867)
Reserves			1,009,888	716,640
Total equity attributable to equity holders of the Company			**8,825,164**	**5,534,002**
Non-controlling interest			**36,343**	**74,521**
Total equity			**8,861,507**	**5,608,523**
Total equity and liabilities		$	**49,113,488**	**37,578,552**

The notes on pages 11 to 70 are an integral part of these consolidated financial statements

Aerovías de Mexico, S A. de C. V. and subsidiaries

Consolidated statements of profit or loss and other comprehensive income

For the years ended December 31, 2015 and 2014

(In thousands of Mexican pesos)

	Note		2015	2014
Revenues:				
Passengers		$	41,744,527	38,141,059
Air cargo			2,880,096	2,470,380
Other			2,233,932	2,218,261
Total revenue			46,858,555	42,829,700
Operating expenses				
Wages, salaries, and benefits	28		9,770,059	8,924,143
Aircraft fuel			10,753,178	13,706,296
Aircraft communication and traffic services			6,332,841	5,260,391
Selling and administrative			3,397,920	2,600,555
Maintenance			3,297,493	2,296,619
Travel agent commissions			1,289,070	1,325,382
Passenger services			1,112,304	893,389
Corporate royalties			399,506	344,379
Aircraft leasing	15		5,761,498	4,499,315
Depreciation and amortization			2,512,638	1,695,557
Other expenses, net	27		156,431	49,857
Investments in equity accounted investees	17		(14,621)	(44,469)
Total operating expenses			44,768,317	41,551,414
Total operating profit			2,090,238	1,278,286
Finace income (cost)				
Finance income	29		570,347	1,223,864
Finance cost	29		(2,091,204)	(1,821,266)
Total finance cost, net			(1,520,857)	(597,402)
Profit before income tax			569,381	680,884
Income tax expense	18		326,234	494,895
Profit for the year		$	243,147	185,989

The notes on pages 11 to 70 are an integral part of these consolidated financial statements

Aerovías de México, S A de C V and subsidiaries

Consolidated statements of profit or loss and other comprehensive income (Continued)

For the years ended December 31, 2015 and 2014

(In thousands of Mexican pesos except for earnings per share)

	Note		2015	2014
Profit for the year		$	243,147	185,989
Other comprehensive income (loss), net of income taxes				
Items that will never be reclassified to profit or loss				
Actuarial gains (losses)	21		89,122	(127,260)
Items that are or may be reclassified to profit or loss				
Cumulative translation adjustment			293,153	375,489
Effect due to change in non-controlling interest			(150,965)	-
			142,188	375,489
Other comprehensive income for the year, net of income taxes			231,310	248,229
Total comprehensive income for the year		$	**474,457**	**434,218**
Profit attributable to				
Owners of the Company			219,387	167,932
Non-controlling interest			23,760	18,057
Profit for the year			**243,147**	**185,989**
Total comprehensive income (loss) attributable to				
Owners of the Company			536,395	448,955
Non-controlling interest			(61,938)	(14,737)
Total comprehensive income for the year		$	**474,457**	**434,218**
Earning per share				
Basic and diluted earnings per share (Mexican pesos)	25		450,272	344,424
Continuing operations				
Basic and diluted earnings per share (Mexican pesos)			450,272	344,424

The notes on pages 11 to 70 are an integral part of these consolidated financial statements

Aerovias de Mexico S A de C V and subsidiaries

Consolidated statements of changes in equity

For the years ended December 31 2015 and 2014

(In thousands of Mexican pesos)

		Attributable to equity holders of the Company								
		Capital stock	Statutory reserve	Effects due to change in non-controlling interest	Actuarial gains (losses)	Cumulative translation adjustment	Retained earnings (deficit)	Total	Non controlling interest	Total equity
Balance at December 31 2013	$	7 435 229	435 123	3,669	(93 585)	108 467	(2 785 799)	5,103,104	71 201	5 174 305
Total comprehensive income for the year										
Profit for the year					-		167 932	167 932	18 057	185 989
Other comprehensive income (loss)		-			(112 523)	375 489		262 966	(14,737)	248,229
Balance at December 31 2014		7 435 229	435 123	3,669	(206 108)	483 956	(2 617 867)	5,534,002	74,521	5 608 523
Spin-off effects		(100)				-		(100)		(100)
Capital stock increase		2 778 627				-		2 778 627	-	2 778 627
Total comprehensive income for the year										
Profit for the year			-	-		-	219,387	219 387	23 760	243 147
Other comprehensive income (loss)		-		(150 965)	151 060	293 153		293 248	(61 938)	231 310
Balance at December 31 2015	$	10 213 756	435 123	(147 296)	(55 048)	777 109	(2 398 480)	8 825 164	36 343	8,861,507

The notes on pages 11 to 70 are an integral part of these consolidated financial statements

Aerovias de Mexico, S A de C V and subsidiaries

Consolidated statements of cash flows

For the years ended December 31 2015 and 2014

(In thousands of Mexican pesos)

	Note		2015	2014
Cash flows from operating activities				
Profit before income tax		$	569,381	680,884
Adjustments for				
Depreciation and amortization	14 and 16		2,512,638	1,695,557
Gain (loss) on sale property and equipment			160,284	(3,066)
Provisions, net			(734,391)	(167,092)
Employee benefits			122,019	404 706
Inventory adjustments to net realizable value			80,845	19,382
Allowance for doubtful accounts			10,955	12,038
Employee' statutory profit sharing			3,260	4,500
Share of gain of equity accounted investees			(14,621)	(44,469)
Unrealized exchange gain			(773,630)	-
Effects due to change in non-controlling interest			(150 965)	-
Subtotal			1,785,775	2,602,440
Trade and other receivables			(133,880)	(846,870)
Due from related parties			187,066	58,729
Inventories			(140,717)	(193,788)
Prepayments and deposits			(131 187)	56 797
Trade and other payables			(266,634)	1,251 412
Due to related parties			881,020	205,340
Employees' statutory profit sharing and income tax paid			310	25,953
Changes in employee benefits			(255)	(219,466)
Air traffic liability			2,507,580	(344,629)
Derivatives financial instruments			9 681	53 628
Net cash from operating activities			4,698,759	2,649,546
Cash flows from investing activities				
Acquisition of properties and equipment, net			(3,532,516)	(2 417 229)
Proceeds from sale of properties and equipment			20,604	5,808
Intangible assets			(111 454)	(209,061)
Other non-current assets			(123,946)	56 446
Other financial assets, net			(477,833)	1,790
Prepayments and deposits			(561 709)	(272,784)
Net cash from investing activities			(4 786,854)	(2,835 030)
Cash flows from financing activities				
Proceeds from loans			4,569,717	2,627,204
Repayments of loans			(2 008,678)	(1,515,016)
Restricted cash			(86,745)	(48,692)
Net cash from financing activities			2 474 294	1,063 496
Increase in cash and cash equivalents			2 386 199	878 012
Effects of exchange rate fluctuations on cash and cash equivalents			(499,486)	(998,350)
Net increase (decrease) in cash and cash equivalents			1,886,713	(120,338)
Cash and cash equivalents				
At beginning of year			2,924,280	3 044,618
At end of year		$	4,810,993	2,924,280

The notes on pages 11 to 70 are an integral part of these consolidated financial statements

Aerovías de México, S. A. de C. V. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015 and 2014

(In thousands of Mexican pesos)

(1) Reporting entity-

Aerovías de México, S A de C V ("Aeroméxico") is a corporation organized under the laws of the United Mexican States or México, domiciled at Paseo de la Reforma 445, Colonia Cuauhtemoc, 06500 Mexico City, México The consolidated financial statements of the Company, as at and for the years ended December 31, 2015 and 2014, comprise Aeroméxico and its subsidiaries (together referred to as the "Company")

Aeroméxico is a subsidiary of Grupo Aeromexico, S A B de C V ("Grupo Aeroméxico") holding company which is listed on the Mexican Stock Exchange The principal activity of the Company is to provide air transport services for passengers, goods and cargo, inside and outside of México, training and management services, ground handling services, franchise systems commercialization and management of investment in shares

(2) Basis of preparation-

(a) Statement of compliance-

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB") The designation IFRS includes all standards issued by the IASB and related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC")

On April 11, 2016, the Company's Chief Executive Officer and Chief Financial Officer, Andrés Conesa Labastida and Ricardo Sánchez Baker, respectively, authorized the issuance of the accompanying consolidated financial statements and related notes thereto

In accordance with the General Corporations Law and the Company's bylaws, the stockholders are empowered to modify the consolidated financial statements after issuance

(b) Basis of measurement-

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value and certain items of property and equipment for which fair value or a model under a previous reporting standard has been used at the date of transition to IFRS (January 1, 2010)

The Company has used the Mexican pesos ("pesos" or "$") as the presentation currency for these consolidated financial statements, however the functional currency is the US Dollar (dollar" or ' US$") All financial information presented in pesos has been rounded to the nearest thousands, except when otherwise indicated

The exchange rate of the peso against the dollar, as of December 31, 2015 and 2014, was $17 21 and $14 75, respectively

Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures

(c) Use of estimates and judgments-

In preparing these consolidated financial statements, Management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses

We base our judgments, estimates, and assumptions on historical and forecast information, as well as regional and industry economic conditions in which we or our customers operate, changes to which could adversely affect our estimates Although we believe we have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our assets, liabilities, revenues, and expenses Actual results may differ from those estimates

Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes

Notes 3(e) and 14 – useful lives of property and equipment
Note 15 – lease classification
Note 19 – deferred tax assets and liabilities
Note 22 – leased aircraft return provisions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes

Note 3(l) i – air traffic liability
Note 22 – provisions
Note 30 – contingencies and commitments

(d) Scope of consolidation

The consolidated financial statements include Aerovias de México, S A de C V and all entities that are controlled directly or indirectly by Aeroméxico

All Aeroméxico's entities prepare their financial statements as at December 31 All financial statements were prepared applying IFRS as issued by the IASB Intercompany transactions and balances relating to consolidated entities have been eliminated

The following table summarized the changes in the number of entities included in the consolidated financial statements (see Note 6)

Entities Consolidated in the Financial Statements

	Entities
December 31, 2014	**14**
Additions	**1**
Disposals	-
December 31, 2015	**15**

(3) Significant accounting policies-

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements

The accounting policies have been applied consistently by Aeromexico´s entities

(a) Basis of consolidation-

i Subsidiaries-

Subsidiaries are entities controlled by the Company (see Note 6) Aeroméxico controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company All entities of the Company prepared their financial statements as of December 31 ii *Investments in equity accounted investees-*

The Company's interests in equity accounted investees comprise interests in one associate (Aeromexpress, S A de C V)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of Aeroméxico, from the date that significant influence commences until the date that significant influence ceases When the Company's share of losses exceeds its interest in an at-equity accounted investee, the carrying amount of that interest, including any long-term investments is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Company has an obligation or has made payments on behalf of the investee

iii *Transactions eliminated on consolidation-*

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions are eliminated in preparing the consolidated financial statements Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment

(b) Foreign currency-

i *Foreign currency transactions-*

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined Foreign currency differences arising in retranslation are recognized in profit or loss Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

ii ***Translation in the presentation currency-***

The Company presents its consolidated financial statements in thousands of Mexican pesos Assets and liabilities are translated from the functional currency (US dollar) to the presentation currency at exchange rates at the reporting dates, income and expenses are translated at exchange rates at the dates of the transactions Foreign currency differences derived from the translation process are recognized in other comprehensive income (cumulative translation adjustment)

(c) Financial instruments-

Non-derivative financial instruments-

Non-derivative financial instruments comprise investments in debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Cash and cash equivalents comprise cash balances and call deposits with original maturities of up to three months or less

Restricted cash comprises cash balances from the consolidated issuer trust used by the Company to securitize cash flows from credit card ticket sales through offices and travel agencies in México, which will be paid to the holders of the Senior Trust Bonds issued by the Trust

The Company initially recognizes loans and receivables and deposits on the date that they are originated All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously

The Company classifies its non-derivate financial instruments in the following categories financial assets at fair value through profit or loss, loans and receivables and financial liabilities

i. ***Financial assets at fair value through profit or loss-***

A financial asset is classified at fair value through profit or loss if it is classified as trading securities or is designated as such upon initial recognition Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss The fair value is obtained from financial counterparties who act as appraisers

ii ***Loans and receivables-***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market Such assets are recognized initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses Loans and receivables comprise mainly trade and other receivables

iii. ***Non-derivative financial liabilities-***

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire

A Company's subsidiary ("Fideicomiso F/1748", "Fideicomiso" or "Trust") placed Senior Trust Bonds ("CEBURES") issued in the Mexican Stock Exchange, for the overall authorized program amounts to $5,000 million, with an original maturity for five years The CEBURES accrue variable interest at the rate of Interbank Equilibrium Interest Rate ('TIIE") + a range between 170 to 200 basis points

The CEBURES are guaranteed by cash flows collected from credit card ticket sales through offices and travel agencies in México, transferred to the Trust

The Company determined it has control over the Trust, since it is exposed, or has rights, to variable returns from its involvement with the Trust and has the ability to affect those returns through its power over the Trust, therefore, the Trust's debt and restricted cash are included in the Company's consolidated financial statements (see Notes 9 and 20)

The Company has the following non-derivative financial liabilities loans and borrowings, and trade and other payables

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method

iv. *Capital stock-*

Ordinary shares-

Ordinary shares are classified as equity Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of tax effects

v *Derivative financial instruments (DFI)-*

In order to manage the risk associated with fluctuation in aircraft fuel prices, the Company selectively uses derivative financial instruments such as Asian options on the price of Jet Fuel 54 ('JF54") The fair value of the options is obtained using valuation models which depend on the behavior of the referred underlying reference price in an observed period

At the beginning, the options are recorded in the consolidated statements of financial position as an asset or liability, accordingly to its fair value As the Company only has long calls and call spread strategies with zero or net paid premium, it limits the maximum risk to the premium paid for the instruments, since these strategies will not generate any additional obligations During their life, the options are measured at their fair value and its effects are recorded in profit or loss of the year as they are not formally assigned as hedging instruments in a qualified hedging relationship

Additionally in relation to its exposure to long-term interest rates due to foreign financial debt at variable interest rates, the Company has, implemented some strategies to mitigate the adverse risk in future cash flows that could derive from volatility in reference interest rates, specifically TIIE The DFI's purchased by the Company to address this risk are interest rate Cap options and Cap Spread strategies, with net premium paid These options offer full immunization (Cap) or partial (Cap Spread) against rises in TIIE interest rate when it exceeds the rates determined by the Management

To complement this financial debt coverage over long-term variable interest rates, the Company had also implemented some strategies consisting in evaluate the effect on future cash flows under current market conditions to determine the convenience of current interest rates or to exercise purchased financial instruments The Company has purchased a DFI that allowed it to swap variable interest rates from certain long term debt based on TIIE for a fixed interest rate

Before entering into these option agreements, Management must obtain Board of Directors' approval, which determines volumes to mitigate, as well as the reference price of them The purpose of these operations is to mitigate risks related to fuel price and interest rate variances

Derivatives are recognized initially at fair value Changes in the fair value are recognized immediately in the income statement as the result of the valuation, which is determined at market value and when not quoted in an observable market is determined based on valuation models using observed data at the market

(d) Inventories-

Inventories of spare parts, accessories, materials and supplies are measured at the lower of cost and net realizable value The cost of inventories is based on average principle

(e) Property and equipment-

i Recognition and measurement-

Aircraft and other items of property and equipment (except for certain items which has been recorded at fair value or under a previous reporting standards as of the date of the transition to IFRS) are measured at cost less accumulated depreciation and impairment losses

Cost includes expenditure that is directly attributable to the acquisition of the asset The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use The costs of leased aircraft in accordance to the lease specification, and borrowing costs are capitalized on the qualifying assets

Rotable spare parts held by the Company are classified as property and equipment if they are expected to be used over more than one period

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment

(In thousands of Mexican pesos)

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss

In the case the Company receives credits from manufacturers in connection with the acquisition of certain aircraft and engines, based on the individual terms and conditions of each agreement those credits are recorded as a reduction of the cost of the related aircraft and engines

ii. ***Subsequent costs-***

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably The carrying amount of the replaced part is derecognized The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred

iii. ***Depreciation-***

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value Depreciation is calculated by the straight-line method, based on each asset's estimated useful life of the equipment determined by Management considering the work of third party appraisers, which is reviewed periodically and is recorded since such assets are available to operation Assets leased under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term Land is not depreciated

The annual depreciation rates and residual value of the principal asset classes are as follows

	Rates	% residual value
Flight equipment under financial leases	3 3% and 8%	7-15
Rotable spare parts and accessories	5% to 20%	-
Construction	5% to 16 7%	5-16
Ground equipment	10% to 16%	-
Transportation equipment	25%	-
Furniture	10%	-
Machinery and equipment	10% to 33%	-
Computer equipment	30%	-
Major maintenance	12 5% to 66 7%	-

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

iv. ***Maintenance costs-***

Major maintenance-

Major maintenance costs for owned and finance leased aircrafts and aircrafts under operating leases (i.e., overhaul repairs to major aircraft components such as engines and landing gears) are accounted for under the "built-in-overhaul" method. The Company recognizes the estimated cost for future major maintenance checks as non-current assets under a separate component of property and equipment (major maintenance). This cost is depreciated over the shorter of the period to the next major maintenance event or the remaining life of the asset or remaining lease term, and is reported in the consolidated statements of profit or loss and comprehensive income as part of operating expenses (depreciation and amortization). The costs for subsequent major maintenance checks are capitalized and depreciated over the shorter of the period to the next major maintenance event or the remaining life of the asset or remaining lease term. Cash outflows relating to major maintenance costs are reported in our consolidated statements of cash flows under the "acquisition of properties and equipment, net" line item as part of "cash flows from investing activities" and the related depreciation expense is reported as a non-cash adjustment to determine "net cash from operating activities".

Line maintenance-

Disbursements made in connection with ongoing and routine maintenance efforts outside the scheduled major maintenance programs for owned and finance leased aircrafts and aircrafts under operating leases (i.e., routine inspections of the overall aircraft, including fuselage inspections, and the replacement of minor and smaller spare parts) are expensed as incurred (i.e., when maintenance activities are performed) and are reported in our consolidated statements of profit or loss and comprehensive income as part of the maintenance expense line item under operating expenses. Cash outflows for direct and/or line maintenance are reported in our consolidated statements of cash flows as part of "net cash from operating activities".

If the Company is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the aircraft at the end of the lease term, the Company recognizes during the lease term a provision for leased aircraft returns (Note 3(j)).

(f) Leased assets-

Finance leases

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases Upon initial recognition the leased asset is measured at an amount equal to the lesser of its fair value and the present value of the minimum lease payments Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset

Those leases, which, because of the terms of the agreements are considered as finance leases, are recorded at an amount equal to the present value of the rental payments stipulated in the agreements and the amount capitalized is depreciated over the term of each agreement

Operating leases

Other leases are operating leases and the leased assets are not recognized on the Company's statements of financial position Rentals payable by the Company under operating leases are recognized through profit or loss on a straight line basis over the lease term even if payments are not made on the same basis

(g) Intangible assets-

Intangible assets are mainly comprised of software

i. Other intangible assets-

Intangible assets with specific useful lives are systematically amortized based on the best estimation of their useful lives as per expected future economic benefits This accounting policy applies to software

ii. Amortization-

Amortization is calculated over the cost of the asset, less its residual value

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date on which they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset The estimated useful lives for the current and comparative periods are as follows

Software	4 - 7 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate

(h) Prepayments and deposits-

Non-current prepayments and deposits consist primarily of US Dollar deposits made to the lessor of flight equipment, and in accordance with their expiration dates are disclosed as current or non-current assets, and in some cases, earn interest payable to the Company at a rate equivalent to that of the US money market value

Payments of maintenance deposits are capitalized as an asset upon disbursement These deposits are considered as maintenance reserves, typically calculated based on flight hours Such maintenance reserves are reclassified to property and equipment (major maintenance) upon the maintenance service is being performed and is expensed through depreciation based on the Company's maintenance policy

Current prepayments consist mainly in prepaid leases, advertising and fuel prepayments Prepayments are expensed when goods or services are received

(i) Impairment-

i. Non-derivative financial assets (including receivables)-

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security

The Company considers evidence of impairment for receivables at both a specific asset and collective level All individually significant receivables are assessed for specific impairment All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and investment securities with similar risk characteristics

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate

Losses are recognized in profit or loss and reflected in an allowance account against receivables Interest on the impaired asset continues to be recognized through the unwinding of the discount When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss

ii *Non-financial assets-*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment If any such indication exists, then the asset's recoverable amount is estimated

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, in either case, less costs to sell In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit)

The Company's corporate assets do not generate separate cash inflows If there is any indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognized in profit or loss Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized

(j) Provisions-

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability The unwinding of the discount is recognized as finance cost

Provision for leased aircraft returns-

With respect to operating lease agreements, where the Company is required to return the aircraft with adherence to certain return conditions, a provision is made during the lease term This provision is based on the present value of the expected future cost of meeting the return condition, having regard to the current fleet plan and long-term maintenance schedules The present value of the return conditions is provided for at the inception of the lease and subject to yearly revisions

(k) Employee benefits-

i Defined benefit plans-

The Company has defined benefit plans for part of its employees Additionally seniority premiums are provided to all employees under the Mexican Labor Law The Law provides that seniority premiums are payable, based on salary and years of service, to employees who resign or are terminated after at least fifteen years of service Under the Law, benefits are also payable to employees who are dismissed

The Company's net obligation in respect of defined benefit pension and seniority plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value and the fair value of any plan assets are deducted The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid The calculation is performed annually by a qualified actuary using the projected unit credit method according to IAS 19 (see Note 21) When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs

ii ***Termination benefits-***

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably If benefits are payable more than twelve months after the reporting period, then they are discounted to their present value

iii ***Short-term benefits-***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably

(l) Revenue recognition-

i ***Air traffic liability and revenue recognition for passenger flights-***

Ticket sales are initially recorded as an air traffic liability and are recognized as passenger revenue, net of airport charges, when the service is rendered The liability is also reduced by transportation services (previously sold through the Company) rendered by other airlines and refunds of unused tickets Passenger revenue includes only airfare, while ancillary services are recognized in other revenues

The Company records the air traffic liability translating to its functional currency the tickets sold on its different foreign exchange rates at the dates of the transactions

Revenue from unused tickets is estimated based on the terms and conditions of each ticket and on statistical experience about when is expected to be sold, mainly upon expiration, and it is included in other revenues

ii ***Cargo revenue-***

Cargo revenue is recognized when the service is rendered

iii. ***Other revenues-***

Other revenues include revenue from unused tickets, ancillary services (i e excess baggage and other administrative passenger charges), charter services and other (i e training and ground handling services) and are recognized in the statement of profit or loss and other comprehensive income in the period the services are provided

(m) Finance income and costs-

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and net foreign exchange gains that are recognized in profit or loss Interest income is recognized as it accrues in profit or loss, using the effective interest method Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions or dividends, changes in the fair value of financial assets at fair value through profit or loss, net foreign exchange losses, credit card commissions, impairment losses recognized on financial assets, and losses on derivative instruments that are recognized in profit or loss Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method

(n) Income tax (IT)-

Tax expense comprises current and deferred tax Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income

Current tax is the expected tax payable or receivable IT payable for the year is determined in conformity with legal and tax requirements for companies in México, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years

Deferred IT is accounted for under the asset and liability method Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes Deferred tax is not recognized for the following temporary differences the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill acquired under a business combination Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized

(o) *Employee statutory profit sharing (ESPS)-*

ESPS payable for the year is determined in conformity with the tax provisions in effect Under current tax law, companies are required to share 10% of their taxable profits with their employees

(p) **Earnings per share-**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares

(q) **Business concentrations-**

The Company's services are provided to a large number of customers without significant concentration with any particular customer

The main supplier of fuel used by aircrafts in Mexico is Aeropuertos y Servicios Auxiliares ("ASA"), a non-centralized organization of the Federal Government

(r) Segment reporting-

The Company reports information by segments as established in IFRS 8 "Operating segments" An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components All operating segments' operating results are reviewed regularly by the Company's Chief Operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available

The Company has determined that it has one operating segment air transportation The Company divided this operating segment in the following geographical destinations to (1) Mexico, (2) North, Central and South America, and (3) Europe and Asia The Company allocates revenues by geographic area based on passenger flight destination

(s) New Standards and Interpretations not yet adopted-

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2015, and have not been applied in preparing these consolidated financial statements None of these is expected to have a significant effect on the consolidated financial statements of the Company The Company has not considered earlier application of the not yet adopted standards

- IFRS 9 "Financial Instruments" IFRS 9, published in July 2014, replaces the guidance in IAS 39 "Financial Instruments Recognition and Measurement" IFRS 9 has revised the classification and measurement of financial instruments guides, including a new model to calculate the expected impairment of financial assets credit losses, and new general requirements for hedge accounting It also keeps the guidance concerning the recognition and low accountability of financial instruments in IAS 39 IFRS 9 is effective for annual periods beginning on or after January 1, 2018 Early adoption is permitted We have not yet completed the determination of the impact on our consolidated financial statements

- IFRS 15 "Revenue from Contracts with Customers" IFRS 15 establishes a comprehensive framework for determining whether revenue is recognized, are recognized when and in what amount Replaces the current guidelines for the recognition of revenue, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Program" IFRS 15 is effective for annual periods beginning on or after January 1, 2017 Early adoption is permitted We have not yet completed the determination of the impact on our consolidated financial statements

- IFRS 16 "Leases" published on January 13, 2016, requires recognizing all leases in the financial statements starting on January 1, 2019 Those companies with operating leases would recognize more assets and in the other hand more debt As a higher leasing Company's portfolio, the impact on its report's metrics would be impacted We are evaluating the impact of the adoption of the IFRS 16 on our consolidated financial statements

(In thousands of Mexican pesos)

There are no other standards and interpretations in issue but not yet adopted that the Management anticipate will have a material effect on the reported income or net assets of the Company

(4) Reclassifications and other effects-

Reclassifications-

The Company has modify its consolidated statements of profit and loss and other comprehensive income for the year ended December 31, 2014 as follows

a) The other expenses (income) line, previously presented within the finance income – cost, is now included as part of the operating expenses

b) The share of gain of equity accounted investees, is now also part of the operating expenses

None of the above-mentioned reclassifications have any impact to previously reported profit before income tax, cash flows or changes in equity statements

The reclassification effects in the consolidated statement of profit and loss and other comprehensive income for the year ended December 31, 2014 are as follows

		Figures Previously Reported	Reclassifications	Reclassified Figures
Total operating expenses	$	41,546,026	5,388	41,551,414
Operating profit		1,283,674	(5,388)	1,278,286
Finance income (cost)		(647,259)	49,857	(597,402)
Share of gain on equity accounted investees		44,469	(44,469)	-
Profit before income tax	$	680,884	-	680,884

Other effects-

During 2015, a net debit for approximately $630 million was recognized as part of the foreign exchange gain, which was originated for different exchange rates utilized to restate the air traffic liability Due to the impracticability for determining the amounts corresponding to prior years and its particular effect in the consolidated financial statements, this amount was registered in 2015, in accordance to IAS 8

(5) Determination of fair values-

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities Fair values have been determined for measurement and for disclosure purposes based on the methods described in the next paragraphs When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability

(a) Property-

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly

(b) Derivative securities-

The fair value of Over the Counter ("OTC") derivatives is obtained from the banking counterparty and tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market inputs Fair values reflect the credit risk of the instrument and include adjustments to take account of our own credit risk when appropriate

(c) Non-derivative financial liabilities-

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date For finance leases the market rate of interest is determined by reference to similar lease agreements

(d) Debt securities-

The fair value of debt securities is determined by reference to their quoted closing mid-price at the reporting date plus an adjustment to reflect the bid price If unquoted, the fair value is estimated using a discounted cash flow technique using expected future cash flows and a market related discount rate

(In thousands of Mexıcan pesos)

(6) Subsıdıarıes and assocıates-

The sıgnıficant consolıdated subsıdıarıes are as follows

	Subsıdıary	Prıncıpal actıvıty	Country of ıncorporatıon	Ownershıp ınterest % 2015	2014
a	Aerolıtoral, S A de C V	Aır transportatıon servıces for passengers, goods and cargo	Mexıco	99 74	99 74
b	Inmobılıarıa Avenıda Fuerza Aerea Mexıcana 416, S A de C V	Real Estate	Mexıco	99 99	99 99
c	Inmobılıarıa Paseo de la Reforma 445, S A de C V	Real Estate	Mexıco	99 99	99 99
d	Inmobılıarıa Boulevard Aeropuerto 161, S A de C V	Real Estate	Méxıco	99 99	99 99
e	Operadora de Franquıcıas y Productos Aereos, S A de C V	Tradıng of franchıse system	Mexıco	63 31	63 31
f	Sıstemas Integrados de Soporte Terrestre en Mexıco, S A de C V	Servıces	Mexıco	99 99	99 99
g	Aerosys, S A de C V	Management of ınvestment ın shares	Mexıco	50 01	50 01
h	Fundacıón Aeroméxıco, A C	Obtaınıng support and assıstıng ın several altruıst causes	Mexıco	99 99	99 99
ı	Centro de Capacıtacıon Alas de Amerıca, S A de C V	Aırcraft crew traınıng	Méxıco	99 99	99 99
j	Admınıstradora Especıalızada en Negocıos, S A de C V	Ground handlıng servıces	Méxıco	99 99	99 99
k	Estrategıas Especıalızadas en Negocıos, S A de C V	Ground handlıng servıces	Méxıco	99 99	99 99
l	Aerovías Empresa de Cargo, S A de C V	Aır cargo servıces	Méxıco	100 00	100 00

(In thousands of Mexican pesos)

Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2015	2014
m Fideicomiso Aeroméxico Servicios	Equipment lease	Mexico	100 00	100 00
n Fideicomiso F/1748	Administration	Mexico	100 00	100 00
o Empresa de Mantenimiento Aereo, S A de C V (*)	Aircraft maintenance service	Mexico	99 99	-
Investments in equity accounted investees.				
Aeromexpress, S A de C V	Air cargo services	México	50 00	50 00

(*) During 2015, the Company acquired the 100% of this subsidiary equity from its parent company Grupo Aeromexico for a price of $214,943 Due to this price there was a difference compared to the equity of the subsidiary for $150,965, recognized as an "effect of non-controlling interest" within the stockholders equity, as this transaction comes from common control entities

(7) Related parties transactions-

Ultimate controlling party-

Grupo Aeroméxico is the parent and ultimate controlling party

The key management personnel of the Company during the year and at year end 2015 were as follows

Members of the Executive Committee.

Name (member since)	Memberships on other comparable governing bodies of enterprises
Andrés Conesa Labastida (2008)	Chief Executive Officer since 2005 and member of the Board of Directors Member of the Board of directors of Aceites Superfinos, S A de C V and Genoma Lab International, S A B de C V
Ricardo Sanchez Baker (2008)	Chief Financial Officer, Member of the Board of Directors of Aeroméxico Cargo, Aeroméxico Capacitation and PLM
Sergio Allard Barroso (2014)	Chief of Talent and Industry Affairs Member of the Board of Directors of Aerolitoral, Aeromexico Servicios, Aeroméxico Cargo and Aeroméxico Capacitation

(In thousands of Mexican pesos)

Key management personnel compensation comprised

For the years ended December 31, 2015 and 2014, the aggregate compensation paid by the Company to its directors and members of senior management, was approximately $43,618 and $38,929, respectively, which correspond to their base compensation

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2015 and 2014 were executed on terms equivalent to those that prevail in arm's length transactions are disclosed below

i *Operations*

		2015	2014
Income			
Tickets reward (6)	$	804,169	757,165
Trademark maintenance (4)		339,996	339,996
Use of VIP lounges (6)		42,600	33,495
Other services (2), (6), and (7)		14,593	18,510
Interest income (2) and (4)		17,456	15,259
Personnel services (6) and (7)		9,124	8,578
Administrative fee (5) and (6)		5,834	4,485
Leasing (6)		930	712
	$	1,234,702	1,178,200
Expenses			
Corporate royalties (4)	$	739,502	684,375
Interest expense (1), (4) and (6)		50,556	150,387
Purchase of kilometers (6)		1,203,767	686,739
Redemption costs (6)		51,834	63,483
Fees (5)		47,066	58,529
Administrative services (3)		40,050	42,860
Maintenance (2), (5) and (7) (a)		73,159	42,804
Other services (6)		-	4,051
	$	2,205,934	1,733,228

Aeromexpress, S A de C V ("Aeromexpress")	(1)
Empresa de Mantenimiento Aéreo, S A de C V ("EMA") (b)	(2)
Fideicomiso SEAT F/036 ("Fideicomiso SEAT")	(3)
Grupo Aeroméxico	(4)
Servicios Corporativos Aeroméxico, S A de C V ("Servicios Corporativos")	(5)
PLM Premier, S A P I de C V ("PLM")	(6)
AM DL MRO JV, S A P I de C V ("MRO")	(7)

(In thousands of Mexican pesos)

(a) In addition, the Company received maintenance services, which based on the respective accounting policies, were capitalized for $227,906 and $155,458 in 2015 and 2014, respectively

(b) Additionally in 2015, Empresa de Mantenimiento Aéreo, S A de C V became a direct subsidiary of the Company, as mentioned in Note 6

ii *Outstanding balances*

Balances due from and due to related parties as of December 31, 2015 and 2014 are summarized as shown below

		2015	2014
Due from			
EMA	$	-	261,017
MRO		149,664	142,718
Fideicomiso SEAT		54,804	53,540
Aeroméxico Cargo, S A P I de C V		269	269
Loyalty Servicios Profesionales Mundiales, S A de C V		-	112
Total due from related parties	$	204,737	457,656
Due to			
Grupo Aeromexico	$	670,655	2,701,617
PLM		647,582	548,520
Premium Alliance Services, LLP		427,775	290,704
Aeromexpress		268,219	203,709
Corporación Nadmin, S A de C V		15,075	15,090
Reempresac Comercial, S A de C V		41,281	-
Recursos Anarec, S A de C V		20,565	-
Loyalty Servicios Profesionales Mundiales, S A de C V		480	-
Servicios Corporativos		3,652	361
Total current		2,095,284	3,760,001
Non - current - PLM (1)		-	256,650
Total due to related parties	$	2,095,284	4,016,651

(In thousands of Mexican pesos)

Balances due to and due from related parties relate to non-interest-bearing loans with no specific maturity and are by nature, at short-term, except as mentioned in the following paragraph

(1) It refers to transactions agreed on a long term basis payable on annual basis until 2016 and stipulates an interest at market rates

Until May 18, 2015 Grupo Financiero Banamex ("GFB") and other related parties, were stockholders of Grupo Aeroméxico, and upon such date entered into definitive agreements to transfer its interest in the capital stock of Grupo Aeromexico for approximately 16%

Transactions carried out with these financial institutions and other related entities during the year ended December 31, 2014 were as follows

Sale of tickets	$	90,000
Interest expenses	$	125,268
Interest income	$	4,920

As of May 18, 2015 these transactions were not material

The outstanding financial balance with GFB as of December 31, 2014 is $3,912,550 (see Note 20)

(8) Operating segments-

The Company has one reportable segment, air transportation This is based on the Company's internal reporting structure to the Chief Operating Decision Maker which is the CEO of the Company The main measure of profit and loss the segment is EBITDAR (defined as earnings before interest, taxes, depreciation, amortization and rental cost)

Geographical revenue segment information is as follows

		2015	2014
Mexico	$	20,626,937	19,754,730
North, Central and South America		19,791,720	17,813,831
Europe and Asia		6,439,899	5,261,139
	$	46,858,556	42,829,700

(In thousands of Mexican pesos)

(9) Cash and cash equivalents-

		2015	2014
Bank balances	$	2,187,966	1,242,345
Call deposits		2,623,027	1,681,935
Cash and cash equivalents	$	4,810,993	2,924,280

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is described in note 26

At December 31, 2015 and 2014, the Company has restricted cash amounting to $232,937 and $146,192, respectively, from the consolidated issuer trust to securitize cash flows from credit card ticket sales through offices and travel agencies in Mexico

(10) Financial assets and derivatives-

		2015	2014
Financial instruments	$	1,148,701	652,831
Current derivatives (assets)		11,213	20,894
Non-current derivatives (assets)		3,890	13,815
Non-current derivatives (liabilities)		(8,563)	-

At December 31, 2015 and 2014, the Company held investments securities denominated in Mexican pesos (mostly), and US Dollars through money market instruments with initial maturity of more than 90 days, which have been classified as financial assets designated at fair value through profit or loss upon initial recognition

Investments securities are diversified both in terms of issuers and counterparties, having debt instruments issued by the Federal Government, financial institutions and corporate securities with high credit rating

At 31 December 2015 and 2014, the Company had interest rate swaps in force in which the Company pays fixed rate receiving a floating rate indexed to TIIE 28 days Through these instruments the Company makes management of risk generated by the variability of flows to floating interest rate, as well as volatility in interest rates as a result of the issuance of the last Senior Trust Bonds

The Fideicomiso F1748 has outstanding at December 2015 and 2014 *Cap Spread* type strategies which are used to limit losses or gains generated by the fluctuations in interest rates of the Senior Trust Bonds and consist by two options on interest rate, generating a ceiling and a floor on interest flows

(In thousands of Mexican pesos)

Derivatives financial information used by the Company and exposure to credit, currency and interest rate risks are disclosed in Note 26

(11) Prepayments and deposits-

Current prepayments consist mainly of prepaid leases, advertising and fuel prepayments

Non – current prepayments and security deposits consist of the following

		2015	2014
Advances for fleet renewal (1)	$	4,339,908	1,979,671
Deposits			
For the lease of aircraft and engines		1,260,495	1,432,930
With financial institutions		644,388	401,605
With airport groups		324,083	233,212
Maintenance deposits		4,403,704	4,272,766
Other		229,241	154,978
	$	11,201,819	8,475,162

(1) The Company entered into agreements to continue the renewal of the fleet, for such purposes, it has made a number of advance payments to the manufacturer (see Note 30), which will be applied in accordance with the incorporation of the new aircraft to the fleet, which are partially financed

(12) Inventories-

Inventories as of December 31, 2015 and 2014, are comprised as follows

		2015	2014
Spare parts and accessories (1)	$	1,155,321	1,109,009
Miscellaneous supplies		81,897	76,357
	$	1,237,218	1,185,366

Inventories are stated net of allowances for obsolescence Total reductions for obsolescence at December 31, 2015 and 2014 were $40,263 and $6,541, respectively

(1) During 2015 and 2014, these inventories were guaranteeing a fuel supplying contract used in Mexico

(In thousands of Mexican pesos)

(13) Trade and other receivables-

Accounts receivable as of December 31, 2015 and 2014, consist of the following

		2015	2014
Airlines and travel agencies	$	364,243	582,458
Credit cards and customers (1)		2,140,199	1,370,856
Recoverable taxes		945,493	1,058,365
Other		172,642	376,706
		3,622,577	3,388,385
Less allowance for doubtful accounts		(93,854)	(116,550)
Net current accounts receivable		3,528,723	3,271,835
Long-term account receivable (2)		53,038	47,117
Total accounts receivable	$	3,581,761	3,318,952

For the aging analysis of portfolio and other receivables see Note 26

(1) Collection from sales related to certain Mexican credit cards are guaranteeing the Senior Trust Bonds (CEBURES) (see Note 20)

(2) Includes an account receivable in US dollars, bearing interests at annual rate of 6% with a maturity date in 2017 Accrued interest is paid on a monthly basis The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 26

(1) The Company entered into agreements for supply and distribution of services, goods, accessories, etc , the most important being related to fuel The main supplier of these services is ASA As part of the negotiations for fuel supply during 2015 and 2014, real estate was pledged with a value of $168,387 related to a property of Inmobiliaria Paseo de la Reforma 445, S A de C V

(2) Lease agreements for the land on which the maintenance facilities and other buildings are located establish that such facilities will be transferred to the Federal Government upon termination of the lease agreements without any consideration to the Company The most important agreements expire on different dates

(In thousands of Mexican Pesos)

(14) Property and equipment

Property and equipment as of December 31 2015 and 2014 comprise the following

	Flight equipment under finance leases	Major maintenance	Rotable spare parts and accesories	Improvements on flight equipment	Machinery and equipment	Lease-hold improvements	Furniture and computer equipment	Flight equipment	Construction	Ground and platform equipment	Transportation equipment	Other equipment	Work in process	Land	Total
Cost or deemed cost															
Balance at January 1 2014	$ 10 707 570	4 001 014	1 342 258	472 822	571 975	1 073 608	325 188	156 643	1 069 747	107 523	125 227	233 775	253 928	228 325	20 671 603
Additions	1 767 702	1 333 825	166 654	38 084	9 553	54 303	16 126	98 570		356	7 533	10 782	339 370		3 842 858
Disposals	(261 626)	(1 804 698)	(170 589)	(91 671)		(38 287)			(372 604)	(4 182)	(53 936)	(5 115)	(90 363)		(2 893 071)
Effect of movements in exchange rates	1 166 889	52 290	109 077	20 564	125 928	139 912	10 495	3 488	7 563	523	1 797	9 998	70 315	160	1,719 005
Balance at December 31 2014	$ 13,380,535	3,582,431	1 447 400	439 799	709 456	1 229,536	351,809	258 701	704 706	104 226	80,621	249 440	573 250	228 485	23,340,395
Balance at January 1 2015	$ 13 380 535	3 582 431	1 447 400	439 799	709 456	1 229 536	351 809	258 701	704 706	104 226	80 621	249 440	573 250	228 485	23 340 395
Additions	2 892 179	1 968 261	139 016	223 593	88 325	35 083	47 928		3 700	8 456	5 907	48 488	28 401		5 489 357
Disposals		(267 547)	(106 707)	(3,596)	(246)	(17 601)	(9 686)			(1 707)	(477)		(99 025)		(506 592)
Effect of movements in exchange rates	2 256 788	330 577	90 235	88 074	3 454	118 935	18 515		11 650	728	2 611	17 607	194 811	237	3 134 222
Balance at December 31 2015	$ 18,529,502	5,613 722	1,569 964	747,870	800 989	1,365 953	408,566	258 701	720,056	111 703	88,662	315,535	697,437	228 722	31,457,382
Depreciation															
Balance at January 1 2014	$ 1 036 534	2 210 457	707 622	196 074	549 557	342 555	262 895	117 933	712 781	79 218	64 477	151 242	2		6 431 347
Depreciation for the year	453 303	820 416	79 396	96 300	20 757	107 850	21 715	4 587	18 401	5 114	3 160	17 823			1 648 822
Disposals	(17 014)	(1 779 812)	(100 346)	(9 306)	(435)	(1 406)		(2 566)	(333 397)	(4 769)	(11 079)	(8 218)	(2)		(2 268 350)
Balance at December 31 2014	$ 1 472,823	1 251,061	686,672	283 068	569,879	448 999	284,610	119 954	397 785	79,563	56,558	160,847		-	5,811,819
Balance at January 1 2015	$ 1 472 823	1 251 061	686 672	283 068	569 879	448 999	284 610	119 954	397 785	79 563	56 558	160 847			5 811 819
Depreciation for the year	795 143	1 204 592	77 992	102 971	26 029	144 122	24 541	21 896		5 589	5 317	19 196			2 427 388
Disposals		(233 015)	(60 977)	(3 596)	(246)	(16 092)	(9 685)			(1 616)	(477)				(325 704)
Balance at December 31 2015	$ 2,267,966	2 222,638	703,687	382 443	595,662	577,029	299 466	141,850	397 785	83,536	61,398	180 043		-	7,913,503
Carrying amount															
At December 31 2014	$ 11 907 712	2,331,370	760 728	156 731	139,577	780,537	67 199	138 747	306 921	24,663	24,063	88,593	573,250	228 485	17,528,576
At December 31 2015	$ 16,261,536	3,391,084	866,277	365 427	205,327	788 924	109 100	116,851	322,271	28 167	27,264	135,492	697,437	228 722	23,543,879

Finance leases-

Finance leases in 2015 include two Boeing B-787 airplane (one in 2014) which started in 2014 and with a maturity date in 2027, twelve Boeing B-737 airplanes (ten in 2014), which started in 2006 and the last one will mature in 2025, ten Embraer EMB-190 airplanes in 2015 (same number in 2014) starting in 2011 and the last one maturing in 2024, and 7 Embraer E-145 (none in 2014), starting in 2015 maturing in 2017

Additionally, as of December 31, 2015 and 2014 the Company considered as finance leases one flight simulator and two engines, as part of its fixed assets

The leased equipment secures lease obligations At December 31 2015, the net carrying amount of leased equipment was $16,261,536 (2014 $11,907,712) During the year, the Company acquired leased assets of $2,892,179 (2014 $1,767,702) For our commitments with regards to future payments of finance leases see Note 20

Property and equipment under construction-

As of December 31, 2015 and 2014 the estimated costs to conclude projects and work in progress amount to $67,186 and $55,702, respectively

Impairment loss and subsequent reversal-

At December 31, 2015 and 2014, there are no losses from impairment in the value of these assets, evaluated in accordance with provisions of IAS 36, "Impairment of Assets"

(In thousands of Mexican pesos)

(15) Operating leases-

Future minimum lease payments translated at the exchange rate as of December 31, 2015, are as follows

Year		Operating leases
2016	$	6,785,805
2017		6,016,192
2018		5,078,176
2019		4,389,441
2020		3,687,392
2021 and thereafter		10,728,600
	$	36,685,606

These amounts are determined based on the contractual rent payments as of December 31, 2015

Total rental expenses during the years ended December 31, 2015 and 2014 are as follows

		2015	2014
Aircraft leasing	$	5,761,498	4,499,315
Real estate		288,475	245,193
	$	6,049,973	4,744,508

Main operating leases are as follows

(a) In 2015, the Company leased 97 aircraft and 16 engines (111 aircraft and 12 engines in 2014) with different terms, with the last expiring in 2027 In some cases, at the end of the contract, there is a purchase option at market value and in others an option to extend the leasing term

During 2015 and 2014, the Company renewed certain lease agreements, extending their original maturity dates, which are presented as a liability at the end of that year (see Note 30)

The aforementioned agreements are partially guaranteed by letters of credit or security cash deposits In addition, the most significant obligations assumed under this modality are listed as follows

- Maintain letters of credit up to 60 days after the expiration of the leases
- Maintain all records, licenses and required authorizations by aviation authorities throughout the term of the lease agreement, by making the related payments

(In thousands of Mexıcan pesos)

- Provıde maıntenance to the leased equıpment ın accordance wıth the respectıve maıntenance program
- Insure the equıpment ın accordance wıth the amounts and rısks establıshed ın each agreement
- Provıde certaın financıal ınformatıon to the lessor
- Comply wıth technıcal condıtıons for returnıng the aırcraft

(b) The Company entered ınto leasıng contracts for aırport facılıtıes, a portıon of whıch are ın the process of beıng renewed

(16) Intangıble assets-

As of December 31, 2015 and 2014 thıs captıon consısts of software, and ıs comprısed as shown below

		Cost	Amortızatıon and ımpaırment losses	Net
Balance at January 1, 2014	$	1,009,881	(665,900)	343,981
Addıtıons		259,113	(46,735)	212,378
Balance at December 31, 2014	$	1,268,994	(712,635)	556,359
Balance at January 1, 2015	$	1,268,994	(712,635)	556,359
Addıtıons		264,914	(85,250)	179,664
Dısposals		(607,653)	607,653	-
Balance at December 31, 2015	$	926,255	(190,232)	736,023

(17) Investment ın equıty accounted ınvestees-

Investment ın equıty accounted ınvestees as of December 31, 2015 and 2014 ıs comprısed of the Company's ınterest ın one associate, Aeromexpress (ceased operatıons ın 2011)

The followıng table analyses, ın aggregate, the carryıng amount and share of profit and OCI of thıs assocıate

	%		2015	2014
Carryıng amount of ınterest ın assocıates	50 00	$	151,637	137,015

(In thousands of Mexican pesos)

(18) Income tax (IT)-

The IT law established since January 1, 2014, imposes an IT rate of 30%

The total income tax expense for the years ended December 31, 2015 and 2014 is as follows

		2015	2014
Current tax expense	$	75,846	72,722
Tax recovery benefit in subsidiary		-	(116,532)
Deferred tax expense (benefit)		250,388	538,705
Total income tax expense	$	326,234	494,895

(a) Reconciliation of effective tax rate:

	2015		2014	
	%	$	%	$
Profit of the year	-	243,147	-	185,989
Total income tax	57%	326,234	73%	494,895
Profit excluding income tax	-	569,381	-	680,884
Income tax using the Company's domestic tax rate	30%	169,981	30%	204,265
Non-deductible expenses	58%	329,590	42%	285,015
Tax recovery benefit in subsidiary	-	-	(17%)	(116,532)
Others, mainly functional currency and inflation effects	(31%)	(173,337)	18%	122,147
	57%	326,234	73%	494,895

(19) Deferred tax assets and liabilities-

(a) Recognized deferred tax assets and liabilities-

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities, at December 31, 2015 and 2014 are presented below

(In thousands of Mexican pesos)

		IT	
		2015	2014
Deferred tax assets:			
Allowance for doubtful accounts	$	27,330	34,988
Accruals		617,460	1,092,062
Net operating loss carry forwards		2,233,808	1,547,009
Advances from customers		75,098	147,468
Employee benefits		841,128	936,256
Other reserves (mainly leased aircraft returns)		1,168,194	442,443
Deferred tax assets		4,963,018	4,200,226
Deferred tax liabilities:			
Inventories		371,103	305,773
Properties and equipment		1,696,575	936,187
Prepaid expenses		300,487	223,843
Other, mainly amortizable expenses and deposits		2,297,797	2,190,763
Deferred tax liabilities		4,665,962	3,656,566
Net deferred tax asset, recorded in the statements of financial position	$	297,056	543,660

In assessing the recoverability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies past in making this assessment

At December 31, 2015, operating tax loss carry forwards, expire as follows

Year		**Inflation adjusted through December 31, 2015**
2015-2025	$	7,446,027

(In thousands of Mexican pesos)

(b) Movement in temporary differences during the year-

	January 1, 2015	Recognized income	Recognized in equity	December 31, 2015
Property and equipment	$ (936,187)	(760,388)	-	(1,696,575)
Provisions	1,092,054	(474,594)	-	617,460
Inventories	(305,773)	(65,330)	-	(371,103)
Trade and other receivables	34,988	(7,658)	-	27,330
Other items (including tax loss carry forwards)	658,578	981,736	(79,630)	1,719,944
	$ 543,660	(326,234)	79,630	297,056

	January 1, 2014	Recognized income	Recognized in equity	December 31, 2014
Property and equipment	$ (482,878)	(453,309)	-	(936,187)
Provisions	822,044	270,010	-	1,092,054
Inventories	(259,410)	(46,363)	-	(305,773)
Trade and other receivables	31,106	3,882	-	34,988
Other items (including tax loss carry forwards)	925,877	(312,925)	45,626	658,578
	$ 1,036,739	(538,705)	45,626	543,660

(In thousands of Mexican pesos)

(20) Loans and borrowings-

The features of the loans and borrowings (including finance leases) comprising this caption and guarantees as at December 31, 2015 and 2014 are described below

Thousands of $	Currency	Nominal interest rate	Year of maturity	2015	2014
Senior Trust Bonds ("CEBURES") issued in Mexico guaranteed by the collection of credit card sales in Mexico (2) (3) (5)	$	*TIIE rate plus 170 to 200 basis points*	2020	$4,990,596	$2,991,744
Loans guaranteed by the Ex-Im Bank in the United States of America	$	*TIIE rate plus 50 basis points*	2017	574,202	296,124
Loan renewable every 28 days	$	*Fixed annual rate of 5 95%*	2016	200,000	200,000
Loan renewable every 28 days	$	*TIIE rate plus 350 basis points*	2016	120,000	120,000
Loan renewable every 28 days	$	*TIIE rate plus 225 basis points*	2016	125,000	125,000
Loan	$	*TIIE rate plus 220 basis points*	2016	225,000	-
Loan	US$	*Fixed annual rate of 5 17%*	2018	211,149	144,186
Loan	US$	*Fixed annual rate of 5 29%*	2018	49,234	55,645
Loan	US$	*Libor rate plus 240 basis points*	2016	120,470	-
Prepayments on aircraft purchase rights guaranteed by BANCOMEXT	US$	*Libor rate plus 225 basis points (Libor plus 250 basis points in 2014)*	2017	3,155,867	803,882
Loans guaranteed by the Ex-Im Bank in the United States of America	US$	*Libor rate plus 160 basis points*	2017	58,084	-
Total Loans				**9,829,602**	**4,736,581**
Financial leasing of flight and other equipments guaranteed by the Ex-Im Bank in the United States of America (1)(2)	$	*Fixed rates between 8 04% to 8 45%*	2018	347,710	466,122
Finance leases of flight equipment	US$	-	2015	-	2,134
Finance leases of flight equipment	US$	*Fixed rates between 3 93% to 4 16%*	2019	581,375	-

(In thousands of Mexican pesos)

thousands of $	Currency	Nominal interest rate	Year of maturity	2015	2014
Financial leasing of flight and other equipment guaranteed by the BNDES (Banco Nacional de Desenvolvimento Economico e Social) (1)	US$	*Fixed annual rates ranging from 3 21% to 4 12% and / or annual variable rates at Libor plus 200 basis points*	2024	3,445,352	3,316,066
Financial leasing of flight and other equipments guaranteed by the Ex-Im Bank in the United States of America (1)	$	*TIIE plus 65 basis points (3)*	2024	1,268,201	1,375,022
Financial leasing of flight and other equipments guaranteed by the Ex-Im Bank in the United States of America (1)	US$	*Annual fixed rate of 2 54%*	2025	1,687,803	1,575,282
Financial leasing of flight and other equipments guaranteed by the Ex-Im Bank in the United States of America (1)	US$	*Annual fixed rate of 2 33%*	2027	3,159,498	-
Financial leasing of flight and other equipments guaranteed by the Ex-Im Bank in the United States of America (1)	US$	*Libor rate plus 25 to 65 basis points, within the first months*	2026	-	1,440,375
Finance leases of flight equipment	US$	*Annual fixed rate of 5 00%*	2017	109,776	-
Total Leasing				**10,599,715**	**8 175,001**
Total Debt				**20,429,317**	**12,911,582**
Less current installments of financial debt				(4,400,475)	(2,461,121)
Non – current debt				**$16,028,842**	**$10,450,461**

(1) Some of the contracts establish certain commitments for the Company, including to comply with affirmative and negative covenants, to provide certain financial information and reports of fleet variances, to comply with conditions and terms agreed upon with third parties, mainly as concerns payment of documented commitments, as well as restrictions for the Company for selling or transferring all or a significant portion of assets

(2) This loan establishes a financial covenant related to collections coverage ratio which represented the payment guarantee

(3) Transaction costs amounting to $19 3 million, were included in the initial measurement of the CEBURES

(In thousands of Mexican pesos)

(4) At December 31, 2014, these loans have been contracted with GFB and other related parties

(5) At December 31, 2015 and 2014, the Company contracted interest rate *Swaps*, allowing to pay a fixed rate (see Note 26)

Likewise, there is an obligation in some contracts to notify of changes of shareholders and any adverse modification of the financial situation Furthermore, some contracts foresee the possibility of an early termination and describe circumstances to obtain temporary waivers

As of December 31, 2015, the Company is in compliance with its covenants

All loans mature throughout 2015 As of December 31, 2015, future maturities of long-term debt, are as follows

2017	$	3,558,755
2018		3,094,370
2019		3,169,105
2020		1,618,077
2021 and thereafter		4,588,535
	$	16,028,842

There are established conditions to finance the renewal of the Company fleet (see Note 30)

(21) Employee benefits-

The Company has defined pension and retirement plans covering some of its employees The benefits of such plans are calculated based on salary levels, years of service, mortality and expected future salary increase The Company periodically makes contributions, to trust funds based on actuarial calculations to finance part of the cost of these plans The trust funds are mainly invested in fixed-income securities Actuarial calculations for these plans result in accumulated benefit obligations in excess of the plan assets

Seniority premiums are provided to all employees under the Mexican Labor Law The Law provides that seniority premiums are payable, based on salary and years of service, to employees who resign or are terminated after at least fifteen years of service Under the Law, benefits are also payable to employees who are dismissed The Company has not funded its seniority premium obligation, which amounts to $121,493 and $114,606 as of December 31, 2015 and 2014, respectively, included in the total employee benefits balances as of the same dates

(In thousands of Mexican pesos)

(a) Composition of plan assets-

		2015	2014
Equity securities	$	584	562
Government bonds		8,290	8,058
	$	8,874	8,620

(b) Movements in the present value of the defined benefit obligations-

		2015	2014
Defined benefit obligations at January 1,	$	3,433,117	3,086,890
Benefits paid by the plan		(296,973)	(219,399)
Current service cost		214,292	187,480
Interest cost		204,446	217,226
Curtailment (gain) loss		254	267
		3,555,136	3,272,464
Actuarial (gains) losses recognized in other comprehensive income		(215,802)	160,653
Defined benefit obligations at December 31	$	3,339,334	3,433,117

(c) Movement in the present value of plan assets-

		2015	2014
Fair value of plan assets at January 1	$	8,620	8,352
Actual return on plan assets		254	268
Fair value of plan assets at December 31	$	8,874	8,620

(In thousands of Mexican pesos)

(d) Actuarial gains and losses recognized in other comprehensive income-

		2015	2014
Cumulative amount at January 1	$	(291,032)	(130,379)
Recognized during the year		215,802	(160,653)
Cumulative amount at December 31	$	(75,230)	(291,032)

(e) Actuarial assumptions-

Significant assumptions used in determining the net period cost of the plans are as follows

	2015	2014
Expected rate of return on plan assets	6 80%	6 80%
Discount rate	6 80%	6 80%
Rate of compensation increase	4 50%	4 50%
Remaining average labor life (over benefit obligations)	17 years	22 years

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of projected pension payments

(f) Sensitivity analysis-

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant would have affected the defined benefit obligation by the accounts shown below as of December 31, 2015

		Increase	Decrease
Discount rate (0 5% movement)	$	(135,043)	112,345
Rate of compensation (0 5% movement)	$	107,633	(131,674)

(In thousands of Mexican pesos)

(22) Provisions-

		Leased aircrafts returns (2)	Litigations	Total
Balance at January 1, 2014 (1)	$	1,461,960	60,344	1,522,304
Additions		411,290	42,500	453,790
Utilization		(499,072)	(59,462)	(558,534)
		1,374,178	43,382	1,417,560
Less non-current portion		(442,700)	-	(442,700)
Balance at December 31, 2014	$	931,478	43,382	974,860
Balance at January 1, 2015 (1)	$	1,374,178	43,382	1,417,560
Additions		276,079	38,000	314,079
Utilization		(1,005,513)	(42,957)	(1,048,470)
		644,744	38,425	683,169
Less non-current portion		(322,370)	-	(322,370)
Balance at December 31, 2015	$	322,374	38,425	360,799

(1) Includes current and non-current portion

(2) We expect the economic outflow of the current portion of our leased aircraft return provision over the next 12 months based on our fleet plan On a yearly basis fleet plan is revised and new return terms might be negotiated with lessors which affect the classification of short and long term balance

(In thousands of Mexican pesos)

(23) Trade and other payables-

		2015	2014
Suppliers	$	6,886,803	6,896,782
Deferred liabilities		1,205	5,163
Value added tax and other taxes		1,172,075	1,010,646
Salaries and benefits payable		247,835	188,382
Airlines		1,954	1,675
		8,309,872	8,102,648
Less non-current portion		-	(1,291)
Total current liabilities	$	8, 309,872	8,101,357

(24) Stockholders' equity-

(a) Structure of capital stock-

At the Extraordinary Stockholders' Meeting held on July 1, 2015, the stockholders agreed to spin-off Aeromexico, subsisting Aeroméxico and creating one new spun-off company, AM BD GP JV, S A P I de C V The total amount of the spin-off was $100, which represented the capital stock of the new subsidiary of Grupo Aeromexico, which represented an account receivable

At the Stockholders' Meeting held on December 31, 2015, it was agreed to increase the variable portion of capital stock in $2,778,627, without new shares issued This increase was made through the capitalization of different accounts payable in favor of Grupo Aeroméxico

The Company's capital stock at December 31, 2015 and 2014 is represented by 540 ordinary shares, nominative, with no par value representing the subscribed and paid capital stock of Aeroméxico

The minimum fixed portion of capital stock of Aeromexico, is represented by 15 series "A" shares, and the variable portion is represented by 525 shares of the same series

According to the corporate bylaws of Aeromexico, capital stock may be subscribed by Mexican shareholders or other nationalities, provided the foreign investment percentages required by the applicable legislation are complied

(b) Restrictions on stockholders' equity-

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock As of December 31, 2015, the statutory reserve amounts to $435,123, and has not reached the required amount

Stockholder's contributions restated as provided for by the tax law, may be refunded to stockholders tax-free, to the extent that such contributions equal or exceed stockholders' equity

Retained earnings and other stockholders' equity accounts on which no income taxes have been paid, are subject to income taxes in the event of distribution, at the rate of 30%, payable by the Company, consequently, the stockholders may only receive 70% of such amounts

No dividends may be paid while the Company has a deficit

(25) Earnings per share-

We present basic and diluted earnings per share Basic earnings per share is determined by dividing profit after tax attributable to equity holders of Aeroméxico by the weighted average number of ordinary shares outstanding during the respective year Diluted EPS reflect the potential dilution assuming the conversion of all dilutive potential ordinary shares The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on market prices for the period during which the options were outstanding

The calculation of basic earnings/loss per share at December 31, 2015 was based on the result of the year of $243,147 (2014 $185,989), and a weighted average number of ordinary shares outstanding of 540 The Company has no dilutive potential ordinary shares

(26) Financial instruments and risk management-

(a) Overview-

The Company is exposed to different financial risks that are common in the industry and that could have an impact in the financial results These financial risks are grouped as follows

a) Credit risk
b) Liquidity risk
c) Market Risk
   - Jet-fuel price fluctuations
   - Interest rate fluctuations
   - Exchange rate fluctuations

The Company's risk management program reviews periodically the exposures to the above identified risks and tries to minimize the potential adverse effects on the net margin thorough different initiatives, including a selective usage of financial derivatives instruments The Company uses different methods to assess and manage different types of risks to which it is exposed, including sensitivity analysis and statistical analysis

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Group's management of capital Further quantitative disclosures are included throughout these consolidated financial statements

(In thousands of Mexican pesos)

The Company contracts financial derivative instruments in Over the Counter ("OTC") markets to keep the exposure at levels acceptable to the Company's risk appetite All financial derivative instruments in the Company's portfolio are held for hedging purposes, although some of them and due to changes in the economic variables have not met the strict requirements to be considered as hedging instruments The Company does not hold or issue derivative financial instruments for trading purposes

Risk management framework-

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

The Company's Audit and Finance Committees oversee how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company
The Company Audit Committee is assisted in its oversight role by Internal Audit Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee The Finance Committee reviews periodically the execution of the risk management policies approved by the Board related to market risks (interest rate, foreign exchange and jet fuel fluctuations), and to credit and liquidity risks

(b) Credit risk-

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities

i. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was

	Carrying amount	
	2015	2014
Cash and cash equivalents	$ 4,810,993	2,924,280
Other financial instruments, including derivatives	1,163,805	687,090
Trade and other receivables	3,528,723	3,271,835
	$ 9,503,521	6,883,205

(In thousands of Mexican pesos)

In order to mitigate the credit risk arising from deposits in banks and investments in financial instruments, the Company only conducts business with financial instruments that have certain investment grade rating The Company also mitigates this risk by diversifying its investments in several counterparties in accordance with Board approval policy

The table in the following page shows the outstanding investment portfolio grouped by types of counterparties as of December 31, 2015

Other financial instruments, including derivatives

Counterparty		**Fair Value**
Derivatives	$	15,103
Mexican Banks		350,000
Private Companies		184,034
Governmental instruments		557,316
Foreign banks		57,352
	$	1,163,805

Trade and other receivables-

The Company's services are provided to a large number of customers without significant concentration with any one of them

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments The Company as many other airlines, performs its selling activities through the International Air Transport Association (IATA) mechanisms that regulate the financial transactions between airlines and travel agents Also high volume of selling transactions is made through credit cards where receivables are due from financial institutions

In addition to the above mentioned clients, the Company also has some direct sales to large corporations and governmental agencies

The maximum exposure to credit risk for trade receivables at December 31, 2015 and 2014 by type of customer is shown in Note 13, including recoverable taxes over which the Company has so far not experienced impairment losses

Additionally, in respect to receivable accounts shown in the Note 7 with related parties it is not estimated any risk on its recoverability s part of Grupo Aeromexico, holding company

(In thousands of Mexican pesos)

Impairment losses-

The aging of trade receivables and the related impairment at the reporting date was

		2015		2014	
		Gross	Impairment	Gross	Impairment
Not past due	$	1,721,756	-	1,315,166	-
Past due between 0-30 days		384,540	-	383,761	-
Past due between 31-120 days		330,963	26,671	200,040	62,203
Past due for more than one year		67,183	67,183	54,347	54,347
	$	2,504,442	93,854	1,953,314	116,550

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

		2015	2014
Balance at January 1	$	116,550	109,232
(Reversal) impairment recognized		(22,696)	7,318
Balance at December 31	$	93,854	116,550

No collaterals are held or other credit enhancements for the impaired loans

(c) Liquidity risk-

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

(In thousands of Mexican pesos)

We operate a global business with international operations that are subject to economic and political events beyond our control For example, the business environment in Venezuela has been challenging, with economic uncertainty resulting from currency devaluation and currency exchange controls Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela As of December 31, 2015 the Company had a net exposure of VEF94 4 million of Venezuelan Bolivars ($122 million) held in bank accounts (see Note 31)

The Company monitors its cash flow requirements on constant basis The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations (see Note 20)

(d) Market risk-

The Company is exposed to different financial risks that could have an impact in the financial results

i Currency risk-

Foreign exchange risk is originated when the Company performs transactions and maintains monetary assets and liabilities in currencies that are different from the functional currency of the Company Most of the Company's exposure is associated to fluctuations in the Mexican Peso In 2015 and 2014, approximately 64% and 67% of the Company's expenses and 56% and 55% of its revenues are denominated in currencies different from the peso, respectively The Company believes that this composition of revenues and costs between US Dollars and Mexican pesos mitigates substantially its foreign exchange risk

The Company uses different strategies to mitigate further its currency risk, including the use of direct borrowing in pesos to finance aircraft purchases, for example with US Ex-Im Bank guarantees directly into pesos

The following significant exchange rates for US$ were applied during the year

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
Mexican Peso	15 86	13 31	17 21	14 75

(In thousands of Mexican pesos)

Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the Mexican peso at December 31, 2015 and 2014 would have decreased profit or loss by the amounts shown below This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period The analysis assumes that all other variables, in particular interest rates, remain constant

		Loss
December 31, 2015		
US dollar (5% strengthening)	$	(133,789)
December 31, 2014		
US dollar (5% strengthening)	$	(202,963)

ii. Jet-fuel price fluctuation-

The main market risk associated with the industry is the variation in fuel prices The Company mitigates this risk through derivative instrument contracts, usually options and combination of options In addition, depending on market conditions, the Company applies fare increases or fuel surcharges to airplane tickets in order to partially mitigate the impact of higher fuel prices

Fluctuations in jet-fuel prices largely depend on local or worldwide economic and political conditions Among those conditions are the global supply and demand for oil, decisions taken by Organization of Petroleum Exporting Countries ("OPEC"), global refining capacity, stock levels of crude oil, and weather and geopolitical factors

Company uses mainly call and call spread options on crude oil and Heating Oil to hedge exposure to movements in the price of aviation fuel In our opinion, these instruments allow us to obtain hedge protection against sudden and significant increases in jet fuel prices, while simultaneously ensuring that the Company is not competitively disadvantaged in the event of a substantial decrease in the price of aviation fuel Hedging is conducted in accordance with Grupo Aeromexico's "Jet-Fuel Hedging Policy", which is approved by the Board Currently, the policy states that a target of minimum 40% and up to 60% of the estimated fuel consumption out to 12 – 18 months may be hedged, with any hedging outside these parameters requiring approval by the Finance Committee The Finance Committee in its periodical meetings supervises the strict adherence to the Policy established by the Board and monitors the performance of the hedging portfolio

As of December-end 2015, the Company had an outstanding hedging portfolio with the following type of derivative financial instruments

a) *Call spread* strategies over Jet-Fuel 54 ("JF54") A call spread is a combination of long calls at a certain strike price and short calls with the same maturity and underlying but at a different strike price

   The price range determined by these operations is $2 06 US/Gal to $2 75 US/Gal

As the Company's intention at using derivative financial instruments is to reduce its risk exposure to the different risk factors, all of the options and call spreads used have a net paid premium, which means that the maximum loss that the Company could suffer is limited to the premium paid, facing no additional obligations

Our annual consumption of Jet-fuel and the corresponding derivatives used during the year are shown in the following table

Amounts in thousands of Gallons

	2015	2014
Annual Consumption (Gal *JF54*)	380,660	353,868
Derivatives on JF54 (Gal *JF54*)	194,568	174,600
Amount Hedged (%)	51 11%	49 34%

A reduction in the Jet-fuel price positively affects the Company through a reduction in costs, while an increase has an adverse effect on the Company's performance

During 2015 and 2014, the Company had a consumption of 380 7 and 353 9 million gallons of Jet-Fuel which bought at an average price of US$1 75 and US$2 86/Gal respectively These prices include transportation and supply surcharges

During 2015, the Company hedged 51% of its annual Jet-Fuel consumption with financial derivative instruments mostly over *JF54*, although they were not accounted under any permissible hedge accounting methodology, hence the derivatives are treated as instruments at fair value through profit and loss

The fair value amount of the current derivative portfolio at December 31, 2015 amounted to US$570 thousand ($9 8 million) and came from the following derivative instruments (grouped by counterparty and type of derivative)

Asian options on JF54:

Counterparty Call spread	Notional	Strike from (long call)/ to (short call)	Expiration date
Barclays	15 0 MGal	2 25 USD/Gal 2 65 USD/Gal	31/03/2016
Citibank N A	55 8 MGal	2 09 USD/Gal 2 75 USD/Gal	31/12/2016
JP Morgan	142 8 MGal	2 06 USD/Gal 2 75 USD/Gal	31/12/2016
Macquarie	36 0 MGal	2 25 USD/Gal 2 75 USD/Gal	30/06/2016

Sensitivity analysis-

If the Jet-fuel price or underlying asset price it would have changed 50c or 75c USD/Gal upward or downward, the Group would have paid / (saved) the following amounts

Changes in JF	0.5 (+)	0.5 (-)	0.75 (+)	0.75 (-)
Direct Purchase of JF54	190,330	(190,330)	285,495	(285,495)

Amounts in thousands USD

Changes in underlying asset	0 5 (+)	0.5 (-)	0.75 (+)	0.75 (-)
Derivatives	3,349	564	6,454	(570)

Amounts in thousands USD

If Jet-fuel price increases, the Company would receive more Pay Off from their derivatives that would compensate part of the cost associated with the fuel increment If Jet-fuel price decreases, then the Company can save resources because its natural position is short in Jet-fuel

In the year 2015 the Company recorded in the consolidated statement of profit or loss and other comprehensive income US$11 9 million ($199 million) as valuation effects from derivatives, in 2014 the impact was US$14 0 million ($192 million)

iii *Interest rate risk-*

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates The fluctuation in interest rates depends heavily on the state of the global economy An improvement in long-term economic prospects tends to move long-term rates upward while a drop tends to be associated with periods of slow economic growth

(In thousands of Mexican pesos)

The Company mitigates interest risk by managing the proportion of floating and fixed rate debt As of December 31, 2015 and 2014, 46% and 53%, respectively of the Company's financial debt is under fixed-rate contracts

The Company is exposed to changes in the LIBOR (USD denominated assets and liabilities) and TIIE (MXN denominated assets and liabilities) interest rates

At December 31, 2015 and 2014 the Company has interest rate *Swaps* on force in which the Company pays fixed rate receiving a floating rate indexed to TIIE 28 days Through these instruments the Company makes the risk management generated by the variability of flows to floating interest rate

Also within the Fideicomiso F 1748 whose settlor is the Company has outstanding at December 31, 2015 and 2014 *Cap Spread* type strategies, which are used to limit losses or gains generated by the variability in interest rates of the CEBURES, and are formed by two options on interest rate, generating a ceiling and a floor for interest flows

The fair value amount of the portfolio of interest rate derivatives at December 31, 2015 amounted to a net liability for $3 3 million came from the following derivatives

Counterparty		Notional ($)	Rate	Maturity date
Interest rate *Swaps*				
HSBC	$	1,268 million	5 50%	23/10/2024
Banamex	$	2,000 million	5 15%	17/09/2020
Cap Spreads				
Banamex	$	3,000 million	6 50% and 10 00%	17/12/2018

The following table represents the position at risk for the Company as of December 31, 2015 (without including derivative financial instruments)

		Assets	Liabilities
Short Term			
Investments			
Investment US$	$	445,351	-
Repo transactions		2,177,676	-
(Maturities over 3 months)			
Debt instruments		1,131,336	-
Structured notes		17,365	-
Debt			
US$ loans			
Libor + Spread		-	2,017,551
Financial lease		-	973,642
Loans			
TIIE + Spread		-	836,274
Fixed rate		-	200,000
Financial lease		-	373,008
	$	3,771,728	4,400,475

		Assets	Liabilities
Long Term			
Debt			
US$ loans			
Fixed rate	$	-	169,761
Financial lease		-	7,693,926
MX loans			
TIIE + Spread		-	6,780,988
Financial lease		-	1,384,167
	$	-	16,028,842

The following table represents the risk position for the Company as of December 31, 2015 and 2014 corresponding to the derivative rate financial instruments (amounts in thousands of Mexican pesos)

(In thousands of Mexican pesos)

Derivative Financial Instruments		**2015**	**2014**
Fixed rate instruments			
Interest rate Swaps	$	(3,268)	(1,375)
Interest rate Options		(3,000)	(3,000)
	$	(6,268)	(4,375)
Variable rate instruments			
Interest rate Swaps	$	3,268	1,375
Interest rate Options		3,000	3,000
	$	6,268	4,375

Sensitivity Analysis-

Debt-

The following cash flow sensitivity analysis considers the position exposed to variable interest rates

If the respective interest rate would have changed in the magnitude shown, the impact in the profit and loss should have been as follows

		2015		2014	
		+25 BP	**-25 BP**	**+25 BP**	**-25 BP**
Loans in USD Libor + Spread	$	3,710	(1,331)	2,585	(2,585)
		+100 BP	**-100 BP**	**+100 BP**	**-100 BP**
Loans in MX TIIE + Spread	$	129,570	(134,650)	42,632	(42,632)

The Company does not account fixed rate liabilities at fair value through profit and loss and they are not related to any fair value hedging relationships, thus no fair value sensitivity analysis is performed

(In thousands of Mexican pesos)

Investments-

The Company also has exposure to movements in interest rates arising from its portfolio of interest rate sensitive assets This risk is mitigated through the investment policy approved by the Finance Committee, where limits to long-term and fixed rate assets are stipulated

If the respective interest rate would have changed in the magnitude shown, the impact in profit and loss during 2015 should have been as shown in the following table

		+ 100 BP	- 100 BP
Investments	$	36,468	(37,716)

Sensitivity for the investment portfolio denominated in USD was determined to be unrepresentative since the maturity of the portfolio is less than one month

Derivative financial instruments-

The following sensitivity analysis shown in the next page, is over the fair value of instruments that Company has and which are used to manage interest rate risk, and which are recognized at fair value directly in profit and loss for the period

			Sensibility	
		Carrying amount	+ 100 BP	- 100 BP
Interest rate Swaps	$	784	91,728	(97,990)
Interest rate Options	$	3,890	99,097	(100,899)

(e) Fair value hierarchy-

Financial instruments carried at fair value should be presented by valuation method Three different levels have been defined giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements)

The different levels are defined as follows

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

(In thousands of Mexican pesos)

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 Inputs are not based on observable market data (unobservable inputs)

(f) Fair value versus carrying amounts-

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows

	2015		2014			
	Fair value	**Book value**	**Fair value**	**Book value**	**Quoted prices in active market for identical assets level 1**	**Significant other observable input level 2**
Loans in USD (Libor-Spread)	$3,419,727	3,334,421	806,213	803,882	-	3,419,727
Loans in MX (TIIE-Spread)	6,084,592	6,034,799	3,592,984	3,532,868	-	6,084,592
Loans in USD (Fixed Rate)	261,207	260,382	211,924	199,831	-	261,207
Loans in MX (Fixed Rate)	212,585	200,000	203,403	200,000	-	212,585
Financial leasing of flight equipment in MX	1,632,357	1,615,731	1,927,702	1,841,144	-	1,632,357
Financial leasing of flight equipment in USD	9,264,857	8,983,985	6,701,301	6,333,857	-	9,264,857
Derivatives	14,483	6,541	34,709	34,709	-	14,483
Investments	3,772,812	3,772,812	2,334,316	2,334,316	-	3,772,812

(g) Offsetting financial assets and liabilities-

On September 13, 2010, the Company entered into an agreement with PLM whereby the Company shall offset the amount payable as a result of the Club Premier kilometers bought to PLM and the amount due as a consequence of the sales of tickets and administrative services to PLM The following table sets out the carrying amounts of the recognized financial instruments that are subject to such agreement

(In thousands of Mexican pesos)

		2015	2014
Current			
Accounts receivable	$	3,896,216	1,832,157
Accounts payable		(4,544,278)	(2,380,678)
	$	(648,062)	(548,521)
Non-current			
Accounts receivable	$	-	1,741,996
Accounts payable		-	(1,998,646)
	$	-	(256,650)

(h) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business

(27) Other income (expenses)-

		2015	2014
Other income			
Other	$	19,031	70,516
		19,031	70,516
Other expenses			
Labor contingencies		38,000	42,500
Net loss from sale of property and equipment / obsolete material		15,428	40,111
Multidisciplinary intercompany services		56,018	-
Other		66,016	37,762
		175,462	120,373
Other (expenses), net	$	(156,431)	(49,857)

(In thousands of Mexican pesos)

(28) Wages, salaries and benefits-

		2015	2014
Wages and salaries	$	8,574,428	7,837,706
Compulsory social security contributions		981,341	898,957
Expenses related to defined benefit plans		214,292	187,480
	$	9,770,061	8,924,143

(29) Finance income and finance costs-

		2015	2014
Interest income on bank deposits and other investments	$	112,262	101,165
Net foreign exchange gain		458,085	1,122,699
Finance income		570,347	1,223,864
Interest expense on financial liabilities		643,091	487,002
Credit card commissions		895,586	741,437
Interest on employee obligation		204,446	217,226
Derivative financial costs		218,740	201,850
Other financial costs		129,341	173,751
Finance cost		2,091,204	1,821,266
Net finance cost recognized in profit or loss	$	(1,520,857)	(597,402)
Finance income recognized in other comprehensive income	$	293,153	375,489

(30) Contingencies and commitments-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements Contingent revenues, earnings or assets are not recognized until realization is assured

As of December 31, 2015, the Company has the following significant contingencies and commitments

Contingencies:

a There are labor lawsuits in process for approximately $276 million This amount represents the plaintiffs' expectation, without considering backdated salaries that might be accrued in the event that the court sentences do not favor the Company The Company has reserved an amount of $38 4 million, which is considered sufficient to cover possible outflows

b Additionally, the Company has lawsuits and claims (filed by the Company and against it) arising during the normal course of its operations The Company with the support of its legal advisors considers that the final result of these matters will not have a significant adverse effect on its financial position and results

Commitments:

a The financial commitments related to operating leases and financial debt, are disclosed in Notes 15 and 20

b The Company has entered into agreements for services (in addition to those expressly disclosed in this Note), materials and accessories, of which the most important are those related to fuel The amounts are limited to those specified in the purchase orders In addition the Company also has various service contracts with regards to maintenance service for its fleet

c In view of the fact that the Company participates on "Sky Team" ("alliance"), it is required to operate on the basis of the respective contract, particularly as concerns

i Compliance with the alliance requirements, which include among others the accomplishment with security, service and trade mark standards, access to frequent passenger rewards programs, etc ,

ii Compliance with the operating conditions to which participants are subject, participants must periodically submit accounts to the alliance and undergo inspection,

iii Making proportional contributions to fund the alliance advertising budget and the annual operating budget

The contract specifies a number of cases for early termination with no responsibility, such as insolvency and liquidation Furthermore, the participants may be terminated in the event of noncompliance Among the reasons for termination are the sale of assets and the Company being acquired by an airline outside the alliance With the exception of termination by official mandate without responsibility for either of the parties, any other reasons attributable to the Company leading to withdrawal from the alliance would be subject to a conventional penalty payable by the Company equivalent to 10 5 million euros The contract expires in June 21, 2020, and is renewable for subsequent five-year periods d The Company has a commercıal cooperatıon contract wıth Delta Aırlınes ("Delta"), ın order to keep the term and termınatıon rıghts over them, sımılar to each other (seven years from 2011) The objectıves of thıs allıance ınclude, among others, ımprovıng sales performance, settıng and matchıng best busıness practıces, outlınıng marketıng strategıes, etc These contracts comprıse maınly codeshare agreements, access to lounges and frequent flyer program The contracts have an exclusıvıty clause, wıth lımıted exceptıons, whıch prevents eıther party from operatıng under (the Company wıth U S aırlınes and Delta wıth Mexıcan aırlınes) sımılar allıances If the party does not comply wıth the lımıtatıon mentıoned, ıt would be requıred to compensate the other party, ın a varıable amount based on the annıversary date of the sıgned contract Thıs compensatıon ıs not paıd ıf the non-complıance ıs due to change of the current shareholders of the Company

On March 31, 2015 the Company and Delta filed an applıcatıon wıth the U S Department of Transportatıon seekıng antıtrust ımmunıty for a new joınt venture on flıghts between the Unıted States and Mexıco, for the benefit of ıts customers Thıs joınt venture ıs subject, among others, to the approval of the Mexıcan Federal Economıc Competıtıon Commıssıon

In addıtıon has entered ınto shared code and frequent flyer agreements wıth other aırlınes

e Fleet renewal

The Company contınues the process to upgrade ıts fleet and has entered ınto the followıng agreements for fleet renewal as of December 31, 2015

(ı) Acquıre from manufacturers, up to nınety Boeıng 737MAX narrow body aırcraft and up to ten Boeıng B787-9, some of whıch wıll be ıncorporated durıng 2016 Of the nınety aırcraft B-737MAX, 60 are firm delıverıes, wıth the abılıty to purchase an addıtıonal 30 aırcraft Of the ten aırcraft B787-9, 6 are firm delıverıes, wıth the abılıty to purchase an addıtıonal 4 aırcraft Both addıtıonal types of aırcraft are subject to reconfirmatıon by the Company

(ıı) Some of the aırcraft to be ıncorporated ın 2016, referred ın the prevıous paragraph, mıght be acquıred utılızıng derıvatıve financıal ınstruments schemes

Some other future operatıons, may ınvolve the sale of aırcraft to be acquıred under the sale and lease back scheme, as they wıll be acquıred from foreıgn lessors, for an amount not less than ıts acquısıtıon prıce, and/or they mıght be ıncorporated through the support of Federal Government financıal ınstıtutıons ("Export Credıt Agency")

(ııı) Take under operatıng lease of two Embraer EMB170, four EMB190, three Boeıng B737-800 and one B787-9 ın the future, for perıods between 4 to 9 years

(ıv) Redelıvery of one Boeıng B777, and up to four Embraer ERJ145 ın 2016

(In thousands of Mexican pesos)

(v) Current commitments related to firm deliveries of fleet acquisitions, translated at the exchange rate as of December 31, 2015, are as follows

2016	$	4,861,498
2017		4,383,399
2018		8,691,395
2019		7,586,426
2020 and thereafter		33,019,961
	$	58,542,679

(31) Subsequent events-

As of April 11, 2016, date of issuance of these consolidated financial statements, the most significant subsequent events in regards to the December 31, 2015 consolidated financial statements and for the year then ended is as follows

a) Uncertainty in fuel prices consumed by the Company At April 11, 2016, the price reached 1 20 dollars per gallon, and at December 31, 2015, was 1 75 dollars per gallon, and the average in 2015 was 1 75 dollars per gallon

b) At April 11, 2016 the exchange rate of the peso against the dollar was $17 78 while at December 31, 2015 was $17 21 and the average in 2015 was $15 86 per US$

c) On February 29, 2016, the Company acknowledged that the Mexican Federal Economic Competition Commission issued a preliminary opinion regarding the air transportation services utilized in the Mexico City International Airport ("AICM") Aeromexico expects as a result of such investigation, would derive into positive actions, promoting the operational capabilities of the AICM, and future investments and development of the national aeronautic industry

d) On March 9, 2016 through the Official Gazette, the Venezuelan Central Bank and the Ministry of People's Power for Finance and Public Banking, issued the Exchange Agreement No 35, which establishes two different exchange rates, the first one known as DIPRO ("Divisas con Tipo de Cambio Protegidas") will only be applied to operate foreign currency transactions for certain priority activities, meanwhile the second one exchange rate known as DICOM ("Divisas con Tipo de Cambio Complementario Flotante de Mercado"), will be utilized to pay the rest of the non-priority transactions

The DICOM exchange rate will start on in approximately 207 Venezuelan Bolivars per dollar, and would be adjusted considering the economic and social future impacts At April 11, 2016, date of these consolidated financial statements were authorized for issuance, the Company's net exposure to the Venezuelan Bolivar has lowered to VEF71 6 million of VEF94 4 million reported as of December 31, 2015

e) The Company has signed service agreements within the normal course of its operations