In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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

Companies House

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A13 28/05/2022 #92
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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT fo**
You cannot use this form to an alteration of manner of with accounting requireme

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

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

All fields are mandatory unless specified or indicated by *

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 audited.

Legislation ❷ LEY GENERAL DE SOCIADAD MERCANTILE / CIRCULAR UNICA

❷ This means the relevant rules or legislation which regulates the preparation 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.

OS AA01

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

A3 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	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X [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 SHAKESPEAR HOUSE
168 LAVENDER HILL

Post town LONDON
County/Region
Postcode SW11 5TG
Country
DX
Telephone 0207 801 6260

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.

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

Consolidated financial statements

December 31, 2019 and 2018

(With the Independent Auditors' Report)

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

Contents **Page**

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Teléfono: +01 (55) 5246 8300
kpmg.com.mx

Independent Auditors' Report

(Translation from Spanish Language Original)

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

Opinion

We have audited the consolidated financial statements of Aerovias de México, S. A. de C. V. and subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, the consolidated statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aerovias de México, S. A. de C. V. and subsidiaries as at December 31, 2019 and 2018, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 32 to the consolidated financial statements, as a result of the effects of COVID-19 worldwide health alert, several nations around the globe have closed their borders as a preventive measure to stop the spread of the virus and protect their citizens generating a reduction in forward sales and on demands of flight bookings. As a result of this situation, the Company reduced drastically its flight capacity. This event raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are further described in Note 32. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad de México.
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mérida, Yuc.
Mexicali, B.C.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

KPMG

Emphasis of matter

As discussed in Note 4 to the consolidated financial statements, the Company changed its method of accounting for its leases in 2019 due to the modified retrospective adoption of IFRS 16 "Leases". Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Companys's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those responsible for the government of the entity with a statement that we have complied with the applicable ethical requirements regarding independence and that we have communicated all the relationships and other issues that can reasonably be expected to affect our independence and, where appropriate, the corresponding safeguards.

KPMG CARDENAS DOSAL, S. C.

C.P.C. Mario Fernández Dávalos

Mexico City, April 30, 2020.

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

Consolidated statements of financial position

As of December 31, 2019 and 2018

(In thousands of Mexican pesos)

Assets	Note		2019	2018
Current assets:				
Cash and cash equivalents	10	$	6,964,267	7,661,185
Restricted cash	10		2,096,823	1,424,510
Financial assets	10		-	700,901
Derivative financial instruments	10		46,922	52,290
Trade and other receivables, net	14		5,738,085	6,625,508
Due from related parties	7		113,868	80,987
Prepayments and deposits			317,118	794,821
Inventories	13		1,600,570	1,547,679
Total current assets			**16,877,653**	**18,887,881**
Non-current assets:				
Property and equipment, including right-of-use	15		63,866,947	40,371,399
Intangible assets	17		1,825,729	1,921,402
Derivative financial instruments	11		22,472	273,211
Prepayments and deposits	12		11,627,734	11,808,775
Investments in equity accounted investees	18		179,391	170,571
Trade and other receivables	14		1,346,861	1,032,905
Other non-current assets			190,940	175,580
Deferred tax assets	20		3,789,715	1,389,294
Total non-current assets			**82,849,789**	**57,143,137**
Total assets		$	**99,727,442**	**76,031,018**

The notes on pages 12 to 96 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, 2019 and 2018

(In thousands of Mexican pesos)

Liabilities	Note	2019	2018
Current liabilities:			
Current portion of loans and borrowings, including leases	21	$ 13,066,901	6,603,667
Trade and other payables	24	16,226,403	15,413,455
Due to related parties	7	8,191,022	6,876,750
Provisions	23	1,782,187	521,733
Air traffic liability		5,874,913	6,050,469
Income taxes payable and employee's statutory profit sharing		104,420	93,814
		45,245,846	**35,559,888**
Non-current liabilities:			
Loans and borrowings, including leases	21	47,791,773	28,021,362
Derivative financial instruments	11	1,139,207	437,703
Deferred revenue		39,194	70,566
Employee benefits	22	4,185,882	3,555,191
Provisions	23	-	249,577
Total non-current liabilities		**53,156,056**	**32,334,399**
Total liabilities		**98,401,902**	**67,894,287**
Equity:			
Capital stock	25	10,213,756	10,213,756
Deficit		(9,917,829)	(4,378,333)
Reserves		962,697	2,245,839
Total equity attributable to equity holders of the Company		**1,258,624**	**8,081,262**
Non-controlling interest		**66,916**	**55,469**
Total equity		**1,325,540**	**8,136,731**
Total equity and liabilities		**$ 99,727,442**	**76,031,018**

The notes on pages 12 to 96 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

For the years ended December 31, 2019 and 2018

(In thousands of Mexican pesos)

	Note	2019	2018
Revenues			
Passenger	8	63,409,169	64,532,349
Air cargo		4,223,945	4,701,302
Other		1,134,617	1,032,503
Total revenue		68,767,731	70,266,154
Operating expenses			
Aircraft fuel		19,585,173	20,235,343
Wages, salaries and benefits	29	13,160,916	13,612,463
Maintenance		4,626,767	4,952,120
Aircraft, communication and traffic services		8,592,595	9,289,228
Passenger services		1,825,430	1,870,222
Travel agent commissions		1,989,462	2,215,375
Selling and administrative		4,899,933	5,233,451
Corporate royalties		328,166	462,655
Aircraft leasing	16	230,014	7,757,380
Depreciation and amortization		11,941,721	4,800,234
Other (income) expenses, net	28	(169,908)	314,227
Share of gain on equity accounted investees	18	(8,819)	(9,714)
Total operating expenses		67,001,450	70,732,984
Total operating profit (loss)		1,766,281	(466,830)
Finace income (cost)			
Finance income	30	259,883	511,703
Finance cost	30	(6,528,141)	(3,778,623)
Total finance cost, net		(6,268,258)	(3,266,920)
Loss before income tax		(4,501,977)	(3,733,750)
Income tax expense	19	(1,074,578)	(1,392,092)
Loss for the year		$ **(3,427,399)**	**(2,341,658)**

The notes on pages 12 to 96 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, 2019 and 2018

(In thousands of Mexican pesos, except for losses per share)

	Note		2019	2018
Loss for the year		$	(3,427,399)	(2,341,658)
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified to profit or loss				
Actuarial (losses) gains	21		(316,926)	69,165
Items that are or may be reclassified to profit or loss				
Cumulative translation effect			(580,112)	(29,364)
Effect due to derivative financial instruments reserve			(388,824)	(429,866)
Other comprehensive loss for the year, net of income taxes			(1,285,862)	(390,065)
Total comprehensive loss for the year		$	**(4,713,261)**	**(2,731,723)**
Loss attributable to:				
Owners of the Company		$	(3,441,564)	(2,351,156)
Non-controlling interest			14,165	9,498
Loss for the year		$	**(3,427,399)**	**(2,341,658)**
Total comprehensive loss attributable to:				
Owners of the Company		$	(4,710,543)	(2,731,462)
Non-controlling interest			(2,718)	(261)
Total comprehensive (loss) income for the year		$	**(4,713,261)**	**(2,731,723)**
Losses per share				
Basic and diluted losses per share (Mexican pesos)	25	$	(6,347,035)	(4,336,404)
Losses from continuing operations				
Basic and diluted losses per share (Mexican pesos)		$	(6,347,035)	(4,336,404)

The notes on pages 12 to 96 are an integral part of these consolidated financial statements.

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

Consolidated statements of changes in equity

For the years ended December 31, 2019 and 2018

(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 (losses) gains	Cumulative translation adjustment	Derivative financial instruments reserve	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance as of December 31, 2017	$	10,213,756	435,123	(147,296)	24,103	2,323,713	-	(1,701,832)	11,147,567	46,232	11,193,799
Fuel hedge accounting effects		-	-	-	-	-	-	(325,345)	(325,345)	-	(325,345)
Total comprehensive loss for the year:											
Loss for the year		-	-	-	-	-	-	(2,351,156)	(2,351,156)	9,498	(2,341,658)
Other comprehensive income		-	-	-	69,426	(29,364)	(429,866)	-	(389,804)	(261)	(390,065)
Balance as of December 31, 2018		10,213,756	435,123	(147,296)	93,529	2,294,349	(429,866)	(4,378,333)	8,081,262	55,469	8,136,731
Effects of adjustments due to the initial adoption of IFRS 16 (Note 4)		-	-	-	-	-	-	(2,097,932)	(2,097,932)	-	(2,097,932)
Balance as of January 1, 2019		10,213,756	435,123	(147,296)	93,529	2,294,349	(429,866)	(6,476,265)	5,983,330	55,469	6,038,799
Total comprehensive loss for the year:											
Loss for the year		-	-	-	-	-	-	(3,441,564)	(3,441,564)	14,164	(3,427,400)
Other comprehensive income		-	-	-	(314,208)	(580,111)	(388,823)	-	(1,283,142)	(2,717)	(1,285,859)
Balance as of December 31, 2019	$	10,213,756	435,123	(147,296)	(220,679)	1,714,238	(818,689)	(9,917,829)	1,258,624	66,916	1,325,540

The notes on pages 12 to 96 are an integral part of these consolidated financial statements.

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

Consolidated statements of cash flows

For the years ended December 31, 2019 and 2018

(In thousands of Mexican pesos)

	Note	2019	2018
Cash flows from operating activities			
Loss before income tax		$ (4,501,977)	(3,733,750)
Adjustments for:			
Depreciation and amortization	15 and 17	11,941,722	4,800,234
(Gain) loss on sale of property and equipment		(36,260)	299,158
Provisions, net		1,594,796	165,650
Employee benefits		182,710	188,547
Inventory adjustments to net realizable value		32,946	143,573
Allowance for doubtful accounts		56,332	26,863
Employees' statutory profit sharing		(1,143)	1,054
Share of gain on equity accounted investees		(8,819)	(9,714)
Interest (income) expense, net		3,164,096	-
Unrealized exchange (gain) loss		(182,357)	(388,100)
Subtotal		12,242,046	1,493,515
Trade and other receivables		894,311	(924,638)
Due from related parties		17,108	104,452
Inventories		(146,988)	(224,652)
Prepayments and deposits		469,620	(19,168)
Trade and other payables		776,067	1,377,707
Due to related parties		1,342,425	1,444,719
Employees' statutory profit sharing and income tax paid		(110,534)	(101,660)
Changes in employee benefits		(888)	(738)
Air traffic liability		168,694	31,176
Interest received		217,124	-
Interest paid		(3,414,520)	-
Derivatives financial instruments		(169,991)	(225,511)
Net cash from operating activities		12,284,474	2,955,202
Cash flows from investing activities			
Acquisition of properties and equipment, net		(4,615,643)	(4,422,410)
Proceeds from sale of properties and equipment		361,906	846,672
Intangible assets		(116,751)	(70,229)
Advance payments for the acquisition of properties and equipment		42,014	(442,032)
Deferred revenue		-	4,664
Prepayments and deposits for maintenance and acquisition of properties and equipme		(363,834)	1,343,400
Net cash applied to investing activities		(4,692,308)	(2,739,935)
Cash flows from financing activities			
Proceeds from loans		4,735,512	4,511,607
Repayments of loans		(6,089,507)	(6,273,598)
Payments of lease liabilities		(6,289,993)	-
Restricted cash		(672,313)	(109,161)
Net cash applied to financing activities		(8,316,301)	(1,871,152)
Decrease in cash and cash equivalents		(724,135)	(1,655,885)
Effects of exchange rate fluctuations on cash and cash equivalents		27,217	295
Net decrease in cash and cash equivalents		(696,918)	(1,655,590)
Cash and cash equivalents:			
At beginning of year		7,661,185	9,316,775
At end of year		$ 6,964,267	7,661,185

The notes on pages 12 to 96 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, 2019 and 2018

(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 Mexico, domiciled at Paseo de la Reforma 243 25th Floor, Colonia Cuauhtémoc, 06500 Mexico City, Mexico. The consolidated financial statements of the Company, as at and for the years ended December 31, 2019 and 2018, comprise Aeroméxico and its subsidiaries (together referred to as the "Company").

Aeroméxico is a subsidiary of Grupo Aeroméxico, 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 30, 2020, 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.

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, 2019 and 2018, was $18.86 and $19.65, 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 15 – useful lives of property and equipment
Note 3(i) – impairment
Note 3(l) – revenue recognition: determination if the revenues coming from the services rendered by the Company are recognized at a point in time or over time
Note 16 – lease classification
Note 23 – 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 20 – deferred tax assets and liabilities
Note 24 – provisions
Note 27 – measurement of loss allowances for expected credit losses for trade accounts receivable and assets from contracts: key assumptions used to determine the weighted average loss rate
Note 31 – contingencies and commitments

(d) Scope of consolidation

The consolidated financial statements include Aerovías 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.

During the year ended in December 31, 2019 there were no changes in the number of entities included in the consolidated financial statements (see Note 6), 16 entities in total at the beginning and end of the year.

(3) Significant accounting policies-

The Company has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements, except it maintained otherwise (see also Note 4).

The accounting policies have been applied consistently by Aeroméxico'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. ***Loss of control***

On the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising in the loss of control is recognized in profit or loss.

If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

iii. ***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.

iv. ***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 mainly 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.

Offsetting-

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.

Non-derivative financial assets-

The Company classifies its non-derivate financial assets in the following categories: financial assets at fair value through profit or loss, amortized cost and fair value through other comprehensive income ("OCI").

The financial assets classification is based in both the business model and the related contractual cash flows characteristics.

i. Financial assets at fair value through profit or loss ("FVTPL")-

Financial assets are classified at fair value through profit or loss if they are held for trade or if it does not meet the solely payments of principal and interest ("SPPI") criteria, or if it is defined as such at 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 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, including any interest or dividend income, are recognized in profit or loss. The fair value is obtained from financial counterparties who act as appraisers.

ii. Amortized cost-

Financial assets are classified at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, and if it meet the SPPI criteria. 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. Financial assets at fair value through other comprehensive income ("FVTOCI")-

Financial assets are classified at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows that are solely payments of principal and interests and selling financial assets, and if they meet the SPPI criteria. Financial assets at fair value through other comprehensive income are measured at fair value, and changes therein, including any interest or dividend income, are recognized in other comprehensive income. The fair value is obtained from financial counterparties who act as appraisers or is determined based on valuation models using observed data at the market.

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.

Fideicomiso F/1748 ("Fideicomiso" or "Trust"), a Company's subsidiary placed Senior Trust Bonds ("CEBURES") issued in the Mexican Stock Exchange, for the overall authorized program amounting to $7,000 million, through different series with an original maturity for five years. The CEBURES accrue variable interest at the rate of Interbank Equilibrium Interest Rate ("TIIE") + a range between 138 to 168 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 10 and 21).

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.

Derivative financial instruments (DFI) and hedge accounting-

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 inception, the options are recorded in the consolidated statements of financial position as an asset or liability, according 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. These financial instruments meet the requirements set for in IFRS 9 *Financial Instruments* in a qualified hedging relationship, as such, during their life, the options are measured at their fair value and its effects are recorded through other comprehensive income for the year.

Additionally in relation to its exposure to long-term interest rates due to 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 and the London InterBank Offered Rate ("LIBOR"). The Company has purchased DFI's that allowed it to swap variable interest rates from certain long term debt based on TIIE and/or LIBOR for a fixed interest rate.

During their life, the options are measured at their fair value; when they fail to qualify for a hedging relationship, 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.

Before entering into these option agreements, Management must obtain Finance Committee's 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/or 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. Seamlessly it can be obtained from financial counterparties who act as appraisers.

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.

(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 and charged to expense as consumed.

(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.

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.

(In thousands of Mexican pesos)

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 leased aircraft (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 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 when incurred 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 are reported in our consolidated statements of cash flows under the "acquisition of properties and equipment" 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 leased aircraft (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) Leases-

The Company has applied IFRS 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The details of accounting policies under IAS 17 and IFRIC 4, are disclosed separately.

Policy applicable from January 1, 2019-

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

As a lessee-

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property and equipment the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "property and equipment including right-of-use" and lease liabilities in "loans and borrowings including leases" in the statement of financial position (see Notes 15 and 21).

Short-term leases and leases of low-value assets-

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019-

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee-

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(g) Intangible assets-

Intangible assets are mainly comprised of software and fiduciary rights.

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.

Fiduciary Rights are contributions to a trust for the development of a new project named "Aeroméxico Tower" and are stated at cost.

ii. Amortization-

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, with definite useful lives, and is calculated over the cost of the asset, less its residual value.

Amortization is recognized from the date on which intangible assets with definite useful lives 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 advertising and fuel prepayments. Prepayments are expensed when goods or services are received.

(i) Impairment-

i. Non-derivative financial assets –

The Company recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost;
- debt investments measured at fair value through other comprehensive income ("FVTOCI"); and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured at twelve month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Measurement of Expected Credit Losses ("ECLs")

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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. For intangible assets that have indefinite lives, such as intellectual property, or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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 an 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 to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment loss recognized in prior periods is 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.

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an equity accounted investee is tested for impairment as a single asset when there is objective evidence that the investment in an equity accounted investee may be impaired.

(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 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 22). 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 other comprehensive income. 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 services and ancillary revenues -***

Ticket sales are initially recorded as an air traffic liability (contract liability under IFRS 15) 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 Aeroméxico, rendered by other airlines (in which the Company does not obtain control before the tickets are transferred to the customer therefore acting as an agent since it only arranges the transportation to be provided by other airlines) and refunds of unused tickets.

Passenger revenue includes airfare, income for unused tickets (breakage), income for ancillary services (excess baggage and other charges to passengers) and the decrease in compensation costs paid to passengers and the cost from accumulated points from Aeroméxico frequent flyer program "Club Premier", since they do not represent a separate performance obligation.

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 original ticket sale.

Breakage revenue from unused tickets is recognized as an ancillary revenue based on the scheduled flight date and the terms and conditions of each ticket in which the Group utilizes its historical experience with refundable and non-refundable tickets and other patterned facts.

ii. ***Cargo revenue-***

Cargo revenue is recognized when the service is rendered.

iii. ***Other revenues-***

Other revenues include mainly revenue from training, ground handling, charter services and other, and are recognized in the statement of profit or loss and 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, leases interest 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 México 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) México, (2) North, Central and South America, and (3) Europe and Asia. The Company allocates revenues by geographic area based on passenger flight destination.

(4) Changes in significant accounting policies and new standards and interpretations not yet adopted --

Changes in significant accounting policies-

The Company initially applied IFRS 16 *Leases* from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease-

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(f).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

B. As a lessee-

As a lessee, the Company leases many assets including property and equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property and equipment the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. *Leases classified as operating leases under IAS 17-*

Previously, the Company classified property and equipment leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019 (see Note 4 C.).

Right-of-use assets are measured at either:

a. their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest flight equipment leases; or

b. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

(In thousands of Mexican pesos)

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

a. did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
b. did not recognize right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
c. excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
d. used hindsight when determining the lease term.

ii. *Leases classified as finance leases under IAS 17-*

The Company leases a number of items of flight equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. Impact on financial statements-

i. Impact on transition

On transition to IFRS 16, the Company recognized additional right-of-use assets, including property and equipment, and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition at January 1, 2019 is summarized below:

		Fligth equipment	Properties	Total
Right-of-use assets	$	27,523,522	1,119,605	28,643,127
Prepayments and deposits		(252,444)	-	(252,444)
Deferred tax asset		820,558	79,442	900,000
Lease liabilities		30,005,216	1,385,079	31,390,295
Retained earnings		(1,913,580)	(184,352)	(2,097,932)

(In thousands of Mexican pesos)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 5% to flight equipment and 7% to properties.

		Flight equipment	**Properties**	**Total**
Operating lease commitment at December 31,2018 as disclosed in the Company's consolidated financial statements	$	46,005,519	3,307,733	49,313,252
Discounted using the incremental borrowing rate at January 1, 2019	$	30,473,572	1,448,291	31,921,863
Recognition exemption for leases of low-value assets		-	(2,748)	(2,748)
Recognition exemption for leases with less than 12 months of lease term at transition		(468,356)	(60,464)	(528,820)
Lease liabilities recognized at January 1, 2019	$	30,005,216	1,385,079	31,390,295

ii. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized $25,262,016 of right-of-use assets and $28,497,580 of lease liabilities as at December 31, 2019.

Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of aircraft leasing and other operating lease expenses. During the twelve months ended December 31, 2019, the Company recognized $7,001,125 of depreciation charges and $1,649,755 of interest costs from these leases.

Standards issued but not yet effective -

A number of new standards or amendments are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

(In thousands of Mexican pesos)

New standards or amendments	Content	Effective date
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its Associate or Joint Venture.	January 1, 2020
IFRS 17	Insurance Contracts (1)(2)	January 1, 2021
Amendment to Conceptual IFRS	Amendment to References to Conceptual Framework in IFRS Standards	January 1, 2020
Amendment to IFRS 3	Definition of a Business	January 1, 2020
Amendment to IAS 1 and IAS 8 (3)	Definition of material	January 1, 2020

(1) The Board published and exposure draft Amendments to IFRS 17 *Insurance Contracts* in June 2019 that proposes that the effective date of this standard be deferred by one year, such that it would apply to entities with annual periods beginning on or after January 1, 2021.

(2) Early application of IFRS 17 is permitted only for companies that also apply IFRS 9 *Financial Instruments*.

(3) The effective date for these amendments was deferred indefinitely, early adoption continued to be permitted.

(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.

(In thousands of Mexican pesos)

(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.

(6) Subsidiaries and associates-

The significant consolidated subsidiaries are as follows:

Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2019	Ownership interest % 2018
Fully consolidated subsidiaries:				
a Aerolitoral, S. A. de C. V. ("Aerolitoral")[(1)]	Air transportation services for passengers, goods and cargo	México	99.74	99.74
b Inmobiliaria Avenida Fuerza Aérea Mexicana 416, S. A. de C. V.	Real Estate	México	99.99	99.99
c Inmobiliaria Paseo de la Reforma 445, S. A. de C. V.	Real Estate	México	99.99	99.99
d Inmobiliaria Boulevard Aeropuerto 161, S. A. de C. V.	Real Estate	México	99.99	99.99

(In thousands of Mexican pesos)

	Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2019	2018
e	Operadora de Franquicias y Productos Aéreos, S. A. de C. V. ("Operadora")	Trading of franchise system	México	75.51	75.51
f	Sistemas Integrados de Soporte Terrestre en México, S. A. de C. V.	Services	México	99.99	99.99
g	Aerosys, S. A. de C. V.	Management of investment in shares	México	50.01	50.01
h	Fundación Aeroméxico, A. C.	Obtaining support and assisting in several altruist causes	México	99.99	99.99
i	Centro de Capacitación Alas de América, S. A. de C. V.	Aircraft crew training	México	99.99	99.99
j	Administradora Especializada en Negocios, S. A. de C. V.	Ground handling services	México	99.99	99.99
k	Estrategias Especializadas en Negocios, S. A. de C. V. ("Esensa")	Ground handling services	México	50	50
l	Aerovías Empresa de Cargo, S. A. de C. V.	Air cargo services	México	100	100
m	Fideicomiso Aeroméxico Servicios	Equipment lease	México	100	100
n	Fideicomiso F/1748	Administration	México	100	100
o	Empresa de Mantenimiento Aéreo, S. A. de C. V.	Aircraft maintenance service	México	99.99	99.99

(In thousands of Mexican pesos)

Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2019	Ownership interest % 2018
Investments in equity accounted investees:				
Aeromexpress, S. A. de C. V.	Air cargo services	México	50	50

[1] This company has an interest in Esensa thus representing consolidated ownership of 100% in such entity.

(7) Related party 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 2019 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 Sempra Energy.
Ricardo Sánchez Baker (2008)	Chief Financial Officer, Member of the Board of Directors of Aeroméxico Cargo, Aeroméxico Capacitation and PLM.
Sergio Allard Barroso (2014)	Chief of Legal Affairs and Institutional Relations Officer. Member of the Board of Directors of Aerolitoral, Aeroméxico Servicios, Aeroméxico Cargo and Aeroméxico Capacitation.

Key management personnel compensation comprised:

For the years ended December 31, 2019 and 2018, the aggregate compensation paid by the Company to its directors and members of senior management, was approximately $40,852 and $44,761, respectively, which correspond to their base compensation.

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2019 and 2018 were executed on terms equivalent to those that prevail in arm's length transactions, and are disclosed as shown in the next page.

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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

i. ***Operations***

		2019	2018
Income:			
Tickets reward (5)	$	1,625,320	1,544,379
Trademark maintenance (3)		592,217	469,329
Interline (10)		-	463,248
Interest income (4)		176	-
Premier lounges (5) and (10)		29,527	28,768
Other services (1), (5), (6), (7), (10) and (11)		32,142	79,872
Administrative fee (4), (5) and (7)		7,898	7,397
Personnel services (7)		62	160
Leasing (5) and (7)		3,219	719
	$	2,290,561	2,593,872

		2019	2018
Expenses:			
Purchase of Premier Points and Sky Miles (5) and (10)	$	1,741,545	1,805,801
Fuel (10)		705,640	876,877
Ramp services, net (10)		380,360	395,210
Frequent flyer (5) and (10)		249,565	75,225
Interline (10)		1,117,287	-
Corporate royalties (3)		920,383	931,986
Administrative services (1), (2) and (7)		123,077	117,314
Maintenance (6) and (10) (a)		3,014	35,185
Freight handling (5) and (10)		33,252	27,163
Fees (4)		79,327	234,499
Interest expense (1), (2), (3), (4), (5), (7) and (8)		454,759	326,579
Marketing (5) and (10)		3,870	12,071
Other personnel expenses (10)		75,718	-
	$	5,887,797	4,837,910

(In thousands of Mexican pesos)

Aeromexpress, S. A. de C. V. ("Aeromexpress")	(1)
Fideicomiso SEAT F/036 ("Fideicomiso SEAT")	(2)
Grupo Aeroméxico	(3)
Servicios Corporativos Aeroméxico, S. A. de C. V. ("Servicios Corporativos")	(4)
PLM Premier, S. A. P. I. de C. V. ("PLM")	(5)
AM DL MRO JV, S. A. P. I. de C. V. ("MRO")	(6)
Integración y Supervisión de Recursos Corporativos, S. A. de C. V. ("ISRC")	(7)
Premium Alliance Services, LLP ("Premium")	(8)
Loyalty Servicios Profesionales Mundiales, S. A. de C. V. ("Loyalty")	(9)
Delta Airlines ("Delta")	(10)
AM BD GP JV, S.A.P.I. de C.V. ("AM BD")	(11)

(a) In addition, the Company received maintenance services, which based on the respective accounting policies, were capitalized for $1,246,163 and $1,257,095 in 2019 and 2018, respectively.

ii. ***Outstanding balances***

Balances due from and due to related parties as of December 31, 2019 and 2018, are summarized as shown below:

		2019	2018
Due from:			
MRO	$	11,525	10,123
Fideicomiso SEAT		84,120	68,124
Servicios Corporativos		-	58
Delta		17,733	-
Aeroméxico Cargo, S. A. P. I. de C. V.		-	269
AM BD		-	1,923
Loyalty		490	490
Total due from related parties	$	113,868	80,987

(In thousands of Mexican pesos)

	2019	2018
Due to:		
Grupo Aeroméxico	$ 5,659,095	4,298,464
PLM (1)	1,576,430	1,606,811
Servicios Corporativos	6,356	-
Premium	567,423	590,385
Aeromexpress	315,719	310,341
Delta	-	29,090
Reempresac Comercial, S. A. de C. V.	41,281	41,281
ISRC	24,117	378
AM BD	601	-
Total due to related parties	$ 8,191,022	6,876,750

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.

(1) Within this balance, certain transactions stipulate an interest at market rates.

(8) Revenue recognition -

i. Passenger revenue-

Passenger revenue is primarily composed of passenger airfare and ancillary related services which do not represent a separate performance obligation to those associated to the passenger's flight, such as excess baggage and other passenger charges, breakage from unused tickets, and the decrease in compensation costs paid to passengers and the cost from accumulated points from the Company's frequent flyer program "Club Premier".

	2019	2018
Passengers	$ 58,267,869	59,232,067
Ancillaries	5,141,300	5,300,282
	$ 63,409,169	64,532,349

(In thousands of Mexican pesos)

ii. ***Air traffic liability-***

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 refunds of unused tickets and transportation services previously sold through Aeroméxico rendered by other airlines, in which the Company does not obtain control before the tickets are transferred to the customer, therefore acting as an agent since it only arranges the transportation to be provided by other airlines.

In the years ended December 31, 2019 and 2018, the Company recognized approximately $4,518,995 and $4,445,912, respectively of passenger revenue for tickets that were included in the air traffic liability balance at the beginning of those periods. The balance of the air traffic liability is expected to be recognized in the next twelve months.

(9) 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:

	2019	2018
Mexico	$ 25,665,432	26,700,011
North, Central and South America	27,310,789	28,678,691
Europe and Asia	15,791,510	14,887,452
	$ 68,767,731	70,266,154

(In thousands of Mexican pesos)

(10) Cash and cash equivalents-

		2019	2018
Bank balances	$	3,343,722	2,970,684
Call deposits		3,620,545	4,690,501
Cash and cash equivalents	$	6,964,267	7,661,185

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is described in Note 27.

At December 31, 2019 and 2018, the Company has restricted cash amounting to $2,096,823 and $1,424,510, respectively, from the consolidated issuer trust to securitize cash flows from credit card ticket sales through offices and travel agencies in Mexico.

(11) Financial assets and derivatives-

		2019	2018
Financial assets	$	-	700,901
Current derivatives (assets)		46,922	52,290
Non-current derivatives (assets)		22,472	273,211
Non-current derivatives (liabilities)		(1,139,207)	(437,703)

At December 31, 2018, 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.

(In thousands of Mexican pesos)

At 31 December 2019 and 2018, 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.

Derivatives financial information used by the Company and exposure to credit, currency and interest rate risks are disclosed in Note 27.

(12) Prepayments and deposits-

Current prepayments consist mainly of prepaid advertising and fuel prepayments.

Non – current prepayments and security deposits consist of the following:

		2019	2018
Advances for fleet renewal (1)	$	3,350,838	3,116,719
Deposits:			
For the lease of aircraft and engines		1,312,552	1,421,702
With financial institutions		311,474	277,941
With airport groups		423,575	423,575
Maintenance deposits		6,041,035	6,377,998
Other		188,261	190,840
	$	11,627,735	11,808,775

(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 31), which will be applied in accordance with the incorporation of the new aircraft to the fleet, which are partially financed.

(13) Inventories-

Inventories as of December 31, 2019 and 2018, are comprised as follows:

		2019	2018
Spare parts and accessories (1)	$	1,475,427	1,417,268
Miscellaneous supplies		125,143	130,411
	$	1,600,570	1,547,679

(In thousands of Mexican pesos)

Inventories are stated net of allowances for obsolescence. Total reductions for obsolescence at December 31, 2019 and 2018 were $166,947 and $285,308, respectively.

(1) During 2019 and 2018, these inventories were guaranteeing a fuel supplying contract used in México.

(14) Trade and other receivables-

Accounts receivable as of December 31, 2019 and 2018, consist of the following:

		2019	2018
Airlines and travel agencies	$	242,141	492,773
Credit cards and customers (1)		3,820,070	4,249,354
Recoverable taxes		1,430,733	1,214,247
Other		506,010	888,634
		5,998,954	6,845,008
Less allowance for doubtful accounts		(260,869)	(219,500)
Net current accounts receivable		5,738,085	6,625,508
Long-term account receivable (2)		1,346,861	1,032,905
Total accounts receivable	$	7,084,946	7,658,413

For the aging analysis of portfolio and other receivables see Note 27.

(1) Collection from sales related to certain Mexican credit cards are guaranteeing the Senior Trust Bonds ("CEBURES") issued by the Company and also the collection related to certain credit cards in the United States (see Note 21).

(2) Included accounts receivable in US with maturity in 2021. The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.

(In thousands of Mexican Pesos)

(15) Property and equipment-

Property and equipment, including right-of-use as of December 31, 2019 and 2018 comprise the following:

		Right-of-use (1): Flight equipment under finance leases	Right-of-use (1): Flight and other equipment under operating leases	Major maintenance	Flight equipment	Rotable spare parts and accessories	Improvements of flight equipment	Machinery and equipment	Lease-hold improvements	Furniture and computer equipment	Construction (2)	Ground and platform equipment	Transportation equipment	Other equipment	Work in progress	Land	Total
Cost or deemed cost																	
Balance as of January 1, 2019	$	32,676,294	-	11,315,615	2,058,567	1,593,441	1,673,359	933,692	1,893,769	473,161	392,876	181,951	132,925	433,348	278,454	169,918	54,207,370
Recognition of right-of-use asset on initial application of IFRS 16		-	28,643,127	-	-	-	-	-	-	-	-	-	-	-	-	-	28,643,127
Additions		235,294	4,677,785	3,902,451	-	226,311	191,431	54,351	122,162	55,302	-	31,833	30,253	48,677	-	-	9,575,850
Disposals		(189,465)	-	(735,581)	(97,092)	(311,038)	(60,148)	(1,017)	-	(6,075)	-	(373)	(69)	(797)	(84,591)	-	(1,486,266)
Transfers		(619,570)	-	-	619,570	-	-	-	8,300	(1)	(9,099)	-	-	-	-	800	-
Effect of movements in exchange rate		(1,761,451)	(1,057,771)	(226,003)	643,653	(45,047)	(29,685)	(570)	(27,848)	(1,168)	(1,750)	338	(1,133)	(1,653)	(11,657)	(76)	(2,521,821)
Balance as of December 31, 2019	$	30,341,102	32,263,141	14,256,482	3,224,698	1,463,647	1,774,957	986,456	1,996,383	521,219	382,027	213,749	161,976	479,575	182,206	170,642	88,418,260
Balance as of January 1, 2018	$	32,831,416	-	9,848,970	110,097	1,769,489	1,444,702	884,803	1,667,405	436,975	389,267	143,067	114,747	391,495	761,454	169,918	50,963,810
Additions		2,948,807	-	3,610,711	-	141,201	354,845	52,115	264,656	36,446	8,229	48,835	18,497	45,112	5,315	-	7,534,769
Disposals		(1,310,281)	-	(2,154,481)	-	(309,481)	(136,727)	(3,203)	(38,088)	(415)	(16,925)	(9,946)	(293)	(3,465)	(350,890)	-	(4,334,197)
Transfers		(1,961,475)	-	-	1,961,475	-	-	-	-	-	-	-	-	-	-	-	-
Effect of movements in exchange rate		167,827	-	10,415	(13,005)	(7,768)	10,539	(28)	(204)	155	12,305	(5)	(24)	206	(137,425)	-	42,988
Balance as of December 31, 2018	$	32,676,294	-	11,315,615	2,058,567	1,593,441	1,673,359	933,692	1,893,769	473,161	392,876	181,951	132,925	433,348	278,454	169,918	54,207,370
Depreciation																	
Balance as of January 1, 2019	$	4,936,066	-	4,260,786	734,592	610,332	620,972	680,656	916,401	369,385	211,346	96,808	82,407	316,220	-	-	13,835,971
Depreciation for the year		1,295,767	7,001,125	2,590,986	116,192	80,585	314,837	48,689	194,944	32,132	14,567	13,300	12,053	38,363	-	-	11,753,540
Transfers		(190,666)	-	-	190,666	-	-	-	(5,544)	12	5,532	-	-	-	-	-	-
Disposals		(180,193)	-	(595,478)	(97,092)	(157,533)	-	(715)	-	(6,075)	-	(246)	(69)	(797)	-	-	(1,038,198)
Balance as of December 31, 2019	$	5,860,974	7,001,125	6,256,294	944,358	533,384	935,809	728,630	1,105,801	395,454	231,445	109,862	94,391	353,786	-	-	24,551,313
Balance as of January 1, 2018	$	4,418,684	-	3,238,023	97,092	726,270	488,306	637,824	739,801	344,879	217,709	96,525	72,926	279,805	-	-	11,357,844
Depreciation for the year		1,626,929	-	2,237,693	-	91,236	269,393	44,643	214,688	24,921	10,562	9,210	9,776	39,878	-	-	4,578,929
Transfers		(637,500)	-	-	637,500	-	-	-	-	-	-	-	-	-	-	-	0
Disposals		(472,047)	-	(1,214,930)	-	(207,174)	(136,727)	(1,811)	(38,088)	(415)	(16,925)	(8,927)	(295)	(3,463)	-	-	(2,100,802)
Balance as of December 31, 2018	$	4,936,066	-	4,260,786	734,592	610,332	620,972	680,656	916,401	369,385	211,346	96,808	82,407	316,220	-	-	13,835,971
Carrying amounts																	
As of December 31, 2019	$	24,480,128	25,262,016	8,000,188	2,280,340	930,263	839,148	257,826	890,582	125,765	150,582	103,887	67,585	125,789	182,206	170,642	63,866,947
As of December 31, 2018	$	27,740,228	-	7,054,829	1,323,975	983,109	1,052,387	253,036	977,368	103,776	181,530	85,143	50,518	117,128	278,454	169,918	40,371,399

(1) Total right-of-use net carrying amount in 2019 for $49,742,144

(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.

Finance leases-

Finance leases in 2019 include five Boeing B787-9 (same number in 2018) with last maturing in 2028 under JOLCO (Japanese Operating Lease with Call Option) financing; two Boeing B787-8 airplanes (same number in 2018), with last maturing in 2027; nine Boeing B737 airplanes (same number in 2018), which last one will mature in 2025, ten Embraer EMB-190 airplanes in 2019 (same number in 2018) with last maturing in 2024.

Additionally, as of December 31, 2019 and 2018 the Group considered as finance leases two engines as part of its fixed assets and one flight simulator in 2019.

The leased equipment secures lease obligations. At 31 December 2019, the net carrying amount of leased equipment was $24,480,128 (2018: $27,740,228). During the year, the Group acquired leased assets of $235,294 (2018: $2,948,807). For our commitments with regards to future payments of finance leases see Note 21.

Property and equipment under construction-

As of December 31, 2019 and 2018 the estimated costs to conclude projects and work in progress amount to $124,330 and $168,272, respectively.

Impairment loss and subsequent reversal-

At December 31, 2019 and 2018, there are no losses from impairment in the value of these assets, evaluated in accordance with provisions of IAS 36, *Impairment of Assets*.

(16) Leases-

See accounting policy in Note 3(f).

(In thousands of Mexican pesos)

Leases as lessee (IFRS 16)-

The Company leases flight equipment and properties. The leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

Flight equipment and property leases were entered into years ago as combined leases of flight equipment and properties. Previously, these leases were classified as operating leases under IAS 17.

The Company leases flight equipment under a number of leases, which were classified as finance leases under IAS 17 (see Note 15).

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

i. Right-of-use assets-

Right-of-use assets for $25,262,016 in 2019, related to leased property and flight equipment that do not meet the definition of investment property are presented as property and equipment (see Note 15).

ii. Amounts recognized in profit of loss-

Total rental expenses during the years ended December 31, 2019 and 2018 (2019: expenses related to short-term leases or low-value assets) are as follows:

		2019	2018
Aircraft leasing	$	230,014	7,757,380
Real estate		67,984	448,955
	$	297,998	8,206,335

iii. Leases conditions-

Main operating leases are as follows:

(a) In 2019, the Company leased 101 aircraft (including 6 B737 MAX – see Note 32) and 24 engines (2018: 98 aircraft and 23 engines) with different terms, with the last expiring in 2029. 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 2019 and 2018, the Company renewed certain lease agreements, extending their original maturity dates, which are presented as a liability at the end of those years (see Note 31).

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.
- Provide maintenance to the leased equipment in accordance with the respective maintenance program.
- Insure the equipment in accordance with the amounts and risks established in each agreement.
- Provide certain financial information to the lessor.
- Comply with technical conditions for returning the aircraft.

As of December 31, 2019, the Company is in compliance with the above-mentioned obligations.

(b) The Company entered into leasing contracts for airport facilities, a portion of which are in the process of being renewed.

(c) Cash payments of leases amounted to $6,289,993 in 2019.

(In thousands of Mexican pesos)

(17) Intangible assets-

		Software	Fiduciary Rights (1)	Total
Cost				
Balance as of January 1, 2019	$	1,406,817	1,271,126	2,677,943
Additions		116,751	-	116,751
Disposals		-	-	-
Functional currency		(24,241)	-	(24,241)
Balance as of December 31, 2019	$	1,499,327	1,271,126	2,770,453
Cost				
Balance as of January 1, 2018	$	1,331,263	1,271,126	2,602,389
Additions		70,229	-	70,229
Disposals		-	-	-
Functional currency		5,326	-	5,326
Balance as of December 31, 2018	$	1,406,818	1,271,126	2,677,944
Amortization				
Balance as of January 1, 2019	$	756,540	-	756,540
Amortization for the year		167,807	-	167,807
Functional currency		20,375	-	20,375
Balance as of December 31, 2019	$	944,722	-	944,722

(In thousands of Mexican pesos)

		Software	Fiduciary Rights (1)	Total
Balance as of January 1, 2018	$	535,236	-	535,236
Amortization for the year		189,197	-	189,197
Functional currency		32,109	-	32,109
Balance as of December 31, 2018	$	756,542	-	756,542
Carrying amouts				
As of December, 2019	$	554,604	1,271,126	1,825,730
As of December, 2018	$	650,276	1,271,126	1,921,402

(1) Corresponds to the rights received for the former Group's corporate office building located in Mexico City, contributed to a trust, in a manner that it can be considered in the development of a new property in substitution of the current one, whereby other trustees will provide the necessary constructions to the development of the project called "Aeroméxico Tower". This project is estimated approximately forty-six months from the date of production of the necessary licenses and authorizations, in which the Company will own 9,000 square meters of future space.

At December 31, 2019, the Company has not recognized any losses for impairment.

(18) Investment in equity accounted investees-

Investment in equity accounted investees as of December 31, 2019 and 2018 is comprised of the Company's interest in one associate, Aeromexpress (ceased operations in 2011).

The following table analyses, in aggregate, the carrying amount of this associate:

	%		2019	2018
Carrying amount of interest in associate at beginning of the year	50.00	$	170,572	160,857
Share of gain			8,819	9,714
Balance end of year		$	179,391	170,571

(In thousands of Mexican pesos)

(19) Income tax (IT)-

The IT law imposes an IT rate of 30%.

The total income tax expense for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Current tax expense	$ 90,769	79,437
Deferred tax benefit	(1,165,347)	(1,471,529)
Total income tax benefit	$ (1,074,578)	(1,392,092)

(a) Reconciliation of effective tax rate:

	2019		2018	
	%	$	%	$
Loss of the year	-	(3,427,399)	-	(2,341,658)
Total income tax	(24%)	(1,074,578)	(37%)	(1,392,092)
Loss excluding income tax		(4,501,977)	-	(3,733,750)
Income tax using the Company's domestic tax rate	(30%)	(1,350,593)	(30%)	(1,120,125)
Non-deductible expenses	11%	504,219	13%	494,281
Others, mainly functional currency and inflation effects	(5%)	(228,204)	(20%)	(766,248)
	(24%)	(1,074,578)	(37%)	(1,392,092)

(In thousands of Mexican pesos)

(20) 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, 2019 and 2018, are as follows:

		2019	2018
Deferred tax assets:			
Allowance for doubtful accounts	$	55,500	60,735
Accruals		136,753	788,542
Air traffic liability		1,233,524	1,320,400
Lease liabilities		12,930,011	3,871,995
Net operating loss carry forwards		5,122,857	4,128,686
Advances from customers		162,452	176,048
Employee benefits		1,073,394	897,014
Other reserves (mainly leased aircraft returns)		1,041,932	310,898
Deferred tax assets		21,756,423	11,554,318
Deferred tax liabilities:			
Inventories		537,427	513,254
Property and equipment (includes right-of-use)		12,633,674	5,121,598
Prepaid expenses		235,827	346,698
Other (mainly amortizable expenses and deposits)		4,559,780	4,183,474
Deferred tax liabilities		17,966,708	10,165,024
Net deferred tax asset, recorded in the statements of financial position	$	3,789,715	1,389,294

(In thousands of Mexican pesos)

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, 2019, operating tax loss carry forwards, expire as follows:

Year		**Inflation adjusted through December 31, 2019**
2021	$	54,461
2022		263,564
2023		1,688,899
2024		2,432,066
2025		2,418,777
2026		2,337,725
2027		1,458,825
2028		3,165,407
2029		3,256,465

(b) Movement in temporary differences during the year-

		January 1, 2019	**Recognized in profit & loss**	**Recognized in equity**	**December 31, 2019**
Property and equipment (including right-of-use)	$	(5,121,598)	(7,512,076)	-	(12,633,674)
Intangible assets		(4,025,410)	(304,771)	-	(4,330,181)
Inventories		(513,254)	(24,173)	-	(537,427)
Air traffic liability		1,320,400	(86,876)	-	1,233,524
Lease liabilities		3,871,995	9,058,016	-	12,930,011
Provisions		1,685,556	(475,408)	-	1,210,148
Other items (including tax loss carry forwards)		4,171,605	510,635	1,235,074	5,917,314
	$	1,389,294	1,165,347	1,235,074	3,789,715

(In thousands of Mexican pesos)

	January 1, 2018	Recognized in profit & loss	Recognized in equity	December 31, 2018
Property and equipment	$ (4,677,748)	(443,850)	-	(5,121,598)
Intangible assets	(3,382,915)	(642,495)	-	(4,025,410)
Inventories	(467,883)	(45,371)	-	(513,254)
Air traffic liability	1,432,123	(111,723)	-	1,320,400
Finance leases	2,877,177	994,818	-	3,871,995
Provisions	985,694	699,862	-	1,685,556
Other items (including tax loss carry forwards)	2,996,720	1,020,288	154,597	4,171,605
	$ (236,832)	1,471,529	154,597	1,389,294

(21) Loans and borrowings-

The features of the loans and borrowings and related collaterals (including leases) comprising this caption as at December 31, 2019 and 2018, are described below:

Thousands of $	Currency	Nominal interest rate	Year of maturity	2019	2018
Loan guaranteed by the collection of credit card sales in the United States	US$	*LIBOR rate plus 325 basis points*	2023	$5,423,455	$7,123,561
Senior Trust Bonds ("CEBURES") issued in Mexico, guaranteed by the collection of credit card sales in Mexico (2) (3)	$	*TIIE rate plus138 to 168 basis points (138 to 170 basis points in 2018)*	2024	5,640,643	4,399,920
Prepayments on aircraft purchase rights	US$	*LIBOR rate plus 275 basis points*	2020	1,392,891	1,451,001
Loan guaranteed by the SERV in Switzerland	US$	*LIBOR rate plus 65 basis points*	2020	360,004	628,838
Loan	US$	*Fixed annual rate 5.62% (4.34% to 5.62% in 2018)*	2022	106,218	210,264
Loans guaranteed by the Ex-Im Bank in the United States of America	US$	*LIBOR rate plus 60 to 65 basis points*	2021	146,731	282,543
Loans guaranteed by the Ex-Im Bank in the United States of America	US$	*LIBOR rate plus 160 basis points*	2020	3,162	23,169

(In thousands of Mexican pesos)

Thousands of $	Currency	Nominal interest rate	Year of maturity	2019	2018
Loan	$	*TIIE rate plus 250 basis points*	2020	100,000	120,000
Loan	$	*TIIE rate plus 253 basis points (fixed annual rate 10.51% in 2018)*	2020	180,000	120,000
Loans guaranteed by the Export Credit Agency in Germany	US$	*LIBOR rate plus 150 basis points*	2024	514,513	-
Loans guaranteed by the Ex-Im Bank in the United States of America	$	*TIIE rate plus 50 basis points*	2021	131,787	-
Loans guaranteed by the Ex-Im Bank in the United States of America	$	*TIIE rate plus 35 basis points*	2022	469,804	-
Loan	$	*TIIE rate plus 300 basis points*	2019	-	125,000
Total Loans				**14,469,208**	**14,484,296**
Financial leasing of flight and other equipments (JOLCO)	US$	*Fixed annual rates between 3.78% to 4.75%*	2029	11,689,916	12,906,650
Financial leasing of flight and other equipments, guaranteed by the Ex-Im Bank in the United States of America (1)	US$	*Fixed annual rate of 2.33%*	2027	2,231,830	2,645,621
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	1,919,517	2,483,267
Financial leasing of flight and other equipments, guaranteed by the Ex-Im Bank in the United States of America (1)	US$	*Fixed annual rate of 2.54%*	2025	1,147,096	1,385,194
Financial leasing of flight and other equipments, guaranteed by the Ex-Im Bank in the United States of America (1) (3)	$	*TIIE rate plus 65 basis points*	2024	772,784	907,565

(In thousands of Mexican pesos)

Thousands of $	Currency	Nominal interest rate	Year of maturity	2019	2018
Finance leases of flight equipment	US$	*Fixed annual rates between 3.16% to 3.57%*	2022	423,658	162,736
Financial lease of flight simulator	US$	*Fixed annual rates of 6.88%*	2029	195,301	-
Finance leases of flight equipment	US$	*Fixed annual rate of 4.19%*	2022	-	284,529
Total Financial Leasing				**18,380,102**	**20,775,562**
Lease Liabilities (IFRS 16 adoption in 2019)				**28,497,580**	-
Total Lease Liabilities (2018: Financial Leasing)				**46,877,682**	**20,775,562**
Total Loans and Borrowings				**61,346,890**	**35,259,858**
Total Prepaid Expenses				**(488,216)**	**(634,829)**
Total Net Loans and Borrowings				**60,858,674**	**34,625,029**
Less current installments of financial debt				(4,930,454)	(6,702,009)
Less current installments of leases				(8,234,789)	-
Less current installments of prepaid expenses				98,342	98,342
Net current installments of Loans and Borrowings				**(13,066,901)**	**(6,603,667)**
Non–current debt				48,181,647	28,557,849
Non-current installments of prepaid expenses				(389,874)	(536,487)
Net non–current Loans and Borrowings				**$47,791,773**	**$28,021,362**

(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.

(In thousands of Mexican pesos)

(3) At December 31, 2019 and 2018, the Company contracted interest rate *Swaps*, allowing to pay a fixed rate (see Note 27).

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, 2019, the Company is in compliance with its covenants.

All the loans had installments throughout the year. As of December 31, 2019, future maturities of loans and borrowings are as follows:

Year		Loans	Financial Leasing	Leases	Total
Current - 2020	$	4,901,564	1,892,072	6,273,265	13,066,901
Non-current:					
2021		3,062,979	1,939,655	5,234,347	10,236,981
2022		3,633,405	1,944,399	4,294,089	9,871,893
2023		2,324,636	1,824,295	3,341,597	7,490,528
2024		545,285	1,600,525	2,650,529	4,796,339
2025 and thereafter		-	8,692,279	6,703,753	15,396,032
Total non-current		9,566,305	16,001,153	22,224,315	47,791,773
Total loans and borrowings	$	14,467,869	17,893,225	28,497,580	60,858,674

(In thousands of Mexican pesos)

Reconciliation of movements of liabilities to cash flows arising from financing activities

		Loans and borrowings	Lease liabilities	Total
Balance as of January 1, 2019	$	34,625,029	31,390,295	66,015,324
Proceeds for loans and borrowings		4,933,348	-	4,933,348
Repayment of borrowings		(6,089,507)	(6,289,993)	(12,379,500)
Total changes from financing cash flows		(1,156,159)	(6,289,993)	(7,446,152)
Effects of changes in foreign Exchange rates		(1,107,776)	(1,049,995)	(2,157,771)
Other changes – New leases		-	4,447,273	4,447,273
Interest expense		1,731,465	1,649,755	3,381,220
Interest paid		(1,727,745)	(1,686,775)	(3,414,520)
Other interest accrued, net		(3,720)	37,020	33,300
Balance December 31, 2019	$	32,361,094	28,497,580	60,858,674

There are established conditions to finance the renewal of the Company's fleet (see Note 31).

(22) 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.

(In thousands of Mexican pesos)

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 $232,631 and $170,228 as of December 31, 2019 and 2018, respectively, included in the total employee benefits balances as of the same dates.

(a) Composition of plan assets-

		2019	2018
Equity securities	$	721	664
Government bonds		10,487	9,656
	$	11,208	10,320

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

		2019	2018
Defined benefit obligations at January 1,	$	3,565,512	3,476,143
Benefits paid by the plan		(395,929)	(370,696)
Current service cost		261,621	305,359
Interest cost		316,127	253,150
Curtailment loss		888	736
		3,748,219	3,664,692
Actuarial losses (gains) recognized in other comprehensive income:			
Financial assumptions		466,239	(163,452)
Demographic assumptions		29,523	16,097
Experience assumptions		(46,891)	48,174
Defined benefit obligations at December 31	$	4,197,090	3,565,511

(In thousands of Mexican pesos)

(a) **Movement in the present value of plan assets-**

		2019	2018
Fair value of plan assets at January 1	$	10,320	9,583
Actual return on plan assets		888	737
Fair value of plan assets at December 31	$	11,208	10,320

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

		2019	2018
Cumulative amount at January 1	$	136,983	37,841
Recognized during the year		(448,872)	99,181
Cumulative amount at December 31	$	(311,889)	137,022

(c) **Actuarial assumptions-**

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

	2019	2018
Expected rate of return on plan assets	7.20%	9.40%
Discount rate	7.20%	9.40%
Rate of compensation increase	4.54%	5.04%
Remaining average labor life (over benefit obligations)	14 years	14 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.

(d) **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 in the next page as of December 31, 2019.

(In thousands of Mexican pesos)

		Increase	Decrease
Discount rate (0.5% movement)	$	(145,214)	154,484
		======	======
Rate of compensation (0.5% movement)	$	150,609	(142,697)
		======	======

(23) Provisions-

		Leased aircrafts returns	Litigations	Total
Balance as of January 1, 2019 (1)	$	618,836	152,474	771,310
Additions		1,637,372	63,775	1,701,147
Utilization		(609,046)	(81,224)	(690,270)
		1,647,162	135,025	1,782,187
Less non-current portion		-	-	-
Balance as of December 31, 2019 (2)	$	1,647,162	135,025	1,782,187
		=======	======	=======
Balance at January 1, 2018 (1)	$	1,348,929	130,923	1,479,852
Additions		1,556,885	41,788	1,598,673
Utilization		(2,286,978)	(20,237)	(2,307,215)
		618,836	152,474	771,310
Less non-current portion		(249,577)	-	(249,577)
Balance at December 31, 2018 (2)	$	369,259	152,474	521,733
		=======	======	=======

(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)

(24) Trade and other payables-

		2019	2018
Suppliers	$	13,366,224	12,993,566
Value added tax and other taxes		2,377,210	2,133,534
Salaries and benefits payable		453,825	254,984
Deferred revenue		29,144	31,371
Total current liabilities	$	16,226,403	15,413,455

(25) Stockholders' equity-

(a) Structure of capital stock-

The Company's capital stock at December 31, 2019 and 2018 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 Aeroméxico, 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 Aeroméxico, 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, 2019, 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.

(26) 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 per share at December 31, 2019 was based on the result of the year of $(3,427,399) (2018: ($2,341,658)), and a weighted average number of ordinary shares outstanding of 540. The Company has no dilutive potential ordinary shares.

(27) 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

- Foreign currency risk
- Jet-fuel price fluctuations
- Interest rate risk

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.

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.

(In thousands of Mexican pesos)

Recorded financial assets and liabilities from contracts represent the maximum credit exposure.

Evaluation of the expected credit loss from individual clients is stated at January 1st, and December 31, 2019. The Company uses an allowance matrix to measure the ECLs of trade receivable from individual customers, which comprise a very large number of small balances.

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	
		2019	**2018**
Cash and cash equivalents	$	6,964,267	7,661,185
Other financial instruments, including derivatives		69,394	1,026,402
Trade and other receivables		7,084,946	7,658,413
	$	14,118,607	16,346,000

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 high investment grade rating. The Company also mitigates this risk by diversifying its investments in several counterparties in accordance with Board approval policy.

The following table shows the outstanding investment portfolio grouped by types of counterparties as of December 31, 2019.

Other financial instruments, including derivatives

Counterparty		Fair Value
Derivatives	$	69,394
	$	69,394

(In thousands of Mexican pesos)

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, 2019 and 2018 by type of customer is shown in Note 14, including recoverable taxes over which the Company has so far not experienced impairment losses.

Impairment losses-

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

	2019		2018	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	$ 2,966,517	17,647	3,335,069	5,956
Past due between 0-30 days	586,270	30,209	820,383	12,090
Past due between 31-120 days	339,167	42,759	414,580	29,359
Past due for more than one year	170,257	170,254	172,095	172,095
	$ 4,062,211	260,869	4,742,127	219,500

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

(In thousands of Mexican pesos)

		2019	2018
Balance at January 1	$	219,500	204,186
Impairment increase recognized, net		41,369	15,314
Balance at December 31	$	260,869	219,500

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

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics- geographic region, age of customer relationship and type of product purchased.

Loss rates are based on actual credit loss experience over the past twelve months. Additionally the Group apply a forward-looking approach data to a 100% impairment of delinquency from government transactions over 120 days.

(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.

We operate a global business with international operations that are subject to economic and political events beyond our control.

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 21).

Exposure to liquidity riks-

The following are the remaining contractual maturities of financial liabilities at the balance sheet date. Amounts are presented gross and not discounted and include estimated interest payments.

(In thousands of Mexican pesos)

December 31, 2019		Carrying amount	Contractual cash flows	6 or less months	6-12 months	1-2 years	2-3 years	3-5 years
USD (Libor-Spread)	$	(7,839,418)	(8,992,355)	(3,049,486)	(965,934)	(1,811,653)	(1,697,811)	(1,467,471)
Mexican Pesos (TIIE-Spread)	$	(701,591)	(726,919)	(213,020)	(129,779)	(254,179)	(129,941)	-
USD (Fixed rate)	$	(106,217)	(118,559)	(31,940)	(27,371)	(54,692)	(4,556)	-
Mexican Pesos (Fixed rate)	$	(180,000)	(182,974)	(182,974)	-	-	-	-
Financial Leasing Mexican Pesos	$	(721,630)	(926,623)	(102,111)	(98,423)	(192,388)	(190,109)	(343,592)
Financial Leasing USD	$	(17,171,597)	(20,257,778)	(1,033,770)	(1,191,100)	(2,358,113)	(2,259,767)	(13,415,028)
CEBURES – Guaranteed	$	(5,640,643)	(7,244,631)	(244,882)	(227,443)	(432,496)	(3,380,583)	(2,959,227)
Leases – Labilities	$	(28,497,580)	(32,921,838)	(4,041,288)	(3,616,489)	(5,841,061)	(5,045,029)	(14,377,971)

(d) Market risk-

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

i. Foreign 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 2019 and 2018, approximately 66% and 65% of the Company's expenses and 63% and 59% 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.

(In thousands of Mexican pesos)

Currency risk

A summary of the quantitative currency risk for the Company, which was informed to its Management is as follows:

	2019 USD	2018 USD
Current monetary assets	201,639	817,722
Non-current monetary assets	115,868	73,945
Current monetary liabilities	(789,220)	(352,974)
Non-current monetary liabilities	(288,634)	(12,047)
Net currency risk in the statement of financial position	**(760,346)**	**526,646**

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

	Average rate		Reporting date spot rate	
	2019	**2018**	**2019**	**2018**
Mexican Peso	19.26	19.23	18.86	19.65

Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the Mexican peso at December 31, 2019 and 2018 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.

		Effect
December 31, 2019		
US dollar (10% strengthening)	$	(860,562)

(In thousands of Mexican pesos)

		Effect
December 31, 2018		
US dollar (10% strengthening)	$	1,213,918
		=======

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.

The 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 Aeroméxico'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 2019, the Company had an outstanding hedging portfolio with the following type of derivative financial instruments:

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 US$2.33 /Gal to US$3.11 /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

	2019	2018
Annual Consumption (Gal *JF54*)	446,562	459,918
Derivatives on JF54 (Gal JF54)	257,708	230,325
Amount Hedged (%)	57.7%	50.0%

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 2019 and 2018, the Company had a consumption of 446.5 and 459.9 million gallons of Jet-Fuel which bought at an average price of $2.24 and $2.37 USD/Gal respectively. These prices include transportation and supply surcharges.

During 2019, the Group hedged 57.7% of its annual Jet-Fuel consumption with financial derivative instruments mostly over JF54, which complied with hedge accounting rules.

The fair value amount of the current derivative portfolio at December 31, 2019 amounted to US$2.5 million ($46.9 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**
Bank of America	15.3 MGal	2.46 USD/Gal 2.96 USD/Gal	31/12/2020
Citibank	92.6 MGal	2.39 USD/Gal 3.11 USD/Gal	31/12/2020

Asian options on JF54:

Counterparty **Call spread**	**Notional**	**Strike from (long call)/** **to (short call)**	**Expiration** **date**
Goldman Sachs	15.3 MGal	2.52 USD/Gal 3.02 USD/Gal	30/06/2020
Macquarie	15.1 MGal	2.40 USD/Gal 2.90 USD/Gal	31/03/2020
Morgan Stantley	107.1 MGal	2.33 USD/Gal 3.05 USD/Gal	31/12/2020

Sensitivity analysis-

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

Changes in JF	**0.5 (+)**	**0.5 (-)**	**0.75 (+)**	**0.75 (-)**
Direct Purchase of JF54	223,281	(223,281)	334,922	(334,922)

Amounts in thousands USD

Changes in underlying asset	**0.5 (+)**	**0.5 (-)**	**0.75 (+)**	**0.75 (-)**
Derivatives	128,855	(128,855)	193,283	(193,283)

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 2019 the Company recorded in other comprehensive income US$7.5 million as valuation effects from derivatives; in 2018 the impact was US$8.5 million in the consolidated statement of profit or loss.

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.

The Company mitigates interest risk by managing the proportion of floating and fixed rate debt. As of December 31, 2019 and 2018, 52% and 51%, 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.

As of December 31, 2019 and 2018 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 Trustee is the Company, has outstanding at December 2019 and 2018 interest rate Swap type strategies for its two actual series (AERMXCB 19 and AERMXCB 17).

The fair value amount of the portfolio of interest rate derivatives as of December 31, 2019 amounted to $1,116.7 million came from the following derivatives:

(In thousands of Mexican pesos)

Interest rate *Swaps*

Counterparty		Notional ($)	Rate	Maturity date
HSBC	$	773 million	5.50%	23/10/2024
Citibanamex	$	2,650 million	7.72%	17/06/2024
BBVA	$	3,000 million	6.79%	23/09/2022
HSBC	$	1,613 million	4.57%	27/01/2027
Citibanamex	$	887 million	3.10%	15/05/2030
Citibanamex	$	633 million	3.10%	15/07/2030
Citibanamex	$	633 million	3.11%	15/09/2030
Citibanamex	$	887 million	3.17%	15/03/2030
Citibanamex	$	887 million	3.17%	15/04/2030
Citibanamex	$	633 million	3.17%	15/04/2030
Citibanamex	$	633 million	3.18%	15/06/2030
Citibanamex	$	887 million	3.12%	15/01/2030
Citibanamex	$	887 million	3.12%	15/01/2030
Citibanamex	$	633 million	3.13%	15/02/2030
Citibanamex	$	633 million	3.14%	15/03/2030
BBVA	$	498 million	3.09%	15/12/2030

The following table represents the position at risk for the Company as of December 31, 2019.

	Assets	Liabilities
Short Term		
Investments		
Investment US$	$ 2,921,698	-
Repo transactions	3,374,500	-
(Maturities over 3 months)		
Debt instruments	-	-
Debt		
US$ loans		
Libor + Spread	-	3,412,015
Financial lease	-	1,714,851
Fixed rate	-	106,217

		Assets	Liabilities
Loans $			
TIIE + Spread	$	-	1,260,358
Fixed rate		-	180,000
Financial lease		-	120,196
	$	6,296,198	6,793,637
Long Term			
Debt			
US$ loans			
Libor + Spread	$	-	4,427,403
Fixed rate		-	-
Financial lease		-	15,456,746
Loans $			
TIIE + Spread		-	5,081,876
Financial lease		-	601,432
	$	-	25,567,457

The following table represents the risk position for the Company as of December 31, 2019 and 2018 corresponding to the derivative rate financial instruments (amounts in thousands of Mexican pesos):

Derivative Financial Instruments	Notional amount 2019	2018
Fixed rate instruments		
Interest rate Swaps	(16,773,856)	(18,855,587)
Variable rate instruments		
Interest rate Swaps	16,773,856	18,855,587

(In thousands of Mexican pesos)

Fuel hedge instuments-

As of December 31, 2019, the Company had interest rate swaps instruments to cover Libor rate and call spread options to cover the exposure for its fuel purchases. For more information in connection with these instruments, see Note 5 and point (ii) *Jet-fuel price fluctuations* within this Note.

Sensitivity Analysis-

Debt-

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

Banco de México's target interest rate decreased by 100 BP in 2019, going from 8.25 to 7.25%. Along the same lines, the FED decreased the rate of reference in 75 BP. In addition to the above-mentioned changes, if interest rates respective changes in annual average in the magnitude shown, the impact on results would have been as follows:

		2019		2018	
		+50 BP	-50 BP	+75 BP	-75 BP
Loans in USD Libor + Spread	$	14,671	(14,671)	334	(334)

		2019		2018	
		+50 BP	-50 BP	+120 BP	-120 BP
Loans in MX TIIE + Spread	$	29,892	(29,892)	29,290	(29,290)

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 2019 should have been as shown in the following table:

		+50 BP	-50 BP
Investments in MX Pesos	$	14,905	(14,583)

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 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	+ 50 BP	- 50 BP
TIIE Interest rate Swaps	$ (65,073)	41,148	(42,185)
LIBOR Interest rate Swaps	$ (1,051,662)	163,534	(136,281)

(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).

(In thousands of Mexican pesos)

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.
- 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 statements of financial position are presented in the following tables as of December 31, 2019 and 2018, including their hierarchy levels based on the business model determined by the Company. The tables do not include information of the assets and liabilities not measured to their fair value, if their carrying amounts are a reasonable approach to their fair value.

The tables below present fair value of financial assets and liabilities at their booked book in the statements of financial position as of December 31, 2019 and 2018, respectively.

Financial assets at fair value

As of December 31, 2019

	Note		Fuel options used for hedging	Other interest rate swaps
Book value:				
FVTPL mandatory	11	$	46,922	22,472
FVTPL financial instruments	10 and 11		-	-
Total		**$**	**46,922**	**22,472**
Fair value:				
Level 1		$	-	-
Level 2			46,922	22,472
Level 3			-	-
Total		**$**	**46,922**	**22,472**

(In thousands of Mexican pesos)

As of December 31, 2018

	Note		Fuel options used for hedging	Other interest rate swaps
Book value:				
FVTPL mandatory	11	$	52,290	273,211
FVTPL financial instruments	10 and 11		-	-
Total		$	**52,290**	**273,211**
Fair value:				
Level 1		$	-	-
Level 2			52,290	273,211
Level 3			-	-
Total		$	**52,290**	**273,211**

Financial liabilities at fair value

As of December 31, 2019

	Note	Interest rate swaps for hedging purposes
Book value:		
Fair value for hedging instruments	11	$ 1,139,207
Fair value:		
Level 1		$ -
Level 2		1,139,207
Leveel 3		-
Total		**$ 1,139,207**

(In thousands of Mexican pesos)

As of December 31, 2018

	Note		Interest rate swaps for hedging purposes
Book value:			
Fair value for hedging instruments	11	$	437,703
Fair value:			
Level 1		$	-
Level 2			437,703
Leveel 3			-
Total		**$**	**437,703**

Loans and borrowings not carried out at fair value
As of December 31, 2019

	Nota		Loans in USD (Libor - Spred)	Loans in $ (TIIE - Spread)	Loans in USD (Fixed rate)	Loans in $ (Fixed rate)	Financial leasing of flight equipment in $	Financial leasing of flight equipment in USD
Book value:								
Loans and borrowings	21	$	7,839,418	6,342,234	106,217	180,000	721,630	17,171,597
Fair value:								
Level 1		$	-	-	-	-	-	-
Level 2			8,992,355	7,971,550	118,559	182,974	926,623	20,257,778
Level 3			-	-	-	-	-	-
Total		$	8,992,355	7,971,550	118,559	182,974	926,623	20,257,778

Financial assets carried out at fair value
As of December 31, 2018

			Fuel options used for hedging	Interest rate swaps	Financial instruments
Book value:					
Held for trade	**10 and 11**	$	461,874	210,650	9,545,430
Fair value:					
Level 1		$	-	-	-
Level 2			461,874	210,650	9,545,430
Level 3			-	-	-
		$	461,874	210,650	9,545,430

(In thousands of Mexican pesos)

Loans and borrowings not carried out at fair value
As of December 31, 2018

	Nota		Loans in USD (Libor - Spred)	Loans in $ (TIIE - Spread)	Loans in USD (Fixed rate)	Financial leasing of flight equipment in $	Financial leasing of flight equipment in USD
Book value:							
Loans and borrowings	20	$	9,509,112	6,644,920	210,263	907,565	19,867,999
Fair value:							
Level 1		$	-	-	-	-	-
Level 2			10,297,872	4,684,627	222,156	933,118	22,546,684
Level 3			-	-	-	-	-
Total		$	10,297,872	4,684,627	222,156	933,118	22,546,684

(g) Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Financial instruments measured at fair value:

Type	Valuation Technique
Corporate debt securities	Market comparison/ discounted cash flow: The fair value is estimated considering present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets.
Interest rate swaps	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps as well as the collateral granted or receivable. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.
Other financial liabilities *	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

(In thousands of Mexican pesos)

* Other financial liabilities include secured and unsecured bank loans, unsecured bond issues, convertible notes -liability component, redeemable preference shares, loans from associates and finance lease liabilities.

Transfers between Levels 1 and 2

There were no transfers from Level 2 to Level 1 In 2019 and no transfers in either direction in 2018.

Level 3 fair values

The Company did not present any of the fair values of its financial instruments as Level 3 during 2019 and 2018.

(28) Other income (expenses)-

		2019	2018
Other income:			
Net gain from sale of property and equipment / obsolete material	$	57,517	-
Taxes recoveries		35,841	-
Leases recoveries		92,077	-
Other		178,048	138,062
		363,483	138,062
Other expenses:			
Net loss from sale of property and equipment/obsolete material		-	299,158
Labor and other contingencies		63,774	41,789
Other		129,801	111,342
		193,575	452,289
Other income (expenses), net	$	169,908	(314,227)

(In thousands of Mexican pesos)

(29) Wages, salaries and benefits-

		2019	2018
Wages and salaries	$	11,518,449	11,995,748
Compulsory social security contributions		1,380,846	1,311,356
Expenses related to defined benefit plans		261,621	305,359
	$	13,160,916	13,612,463

(30) Finance income and finance costs-

		2019	2018
Interest income on bank deposits and other investments	$	217,299	306,087
Net foreign exchange gain		42,584	205,616
Finance income		259,883	511,703
Interest expense on financial liabilities		1,731,465	1,697,383
Credit card commissions (a)		1,178,949	1,060,433
Lease interest		1,649,755	-
Interest on employee obligation		316,111	253,150
Derivative financial loss		823,940	84,338
Bank fees		290,110	274,150
Interest paid to related parties		454,760	333,700
Other financial costs		83,051	75,469
Finance cost		6,528,141	3,778,623
Net finance cost recognized in profit or loss	$	(6,268,258)	(3,266,920)
Derivative financial instruments reserve recognized in other comprehensive income	$	(388,823)	(429,866)

(a) Represents the finance cost to collect on a prompt basis all sales transactions held through credit cards. All other credit cards commissions associated to incentive sales promotions are considered part of selling expenses.

(31) 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, 2019, the Company has in the next page significant contingencies and commitments.

Contingencies:

a. There are labor lawsuits in process for approximately $235.6 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 Group. The Group has reserved an amount of $135 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 leases and financial debt, are disclosed in Notes 15 and 21.

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 commercial cooperation contract with Delta Airlines ("Delta"), in order to keep the term and termination rights over them, similar to each other. The objectives of this alliance include, among others, improving sales performance, setting and matching best business practices, outlining marketing strategies, etc. These contracts comprise mainly codeshare agreements, access to lounges and frequent flyer program. The contracts have an exclusivity clause, with limited exceptions, which prevents either party from operating under (the Company with U.S. airlines and Delta with Mexican airlines) similar alliances. If the party does not comply with the limitation mentioned, it would be required to compensate the other party, in a variable amount based on the anniversary date of the signed contract. This compensation is not paid if the non-compliance is due to change of the current shareholders of the Company.

On May 8, 2017 the Company began with Delta their joint cooperation agreement ("JCA") to operate transborder flights between Mexico and the United States. The Company and Delta confirmed with the U.S. Department of Transportation ("DOT") and the Mexican Federal Economic Competition Commission ("COFECE") that they have completed the steps required to launch the JCA. This is the first immunized transborder alliance between Mexico and the United States. This partnership allows the carriers to expand competition and serve new destinations for their customers. Additional service and more convenient schedules will benefit customers of both companies. Within this JCA, the Company and Delta are working together to enhance the customer experience on the ground and in the air by investing in airport facilities, boarding gates and lounges. The two companies are able to implement joint sales and marketing initiatives in both countries.

In addition has entered into shared code and frequent flyer agreements with other airlines.

e. Fleet renewal.

The Company continues the process to upgrade its fleet and has entered into the following agreements for fleet renewal as of December 31, 2019:

(i) Acquire from manufacturers up to sixty firm deliveries of Boeing 737 MAX narrow body aircraft and seven firm deliveries of Boeing B787-9 (2018: six firm deliveries of B787-9); as of December 31, 2019, six aircraft of each type have been already incorporated to the fleet. Some of these B737 MAX were scheduled to be received in 2019 and during 2020, but as explained in paragraphs (vi) and (vii) we have been experiencing delays on original deliveries. On top of the firm deliveries, the Group has the ability to purchase additional (both type) aircrafts, subject to reconfirmation by Aeroméxico.

(ii) Some of the aircraft to be incorporated in 2020, referred in the previous paragraph, might be acquired utilizing derivative financial instruments and/or sale and lease back schemes, as they will be acquired from foreign lessors, for an amount not less than its acquisition price, and/or they might be incorporated through the support of Federal Government financial institutions ("*Export Credit Agency*").

(iii) Take under lease one B737 MAX and four B787-9 in the future, for periods between 9 to 12 years.

(In thousands of Mexican pesos)

(iv) Redelivery of eight B737 New Generation and six Embraer E Jets in 2020.

(v) Current commitments related to firm deliveries of fleet acquisitions, translated at the exchange rate and price list as of December 31, 2019, are as follows:

2020	$ 7,385,610
2021	7,437,160
2022	8,864,755
2023	8,173,134
2024	2,724,378
	$ 34,585,037

Because of the B737 MAX original delivery dates have been adjusted by the manufacturer, these commitments are based on internal estimations in relation to new B737 MAX delivery dates. Those dates would be subject to Boeing confirmation of new delivery schedule for these aircraft.

(vi) On March 11, 2019, the Company suspended temporarily the operation of its six Boeing B737 MAX aircraft, as a result of the worldwide grounding of this equipment, following two major incidents in Asia and Africa. The manufacturer and the air-safety regulators have been working in revising the process laid out for certifying the B737 MAX to safely returning to service, but it is uncertain the final date this equipment would be authorized to come back to service. In the meantime, the flights which were operated with these aircraft have been reassigned throughout the rest of the Company's fleet service.

(vii) On December 16, 2019, Boeing announced its decision to temporarily suspend the production of B737 MAX aircraft starting in January 2020. This grounding affected the status of the scheduled delivery additional B737 MAX aircraft, which were scheduled for delivery in 2019, and it will also affect the timing of delivery of the additional B737 MAX aircraft scheduled to be delivered for the remainder of the grounding and for some time after.

(viii) On December 31, 2019, the Company reached a confidential compensation agreement with Boeing to mitigate the Company's costs arising from the temporary grounding of the airline's B737 MAX aircraft.

f. On January 19, 2018 the Group pursuant to its communication issued on April 21, 2015 reported that COFECE notified Grupo Aeroméxico, and other airlines, its Statement of Presumed Responsibility ("Statement") in file IO-002-2015 related to the "investigation into the possible perpetration of absolute monopolistic practices in the air transport passenger and/or cargo services market originating and/or bound to a destination within Mexico". In the Statement, COFECE's Investigative Authority presumptively alluded to Aeroméxico as having presumed responsibility for the perpetration of such practices. It is important to highlight that since the events would have taken place in the previous decade, the Statement is based on the former Federal Economic Competition Act. The Company responded on time and on form to the Statement.

On January 22, 2018, Aeroméxico informed with respect to the press release "COFECE-003-2018" dated January 21, 2018:

1. Differs on the merits of COFECE's accusation.

2. Disagrees on the applicability of the maximum fine indicated by COFECE on the release. Given the timing of the alleged events referred to by COFECE, the applicable legal time frame indicated in its Statement, is the former Competition Act, defined as Federal Economic Competition Act, published in the Federation's Official Gazette on December 24th, 1992 (reformed in June 28, 2006), which in turn "was in force and therefore is applicable to the practices analyzed in the Statement" (page 4 of the Statement).

3. The airline will continue cooperating with COFECE and will exercise any appropriate defenses.

   On March 29, 2019, Aeroméxico was notified of the official communication issued on March 19, 2019 through which the Plenary of the COFECE determined that Aeroméxico perpetrated an absolute monopolistic practice in the air transport passenger and/or cargo services market originating and/or bound to a destination within Mexico. In this regard, the COFECE imposed a fine to Aeroméxico for $86,190 thousand pesos.

   Therefore, Aeroméxico submitted the corresponding means of defense. On April 25, 2019 the Company challenged the fined imposed by the COFECE through an indirect injunction ("juicio de amparo"). Such indirect injunction was remitted for study and resolution to the Second District Court in Administrative Matters, Specialized in Telecommunications and Economic Competition, under file number 284/2019.

Such trial is still pending for resolution, and for such purposes, the constitutional hearing is scheduled for March 18, 2020.

There are essentially, three possible ways in which the District Court could resolve this case: i) nullify the resolution issued by the COFECE, considering its content is contrary to the Federal Constitution; ii) partially nullify the resolution issued by the COFECE, or to order certain effects, which are not noticeable or could be anticipated at this moment, or iii) confirm the responsibility of the Company and the corresponding fine. Nevertheless, in any of the previous cases, whether Aeroméxico or COFECE, would have the possibility to challenge the corresponding decision through a petition for review ("recurso de revision").

Considering the nature of these type of trials, we estimate that the present case could be definitely solved in a period of approximately 1 year, from the date of issuance of these consolidated financial statements.

(32) Subsequent events-

As of April 30, 2020, date of issuance of these consolidated financial statements, the most significant subsequent events in regards to the December 31, 2019 consolidated financial statements and for the year then ended is as follows:

a) Uncertainty in fuel prices consumed by the Company. As of April 30, 2020, the price reached 1.04 dollars per gallon, and at December 31, 2019, was 2.24 dollars per gallon, and the average in 2019 was 2.24 dollars per gallon.

b) As of April 30, 2020 the exchange rate of the peso against the dollar was $24.39 while at December 31, 2019 was $18.86, and the average in 2019 was $19.26 per US$.

c) On January 31, 2020 Aeroméxico successfully concluded the offering of debt instruments in the form of Senior Unsecured Notes (the "Notes") for US$400 million dollars, offered in the United States of America under Rule 144 A of the Securities Act of 1933 of the United States of America and outside the US under Regulation S of the Securities Act. The Notes will be guaranteed by Grupo Aeroméxico, and will have an annual coupon of 7%. They will mature in February 2025.

d) As of April 30, 2020, there is a worldwide health alert regarding the COVID-19 pandemic. The impact on the aviation industry, including our Company, is unprecedented. As of today, several nations around the globe have closed their borders as a preventive measure to stop the spread of the virus and protect their citizens. Because of this and the associated low bookings, the Company has taken important decisions that aim to preserve cash, the sources of employment, and the long-term operation including the following:

- As of the date of issuance of these consolidated financial statements, reduction of the domestic capacity by 75% and international capacity by 90%.
- Our Senior Management agreed to pay cuts of 50% of their monthly salaries and other employees contribute according to their level.
- We reached agreements with all our Unions, that would save on average above 50% our labor fixed cost, depending on the capacity adjustments.
- The Company has activated a Voluntary Leave of Absence program for 30, 60, or 90 days, among other measures.
- Aeromexico is currently negotiating with its main suppliers, including fleet lessors and airports.
- Aeromexico has also postponed all non-operationally critical capital expenditure and discretionary expenditure.

As of this date, it is not possible to quantify the exact impact on demand or how long it may take to recover. As of the date of the issuance of these consolidated financial statements, the Company is in compliance with all of its financial obligations and maintains a cash position ratio of almost 20% of its last twelve-month revenue.

The extent of the impact of the COVID-19 on the Comapny's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, all of which are highly uncertain and cannot be predicted.

As result of this situation there are uncertainties related to conditions that may cast doubt on the Company's ability to continue as a going-concern.

The Company continues to work on additional cash resources to maintain liquidity and will be adjusting its plans according to contingency updates and future needs of its operation, seeking to protect its cash position.

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