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

022101/20

DON'T STAPLE

OS AA01

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

Companies House

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

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

FRIDAY

AB5VXJB7
A03 10/06/2022 #57
COMPANIES HOUSE

Part 1 Corporate company name

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

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	AEROVIAS DE MEXICO, S.A. DE C.V. AND SUBSIDIARIES
UK establishment number	B R 0 1 6 1 2 3

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

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

A1 Legislation

Please give the legislation under which the accounts have been prepared and 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.

Where to send

You may return this form to any Companies House address:

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

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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

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

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

Consolidated financial statements

December 31, 2020 and 2019

(With the Independent Auditors' Report)

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

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C.P. 11650, Ciudad de México.
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.:

(Thousands of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Aerovias de México, S. A. de C. V. and subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, 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 Group 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

We draw attention to note 2 (b) of the consolidated financial statements, which indicates that the Group incurred a net loss of $42,340,709 during the year ended December 31, 2020 and, as of that date, the Group's current liabilities exceeded its current assets by $83,327,272. These events and conditions along with the situation presented by the parent company as mentioned in such note to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

KPMG CARDENAS DOSAL, S. C.

C.P.C. Daniel Alejandro Velázquez Méndez

Mexico City, May 5, 2021.

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

Consolidated statements of financial position

As of December 31, 2020 and 2019

(In thousands of Mexican pesos)

Assets	Note		2020	2019
Current assets:				
Cash and cash equivalents	10	$	4,748,766	6,964,267
Restricted cash	10		744,440	2,096,823
Financial assets	11		37,617	-
Derivative financial instruments	11		-	46,922
Trade and other receivables, net	14		3,608,743	5,738,085
Due from related parties	7		112,879	113,868
Prepayments and deposits			374,701	317,118
Inventories	13		1,359,612	1,600,570
Total current assets			**10,986,758**	**16,877,653**
Non-current assets:				
Property and equipment, including right-of-use	15		55,252,231	63,866,947
Intangible assets	17		1,529,303	1,825,729
Derivative financial instruments	11		-	22,472
Prepayments and deposits	12		4,654,693	11,627,734
Investments in equity accounted investees	18		-	179,391
Trade and other receivables	14		649	1,346,861
Other non-current assets			158,544	190,940
Deferred tax assets	20		4,126,765	3,789,715
Total non-current assets			**65,722,185**	**82,849,789**
Total assets		$	**76,708,943**	**99,727,442**

The notes on pages 10 to 110 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, 2020 and 2019

(In thousands of Mexican pesos)

Liabilities	Note		2020	2019
Current liabilities:				
Loans and borrowings, including leases	21	$	54,879,290	13,066,901
Trade and other payables	24		21,365,593	16,226,403
Due to related parties	7		6,274,941	8,191,022
Provisions	23		3,231,345	1,782,187
Air traffic liability			8,492,875	5,874,913
Income taxes payable and employee's statutory profit sharing			69,986	104,420
Total current liabilities			**94,314,030**	**45,245,846**
Non-current liabilities:				
Loans and borrowings, including leases	21		9,351,079	47,791,773
Due to related parties	7		1,810,109	-
Derivative financial instruments	11		596,423	1,139,207
Deferred revenue			7,823	39,194
Employee benefits	22		4,089,801	4,185,882
Total non-current liabilities			**15,855,235**	**53,156,056**
Total liabilities			**110,169,265**	**98,401,902**
Equity (Deficit)				
Capital stock	25		13,940,456	10,213,756
Deficit			(52,188,631)	(9,917,829)
Reserves			4,714,937	962,697
Total equity (deficit) attributable to equity holders the Company			**(33,533,238)**	**1,258,624**
Non-controlling interest			**72,916**	**66,916**
Total equity (deficit)			**(33,460,322)**	**1,325,540**
Total equity and liabilities		$	**76,708,943**	**99,727,442**

The notes on pages 10 to 110 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, 2020 and 2019

(In thousands of Mexican pesos)

	Note		2020	2019
Revenues				
Passenger	8	$	22,977,157	63,409,169
Air cargo			4,623,957	4,223,945
Other			921,902	1,134,617
Total revenue			28,523,016	68,767,731
Operating expenses				
Aircraft fuel			7,404,583	19,585,173
Wages, salaries and benefits	29		9,962,478	13,160,916
Maintenance			3,946,215	4,626,767
Aircraft, communication and traffic services			4,907,678	8,592,595
Passenger services			725,811	1,825,430
Travel agent commissions			820,980	1,989,462
Selling and administrative			3,831,546	4,899,933
Corporate royalties			60,346	328,166
Aircraft leasing	16		1,640,978	230,014
Depreciation and amortization			12,767,820	11,941,721
Impairment			13,575,172	-
Restructuring expenses	31		3,821,238	-
Other expenses (income), net	28		470,505	(169,908)
Share of gain on equity accounted investees	18		(6,918)	(8,819)
Total operating expenses			63,928,432	67,001,450
Total operating (loss) profit			(35,405,416)	1,766,281
Finance income (cost)				
Finance income	30		112,950	259,883
Finance cost	30		(7,719,597)	(6,528,141)
Net finance cost			(7,606,647)	(6,268,258)
Loss before income tax			(43,012,063)	(4,501,977)
Income tax expense (benefit)	19		(671,354)	(1,074,578)
Loss for the year		$	**(42,340,709)**	**(3,427,399)**

The notes on pages 10 to 110 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, 2020 and 2019

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

	Note		2020	2019
Loss for the year		$	(42,340,709)	(3,427,399)
Other comprehensive income, net of income taxes (Notes 20(b) and 22)				
Items that will not be reclassified to profit or loss				
Actuarial gains (losses)	22		106,469	(316,926)
Items that are or may be reclassified to profit or loss				
Effects due to change in non-controlling interest			(68,809)	-
Foreign currency translation difference			2,873,046	(580,112)
Cash flow hedge - effective portion of changes in fair value			818,689	(388,824)
Other comprehensive income (loss) for the year, net of income taxes			3,729,395	(1,285,862)
Total comprehensive loss for the year		$	(38,611,314)	(4,713,261)
Loss attributable to:				
Owners of the Company		$	(42,346,709)	(3,441,564)
Non-controlling interest			6,000	14,165
Loss for the year		$	(42,340,709)	(3,427,399)
Total comprehensive loss attributable to:				
Owners of the Company		$	(38,611,314)	(4,710,543)
Non-controlling interest			-	(2,718)
Total comprehensive (loss) for the year		$	(38,611,314)	(4,713,261)
Losses per share				
Basic and diluted losses per share (Mexican pesos)	25	$	(77,405,318)	(6,347,035)

The notes on pages 10 to 110 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 (deficit)

For the years ended December 31, 2020 and 2019

(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	Foreign currency translation difference	Cash flow hedge - effective portion of changes in fair value	Retained earnings (deficit)	Total	Non-controlling interest	Total equity (deficit)
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		-	-	-	-	-	-	(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)	14,165	(3,427,399)
Other comprehensive loss		-	-	-	(314,208)	(580,111)	(388,823)	-	(1,283,142)	(2,718)	(1,285,860)
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
Merger effects of Rempresae Comercial, S. A. de C. V. and Inmobiliaria Paseo de la Reforma, S. A. de C. V. (Note 25(a))		11,300	22,845	-	-	-	-	945,922	980,067	-	980,067
Capital stock increase (Note 25(a))		3,715,400	-	-	-	-	-	-	3,715,400	-	3,715,400
Total comprehensive loss for the year:											
Loss for the year		-	-	-	-	-	-	(42,346,709)	(42,346,709)	6,000	(42,340,709)
Other comprehensive income		-	-	(68,809)	106,469	2,873,046	818,689	(870,015)	2,859,380	-	2,859,380
Balance as of December 31, 2020	$	13,940,456	457,968	(216,105)	(114,210)	4,587,284	-	(52,188,631)	(33,533,238)	72,916	(33,460,322)

The notes on pages 10 to 110 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, 2020 and 2019

(In thousands of Mexican pesos)

	Note	2020	2019
Cash flows from operating activities			
Loss before income tax		$ (43,012,063)	(4,501,977)
Adjustments for			
Depreciation and amortization	15 and 17	13,809,180	11,941,722
Impairment		13,575,172	-
Lease liability reversal		(2,837,505)	-
Share of gain on equity accounted investees, net of tax		(6,918)	(8,819)
Loss (gain) on sale of property and equipment		33,242	(36,260)
Loss (gain) on rejected lease contracts		427,969	-
Provisions, net		7,904,407	770,856
Derivative financial loss		2,698,433	823,940
Employee benefits		56,511	182,710
Inventory adjustments to net realizable value		14,723	32,946
Allowance for doubtful accounts		236,994	56,332
Interest (income) expense, net		3,132,683	3,164,096
Unrealized exchange loss (gain)		343,608	(182,357)
Employees' statutory profit sharing		5,930	(1,143)
Subtotal		(3,617,634)	12,242,046
Trade and other receivables		2,020,269	894,311
Due from related parties		(74,272)	17,108
Inventories		8,939	(146,988)
Prepayments and deposits		(60,823)	469,620
Trade and other payables		(311,702)	776,067
Due to related parties		497,099	1,342,425
Air traffic liability		2,310,146	168,694
Changes in employee benefits		(799)	(888)
Interest received		92,143	217,124
Derivatives financial instruments		(12,361)	(169,991)
Cash generated form operating activities		851,005	15,809,528
Employees' statutory profit sharing and income tax paid		(73,159)	(110,534)
Interest paid		(2,075,163)	(3,414,520)
Net cash (used in) from operating activities		(1,297,317)	12,284,474
Cash flows from investing activities			
Acquisition of properties and equipment (including major maintenance)		(1,777,624)	(4,615,643)
Proceeds from sale of properties and equipment		3,270	361,906
Intangible assets		(65,790)	(116,751)
Proceeds (paid) received due to settlement of derivative financial instruments		(2,018,699)	449,101
Prepayments and deposits for maintenance and acquisition of properties and equipment		(1,638,825)	(770,921)
Net cash used in investing activities		(5,497,668)	(4,692,308)
Cash flows from financing activities			
Capital stock increases		3,726,700	-
Proceeds from loans		7,594,108	4,735,512
Repayments of loans	21	(4,250,058)	(6,089,507)
Payments of lease liabilities	21	(3,744,749)	(6,289,993)
Restricted cash		1,352,383	(672,313)
Net cash obtained from (used in) financing activities		4,678,384	(8,316,301)
Decrease in cash and cash equivalents		(2,116,601)	(724,135)
Effects of exchange rate fluctuations on cash and cash equivalents		(98,900)	27,217
Net decrease in cash and cash equivalents		(2,215,501)	(696,918)
Cash and cash equivalents:			
At beginning of year		6,964,267	7,661,185
At end of year		$ 4,748,766	6,964,267

The notes on pages 10 to 110 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

(In thousands of Mexican pesos)

(1) Description of business-

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, 2020 and 2019, 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 May 4, 2021, 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) Going concern basis of accounting and financial restructuring-

i Going concern-

The outbreak of the COVID-19 pandemic and the measures and travel restrictions adopted by governments in countries worldwide to mitigate the pandemic's spread have significantly impacted the Company in 2020. The impact on the aviation industry, including our Company, is unprecedented. As of the issuance of these consolidated financial statements, several nations around the globe have implemented travel restrictions 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 since March 2020 took important decisions that aim to preserve cash, the sources of employment, and the long-term operation including the following:

- Reduction of the domestic and international capacity.
- We reached for 2020, temporarily agreements with all our Unions, that would save on average above 50% our labor fixed cost, depending on the capacity adjustments (see Note 33). The Company activated a Voluntary Leave of Absence program for 30, 60, or 90 days, among other measures.
- The Company started negotiations with its main suppliers, including fleet lessors and airports.
- The Company 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.

The extent of the impact of the COVID-19 on the Company's operational and financial performance is still uncertain and it will depend on future developments, including the duration and spread of the outbreak, the positive effects of the vaccines, the lifting of Governmental travel restrictions and the reactivation of business travels, all of which are highly uncertain and cannot be predicted at this time.

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.

These measures required the Company to adjust its network and to temporarily close its former destinations and frequencies for several months during the year. This has negatively impacted the Company's financial performance for the year and also its liquidity position. As a result of these adjustments, the Company diminished in 2020 compared to 2019 its available seat kilometers ("ASK") and transported passengers for 50.0% and 54.2%, respectively. As a consequence, the Company revenues for the year ended December 31, 2020 amounted to $28,523,016, a decrease of 58.5% compared to the previous year.

Because of the deep effects of the COVID-19 pandemic, in addition to the previously actions taken by the Management, the Company implemented additional measures during 2020 including the Company's announcement on June 30, 2020 that it and certain of its affiliates filed voluntary Chapter 11 petitions ("Chapter 11") before the United States Bankruptcy Court for the Southern District of New York, as described in the following section of this same Note.

For the year ended 31 December 2020, the Company recognized a net loss of $42,340,709 that originated an equity deficit of $33,460,321. The consolidated financial statements reflected an excess of current liabilities over current assets as of December 31, 2020 of $83,327,271. The Company has $5,530,823 of resources comprising cash and cash equivalents, restricted cash and financial assets at the end of year 2020 and its holding company Grupo Aeroméxico has agreed additional credit facilities.

As a result of the Chapter 11 process, there were effects on the following line items of our consolidated financial statements:

- Impairment - The spread of the COVID-19 pandemic could have lasting effects on the demand environment for air traffic and potentially result in significant adjustments to our business plan, which could adversely affect projections for recoverable amounts and valuations for several assets, as described in some Notes within these financial consolidated statements (see Notes 12, 13, 14, 17 and 18). For the year ended December 31, 2020 $13,575 million was recognized as an impairment expense within our operating expenses.

- Air traffic liability - Typically, unused tickets expire after one year, and any revenue associated with tickets sold for future travel is recognized within 12 months. The Company as a response to COVID-19 has extended the expiration date of certain tickets with the option to its customers to receive a travel voucher. For this reason, any revenue associated with these vouchers will not be recognized until the new flight date or transportation service would be rendered. Additionally, given this change in travel schedule, The Company's estimates of revenue from unused tickets may be subject to variability and differ from historical averages. Worldwide the airline industry is facing a reduction in the demand for air traffic even after government-imposed travel restrictions are lifted, which would adversely affect future sales and revenues (see Note 8 ii).
- Future write offs in property, plant and equipment including right-of-use and other assets and liabilities derived from the rejection of contracts approved by the Bankruptcy Court, could have an impact on the consolidated financial statements.
- The loans and borrowings, including leases are presented as current liabilities in the meantime Chapter 11 negotiations continue. As of December 31, 2020, we have reclassified long-term debt to short-term debt for $43,688 million as a result of default on the loan conditions, derived from non-payment decisions originated by the measures taken to preserve the Company's cash as consequence of COVID-19 (see Note 21).
- The Company has applied the practical solution allowed by IFRS 16 *Leases* for those contracts that meet the established requirements. This practical expedient allows the lessee to account for those rent concessions related to the Covid-19 pandemic as if they were not lease modifications and to recognize the impact of the rent concession in the result of the period.
- Because of capacity cuts and lower fuel prices, the Company has paused its fuel hedging activity to cover between 40 to 60% of its annual projected fuel consumption for the fiscal year 2021, given the uncertain pace of recovery.
- For the year 2020, some interest rate swaps derivatives were attached to the Boeing B737 MAX scheduled deliveries so mark-to-market losses of $2,193 million on ineffective interest rate hedges were recognized in profit and loss for the year ended December 31, 2020, following a downward adjustment to the expected fleet deliveries.

- In Mexico tax losses can be carried forward up to a ten-year period. However, the amount of fiscal loss recoverable is determined on an individual entity level, and not under a consolidated basis. Following the current COVID-19, the prospects of recoverability within the ten-year horizon have been revised downwards leading to a write-off of $5,125 million of deferred tax assets for tax losses compared to the opening position of the fiscal year. Moreover, $1,433 million of deferred tax assets have not been recognized for the twelve-month period ended December 31, 2020. The above-mentioned effects might be reversed once future tax losses carryforwards might be used in the following years.
- Special operating expenses that in Management's view are to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance were recognized for $3,821 million for the year ended December 31, 2020 (see Note 31).

There is still significant uncertainty over how the outbreak will impact the Company's business in future periods and travel customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorization of these consolidated financial statements. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with Management's proposed responses over the course of the period. The base case scenario includes the benefits of actions already taken by Management to mitigate the trading downsides brought by COVID-19, such as renegotiation of flight equipment rents and new conditions under the collective bargaining agreements with its unions. Under this base case scenario, the Company is expected to continue to have sufficient headroom relative to the funding available to it. The scenarios include a series of 'downside' case scenarios that are increasingly severe but plausible scenarios.

As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

ii Financial restructuring-

On June 30, 2020 Aeroméxico announced that it had initiated, together with its affiliates Grupo Aeoméxico, S. A. B. de C.V., Aerolitoral, S. A. de C. V. and Aerovías Empresa de Cargo, S. A. de C. V. voluntary Chapter 11 proceeding ("Chapter 11") before the United States of America Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") to implement a financial restructuring, while continuing to serve customers.

This decision was taken to be able to implement a voluntary financial restructuring through Chapter 1, while continuing to operate and offer services to its customers and contacting form its suppliers the goods and services required for operation, the Company made such filing to utilize the Chapter 11 process to strengthen the Company's financial position, obtain new financing and increase liquidity, protect and preserve its operations and assets and create a sustainable platform to succeed in an uncertain global economy, as the airline industry faces unprecedented challenges due to significant declines in demand for air transportation globally, hence the Company's committed to taking the necessary measures to operate effectively in this new landscape and be well prepared for a successful future, during and the COVID-19 pandemic is behind us.

The Company continues to operate in accordance with existing permits and concessions throughout this process, committed to continuing to safely expand flight service in the coming months, in line with local regulations and customer demand, in full compliance with the highest health standards and protocols.

All tickets, reservations, electronic vouchers and Premier Points remain valid and available for use by customers according to the Company's existing terms and conditions. During this process, the Company continues operating in the ordinary course of business and would also intends to continue ordering goods and services from its suppliers for its ordinary operation.

As part of this Chapter 11 proceeding, Grupo Aeroméxico announced on the same date, that it would initiate formal process to obtain as senior secured super-priority multi-tranche term loan facility (which is known as "debtor-in-possession" or "DIP Financing"), that, along with the Company's available cash and subject to Bankruptcy Court approval, would provide sufficient liquidity for the Company to meet its obligations going forward in a timely and orderly fashion way.

On July 2, 2020 the Company announced that is has received Bankruptcy Court approval of all motions that were presented at the First Day hearing that was held on July 1, 2020 following the Company's voluntary Chapter 11 filing on June 30.

Among the motions that were approved by the Bankruptcy Court are requests to allow the Company to continue to pay employee wages and benefits in the ordinary course of business; honor already purchased tickets and vouchers and maintain the Company's Club Premier program without any changes or impact to customer Premier Point balances; maintain existing agreements with travel agencies, corporations and partner airlines; and pay suppliers in the ordinary course of business for goods and services provided on or after the June 30, 2020 Chapter 11 filing date.

The Company continues pursuing, in an orderly manner, the voluntary process of financial restructuring under the Chapter 11 process, while continues operating and offering services to its customers and contracting from its suppliers the goods and services required for operations.

Fleet adjustments -

As part of the Company's measures to ensure a more efficient and homogeneous fleet and a viable and profitable commercial platform in the new post COVID-19 economic reality, The Company requested Bankruptcy Court authorization to reject certain lease agreements for 19 aircraft to their respective lessors, as these aircraft are not part of the Company's strategic fleet requirements under current market conditions (see Note 16 B for a discussion on fleet rejection).

Also, the Company received approval by the Bankruptcy Court to modify with effective date July 1, 2020 most of its existing aircraft equipment leases into power by the hour agreements ("PBH"). Such PBH agreements were entered into between The Company and 27 different leasing companies covering 82 aircraft and 14 spare engines (see Note 16 B).

DIP Financing –

On October 9, 2020 Grupo Aeroméxico received the final approval from the Bankruptcy Court to secure the commitment for US$1,000 million DIP Financing, with funds managed mainly by affiliates of Apollo Global Management Inc. ("Apollo"). The DIP Financing consists of (i) a senior secured Tranche 1 facility of US$200 million, and (ii) a senior secured Tranche 2 facility of US$800 million. Proceeds from the DIP Financing may only be used for certain permitted expenses, including certain working capital expenses and general corporate purposes, as well as restructuring costs.

The Tranche 2 DIP Facility, may be converted, at the lenders' option, into shares of reorganized Grupo Aeroméxico, provided that the exercise of such equity conversion option will be subject to certain conditions and, in due course, to the corporate and regulatory approvals for the issuance of the corresponding shares including by Grupo Aeroméxico's general shareholders.

The terms of the DIP Financing require that Grupo Aeroméxico enters into a Shareholder Support Agreement with a majority of its shareholders, representing approximately 75% of its capital stock, including Delta Airlines, under which such supporting shareholders (i) shall vote, in due course, in favor of a capital increase to effectuate, if applicable, the conversion of the Tranche 2 DIP Financing, including waiving their preemptive rights, and (ii) submit themselves to the jurisdiction of the Bankruptcy Court with respect to the scope and terms of such Shareholders Support Agreement. It is anticipated that with the capital increase these shareholders will be diluted by not exercising their preemptive rights, so that their remaining equity stake could be very limited.

Collective Bargaining Agreements-

As part of the necessary adjustments to face the adverse effects caused to the airline industry by the global COVID-19 pandemic, the Company is in negotiations with its unions in regards to figure out more competitive conditions under the actual market with the Collective Bargaining Agreements ("CBA" or *"Contratos Colectivos de Trabajo"*).

As of December 31, 2020 the Company satisfactorily concluded negotiations with the Sindicato de Trabajadores de la Industria Aeronáutica, Comunicaciones Similares y Conexos de la República Mexicana ("STIA") and with the Sindicato Nacional de Trabajadores al Servicio de las Líneas Aéreas, Transportes, Servicios, Similares y Conexos Independencia ("Independencia").

Likewise, negotiations with the Asociación Sindical de Sobrecargos de Aviación de México ("ASSA"), are continuing in the best conditions, aligned with the objectives required to access the financing that will give viability to the Company.

It is also important to highlight that the ASSA, Independencia and STIA unions complied with the optimization and staff reduction program in October and November 2020, necessary for the Company to continue its restructuring process.

The Company continues in negotiations with the Asociación Sindical de Pilotos Aviadores de Mexico ("ASPA") seeking to achieve the necessary conditions established in the restructuring plan.

The concluded agreements, along with those that are in under negotiation, are necessary for the Company to comply with certain commitments and objectives required by the DIP Lenders under the DIP Financing.

The CBA negotiations with the different unions were not concluded by December 31, 2020 and the Company will continue negotiations with the unions during the (i) seven day grace period established at the Credit Agreement ("Cure Period"), and (ii) an extension requested by the Company to the term provided in the Credit Agreement, which has been granted until January 27th, 2021, in order to comply with the conditions and obligations under the DIP Financing.

Negotiations with ASSA, continue advancing in the best conditions. Therefore, the Company expects to reach agreement during the aforementioned period.

In relation to ASPA, the union has not yet accepted the Company's proposal. Consequently, Aeromexico will continue negotiations with ASPA in order to reach agreement during the Cure Period.

The Company will continue to work in a coordinated manner with the representatives of the unions in order to meet the necessary conditions to request the next disbursement under Tranche 2 of the DIP Financing, which is essential to preserve the ordinary course of business and avoid defaults in its obligations with the lenders under the DIP Financing (see Note 33).

<u>Appointment of the Creditors Committee and Bar Date -</u>

As part of the Chapter 11 process an official Unsecured Creditors Committee ("UCC") has been appointed by the United States of America Trustee. This specific UCC has 7 active members who represent the Company's creditors within this bankruptcy proceeding.

On December 15, 2020 the Company announced that, in accordance with the Order issued by the Bankruptcy Court establishing January 15, 2021 (the "General Bar Date") as the last date for each person or entity to file a proof of claim against the Company and its related Debtor subsidiaries (the "Debtors") under the Chapter 11 proceedings, sent and published the notices of deadlines and procedures for filing proofs of claim (the "Notices"). The Notices, containing information on who, when, where and how an interested creditor could file a proof of claim, were sent to, among other parties, all known prepetition creditors of the Debtors, suppliers and vendors, as well as customers with whom the Company has had a relationship during the year prior to entering into the Chapter 11 process. The Notices were also published in some Mexican and United States newspapers.

The General Bar Date and the procedures set forth in the Order and Notices apply to all claims against the Debtors that arose prior to June 30, 2020, the date on which the Debtors commenced cases under Chapter 11, other than for specific exceptions as set forth in the Order and in the Notices. The Company distributed and published Notices consistent with the Order and Chapter 11 procedural requirements, so parties would be given the opportunity to submit a claim for any amounts believed to be due that have not been previously registered in the process related to the period prior to June 30, 2020.

If an individual or entity does not wish to make an additional claim, no further action is required. Please note that the Order provides that passengers with electronic vouchers are not required to file a proof of claim to use such vouchers. These vouchers are authorized to be honored by the Customer Programs Order issued by the Bankruptcy Court on July 29, 2020 (the "Customer Programs Order"). A variety of other prepetition obligations related to passenger customer programs are authorized to be honored by the Customer Programs Order, including the following programs (customers are not required to file a proof of claim in order to participate in any of these programs): Non-cash sales and promotional programs, Travel voucher programs, Club Premier points relating to the loyalty program and VIP lounge membership programs. However, if a customer believes that has a claim in cash in connection with these programs, or has a claim separately related to these programs, it may choose to file a proof of claim. Note that the amounts that will be paid on account of allowed proofs of claims (which may be 0, or significantly less than 100%) and the form of such consideration (which may not be cash) are uncertain and will be determined by the Debtors' eventual plan of reorganization.

As a subsequent event, and following the close of the General Bar Date, Grupo Aeroméxico is in the process of reconciling over seven thousand claims, most of them received from customers. Given the need to reconcile claims against the Group's books and to solve claims disputes, Grupo Aeroméxico is not yet able to make a reliable estimate of the final claims pool in terms of the value of such claims.

Plan of Reorganization-

In order for the Company to emerge successfully from Chapter 11, the Company must obtain the Bankruptcy Court's approval of a plan of reorganization, which will enable the Company to transition from Chapter 11 into ordinary course operations outside of bankruptcy. In connection with a plan of reorganization, the Company also may require a new credit facility, or "exit financing". The Company's ability to obtain such approval and financing will depend on, among other things, the timing and outcome of various ongoing matters related to the Bankruptcy Filing.

A plan of reorganization determines the rights and satisfaction of claims of various creditors and parties-in interest and is subject to the ultimate outcome of negotiations and Bankruptcy Court decisions ongoing through the date on which the plan of reorganization is confirmed. On February 17, 2020, the Court entered an order extending the period by which the Debtors have the exclusive right to submit a plan of reorganization through and including June 25, 2021 ("Exclusive Filing Period").

The Company presently expects that any proposed plan of reorganization will provide, among other things, mechanisms for settlement of claims against the Debtors' estates, treatment of the Company's existing equity and debt holders, and certain corporate governance and administrative matters pertaining to the reorganized Company. Any proposed plan of reorganization will be subject to revision prior to submission to the Bankruptcy Court based upon discussions with the Company's creditors and other interested parties, and thereafter in response to interested parties' objections and the requirements of the Bankruptcy Code and Bankruptcy Court. There can be no assurance that the Company will be able to secure approval for the Company's proposed plan of reorganization from the Bankruptcy Court.

(c) 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 "$") as the presentation currency for these consolidated financial statements, however the functional currency of the Company is the US Dollar ("dollar" or "US$"). 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, 2020 and 2019, was $19.91 and $18.86, 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.

(d) 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. The evolution of COVID-19 and Chapter 11 financial restructuring generate uncertainty that could affect our assumptions. 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:

Note 2(b) - going concern: whether there are material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern
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 23 – 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 32 – contingencies and commitments

(e) 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 of 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, 2020 there was one reduction in the number of entities included in the consolidated financial statements (see Note 6), 16 entities at the beginning of the year and 15 in total at the year-end.

(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.

The accounting policies have been applied consistently by Aeroméxico's entities.

(a) Basis of consolidation-

i. Business combinations-

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company (see (ii)). In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 3 (i) ii). Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

ii. ***Subsidiaries-***

Subsidiaries are entities controlled by the Company (see Note 6). The Company 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.

iii. ***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 on 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.

iv. ***Investments in equity accounted investees-***

Participation in companies recognized by the equity method consists of the investment in an associate (Aeromexpress, S. A. de C. V.)

Associates are those entities in which the Company has significant influence, but not control or joint 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 Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. 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 the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Such method is classified as revenue as they are part of Group business. 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.

v. ***Transactions eliminated on consolidation-***

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group 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 are retranslated to the functional currency at the exchange rate at the reporting 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 translated at the spot exchange rate when the fair value was determined. Foreign currency differences arising in retranslation are recognized in profit or loss. Non-monetary items that are measured at historical cost denominated in foreign currencies remain at 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 (foreign currency translation difference).

(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 Fideicomiso F/1748 ("Fideicomiso" or "Trust"), the consolidated issuer trust used by the Company, to securitize cash flows from credit card ticket sales through offices and travel agencies in Mexico; which will be paid to the holders of the Senior Trust Bonds issued by the Trust. Additionally, restricted cash also includes collaterals for certain letters of credit.

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-derivative 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's risk management or investment strategy.

Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, 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 Group's subsidiary placed Senior Trust Bonds ("CEBURES") issued in the Mexican Stock Exchange, for the overall authorized program amounts 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 Mexico, 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 less 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.

For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Company assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Company assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Company assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Company will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Company will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

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. Any hedge ineffectiveness related to JF 54 and interest derivatives are recorded to the aircraft fuel line and finance income (loss), respectively, in the consolidated statements of profit or loss.

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 the issue of ordinary shares are recognized as a deduction from equity, net of any 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.

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.

(In thousands of Mexican pesos)

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%	-
Constructions	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 (see Note 3(j)).

(f) Leases-

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 *Leases*.

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.

(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 less accumulated impairment losses.

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 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, 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 Company 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 Mexico, 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 and jointly controlled entities 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 aircraft in Mexico is World Fuel Services México, S. de R. L. de C. V.

(r) Segment reporting-

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

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

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

Changes in significant accounting policies-

The Company has initially adopted *Definition of a Business* (Amendments to IFRS 3) and *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) from January 1, 2020. A number of other new standards are also effective from January 1, 2020 but they do not have a material effect on the Company's financial consolidated statements.

The Company applied *Definition of a Business* (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after January 1, 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 3(a) i.

The Company applied the *Interest Rate Benchmark Reform Amendments* retrospectively to hedging relationships that existed at January 1, 2020 or were designated thereafter that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss accumulated in the cash flow hedging reserve that existed at January 1, 2020.

The details of the accounting policies are disclosed in Note 3(c). See also Note 27 for related disclosures about risks and hedge accounting.

Standards issued but not yet effective-

A number of new standards or amendments are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

A. *Onerous contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

B. *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting

i. Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At December 31, 2020, the Company has USD$454.7 million LIBOR loans and borrowings that will be subject to IBOR reform. The Company expects that the interest rate benchmark for these loans will be changed to SONIA in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

ii. Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the Company is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

As of December 31, 2020 the Company has one cash flow hedge of LIBOR risk.

iii. Disclosure

The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

iv. Transition

The Company plans to apply the amendments from January 1, 2021. Application will not impact amounts reported for 2020 or prior periods.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Company's consolidated financial statements:

- *COVID-19 Related Rent Concessions* (Amendment to IFRS 16)
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendment to IAS 16)
- *Reference to Conceptual Framework* (Amendments to IFRS 3)
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 11)
- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts*

(5) Determination of fair values-

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

(a) Property-

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

(b) Derivative securities-

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

(c) Non-derivative financial liabilities-

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

(d) Debt securities-

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

(In thousands of Mexican pesos)

(e) Share based payment-

The fair value of shares based payments granted to key management personnel is determined by reference of publicy available quoted prices of such shares.

(6) Group entities-

Significant subsidiaries-

The significant consolidated subsidiaries are as shown as follows:

Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2020	2019
Fully consolidated subsidiaries:				
a Aerolitoral, S. A. de. C. V. ("Aerolitoral") (1)	Air transportation services for passenger, goods and cargo	Mexico	99.99	99.74
b Inmobiliaria Avenida Fuerza Aérea Mexicana 416, S. A. de C. V.	Real Estate	Mexico	99.99	99.99
c Inmobiliaria Paseo de la Reforma 445, S. A. de C. V. (merged with Aeroméxico in 2020)	Real Estate	Mexico	-	99.99
d Inmobiliaria Boulevard Aeropuerto 161, S. A. de C. V.	Real Estate	Mexico	99.99	99.99
e Operadora de Franquicias y Productos Aéreos, S. A. de C. V. ("Operadora")	Trading of franchise system	México	99.99	75.51

(In thousands of Mexican pesos)

Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2020	2019
f Sistemas Integrados de Soporte Terrestre en México, S. A. de C. V., holding company of AM Formación Interna, S. A. de C. V.	Services	México	99.99	99.99
g Aerosys, S. A. de C. V.	Management of investment in shares	Mexico	50.01	50.01
h Fundación Aeroméxico, A. C.	Obtainig support and assisting in several altruist causes	Mexico	99.99	99.99
i Centro de Capacitación Alas de América, S. A. de C. V.	Aircraft crew training	Mexico	99.99	99.99
j Administradora Especializada en Negocios, S. A. de C. V. ("Adensa")	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 Aeromexico 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 services	Mexico	99.99	99.99
Investments in equity accounted investees:				
I. Aeromexpress, S. A. de C. V.	Air cargo services	Mexico	50	50

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

(In thousands of Mexican pesos)

(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 2020 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, 2020 and 2019, the aggregate compensation paid by the Company to its directors and members of senior management, was approximately $40,268 and $40,852, respectively, which correspond to their base compensation.

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2020 and 2019 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***

		2020	2019
Income			
Tickets reward (5)	$	816,301	1,625,320
Trademark maintenance (3)		323,547	592,217
Joint cooperation agreement, net (10)		22,488	-
Interest income (4)		187	176
Premier lounges (5) and (10)		15,930	29,527
Other services (1), (5), (6), (7), (10) and (11)		12,983	32,142
Administrative fee (4), (5), (7) and (12)		8,296	7,898
Personnel services (7)		-	62
Leasing (5) and (7)		3,346	3,219
Marketing (5)		27,393	-
		1,230,471	2,290,561
Expenses			
Purchase of Premier Points and Sky Miles (5) and (10)	$	739,820	1,741,545
Fuel (10)		161,806	705,640
Ramp services, net (10) and (12)		88,263	380,360
Frequent flyer (5) and (10)		-	249,565
Interline (10)		370,906	1,117,287
Corporate royalties (3)		383,893	920,383
Administrative services (1), (2) and (7)		109,295	123,077
Maintenance (6) and (10) (a)		10,614	3,014
Cost of frequent passenger redemptions (5) and (10)		15,605	-
Freight handling (5) and (10)		16,773	33,252
Fees (4)		71,492	79,327
Interest expense (1), (2), (3), (4), (5), (7) and (8)		420,084	454,759
Marketing (5) and (10)		-	3,870
Other personnel expenses (10)		38,274	75,718
Related parties fees expenses, net reimbursement (3)		424,517	-
	$	2,851,342	5,887,797

(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)
T2 Servicios Aeroportuarios S. A. de C. V. ("T2")	(12)
Aerolitoral, S. A. de C. V. ("Aerolitoral")	(13)
Aerovías Empresa de Cargo, S. A. de C. V.	(14)

(a) In addition, the Company received maintenance services, which based on the respective accounting policies, were capitalized for $346,065 and $1,246,163 in 2020 and 2019, respectively.

ii. ***Outstanding balance***

Balances due from and due to related parties as of December 31, 2020 and 2019 are as shown in the next page.

(In thousands of Mexican pesos)

		2020	2019
Due from:			
MRO	$	10,070	11,525
Fideicomiso SEAT		84,679	84,120
Loyalty		490	490
Delta		17,640	17,733
	$	112,879	113,868
Due to:			
Grupo Aeroméxico	$	5,149,983	5,659,095
PLM (1)		352,881	1,576,430
Servicios Corporativos		7,619	6,356
Premium		600,632	567,423
T2		6,597	-
Aeromexpress		130,312	315,719
Rempresac Comercial, S. A. de C. V.		-	41,281
ISRC		26,734	24,117
AM BD		183	601
Total current		6,274,941	8,191,022
PLM – non-current (1)		1,810,109	-
	$	8,085,050	8,191,022

Balances due from and due to related parties relates to non-interest-bearing payables with no specific maturity and are for its nature, at short-term.

(1) Within this balance, certain transactions stipulate an annual interest rate of 6% with maturity in 2023.

(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".

(In thousands of Mexican pesos)

		2020	2019
Passengers	$	21,001,517	58,267,869
Ancillaries		1,975,640	5,141,300
	$	22,977,157	63,409,169

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, 2020 and 2019, the Company recognized approximately $3,646,889 and $4,518,995, 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 in general is expected to be recognized in the next twelve months, but for the actual COVID-19 pandemic, the Company has been modifying its ticket utilization policy, so the usual terms for a flight to be completed without breakage has been extended.

(9) Operating segment-

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, impairment and rental cost).

Geographical revenue segment information is as follows:

		2020	2019
Mexico	$	11,910,857	25,665,432
North, Central and South America		9,655,824	27,310,789
Europe and Asia		6,956,335	15,791,510
	$	28,523,016	68,767,731

(In thousands of Mexican pesos)

(10) Cash and cash equivalents-

		2020	2019
Bank balances	$	4,735,588	3,343,722
Call deposits		13,178	3,620,545
Cash and cash equivalents	$	4,748,766	6,964,267

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

As of December 31, 2020 and 2019, the Company has restricted cash amounting to $744,440 and $2,096,823, respectively. The main balance comprises the consolidated issuer trust to securitize cash flows from credit card ticket sales through offices and travel agencies in Mexico and includes also collaterals for certain letters of credit.

(11) Derivative financial instruments-

		2020	2019
Financial assets	$	37,617	-
Current derivatives (assets)		-	46,922
Non-current derivatives (assets)		-	22,472
Non-current derivatives (liabilities)		(596,423)	(1,139,207)

As of December 31, 2020, the Company held investments securities denominated in Mexican pesos, 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.

As of December 31, 2020 and 2019 the Company had interest rate swaps in force in which the Company pays fixed rates and receives a floating rate indexed to TIIE 28 days and/or LIBOR 3 months. Through these instruments the Company makes management of risk generated by the volatility of flows to floating interest rate, including the issuance of the Senior Trust Bonds.

(In thousands of Mexican pesos)

Derivative financial instruments 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:

		2020	2019
Advances for fleet renewal (1)	$	5,168,671	3,350,838
Deposits:			
For the lease of aircraft and engines		1,585,384	1,312,552
With financial institutions		-	311,474
With airport groups		318,803	423,575
Maintenance deposits		7,688,446	6,041,035
Other		369,865	188,260
		15,131,169	11,627,734
Impairment (2)		(10,476,476)	-
	$	4,654,693	11,627,734

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

(2) For the year ended December 31, 2020, the Company recognized $10,476,476 losses for impairment regarding certain advances for fleet renewal and maintenance deposits paid, in the meantime the financial restructuring negotiations with manufacturers and lessors continue in connection with the Company's Chapter 11 process.

(In thousands of Mexican pesos)

(13) Inventories-

Inventories as of December 31, 2020 and 2019 are comprised as follows:

		2020	2019
Spare parts and accessories (1)	$	1,521,854	1,475,427
Miscellaneous supplies		114,901	125,143
		1,636,755	1,600,570
Impairment (2)		(277,143)	-
	$	1,359,612	1,600,570

The inventories are presented net realizable value. Total write downs in 2020 and 2019 were of $156,553 and $166,947, respectively.

(1) During 2020 and 2019 these inventories were guaranteeing a fuel supplying contract used in Mexico.

(2) For the year ended December 31, 2020, the Company recognized $277,143 losses for impairment regarding uncertainty of the future usage for spare parts associated to the adjustment of the fleet requirements under current market conditions.

(14) Trade and other receivables, net-

Accounts receivable as of December 31, 2020 and 2019 consist as follows:

		2020	2019
Airlines and travel agencies	$	66,022	242,141
Credit cards and customers (1)		2,244,575	3,820,070
Recoverable taxes		1,445,740	1,430,733
Other		256,798	506,010
Carried forward	$	4,013,135	5,988,954

(In thousands of Mexican pesos)

		2020	2019
Brought forward	$	4,013,135	5,988,954
Less allowance for doubtful accounts		(404,392)	(260,869)
Net current accounts receivable		3,608,743	5,738,085
Long-term account receivable (2)		2,417,339	1,346,861
Less impairment for long-term account receivable (3)		(2,416,690)	-
Net non-current accounts receivable		649	1,346,861
Total accounts receivable	$	3,609,392	7,084,946

For aging analysis of our trade 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 2022. The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.

(3) For the year ended December 31, 2020, the Company recognized $2,416,690 losses for impairment (write off) since the lack of scheduled payments of principal and interest, reduced the Company's reasonable expectation of recovery.

(In thousands of Mexican Pesos)

(15) Property and equipment-

Property and equipment, including right-of-use as of December 31, 2020 and 2019 comprise the following:

	Right-of-use (1)															
Cost or deemed cost	Flight equipment under finance leases	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
Balance as of January 1, 2020	$ 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
Additions	39,545	1,546,900	1,621,502	-	104,135	57,302	6,471	11,515	8,660	-	3,565	11,327	691	246	-	3,411,859
Disposals	-	(2,301,647)	(4,772,351)	-	(62,832)	(455,136)	(466)	(268,721)	(1,336)	(35,839)	-	-	(4,834)	(47,790)	-	(7,950,952)
Transfers	380,705	-	-	(380,705)	-	-	-	-	-	-	-	-	-	-	-	-
Effect of movements in exchange rates	1,562,430	1,725,474	687,732	22,721	49,214	69,943	1,099	65,289	9,423	2,244	961	3,571	7,241	8,635	101	4,216,078
Balance as of December 31, 2020	$ 32,323,782	33,233,868	11,793,365	2,866,714	1,554,164	1,447,066	993,560	1,804,466	537,966	348,432	218,275	176,874	482,673	143,297	170,743	88,095,245
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)	(311,058)	(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 rates	(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
Depreciation																
Balance as of January 1, 2020	$ 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
Depreciation for the year	1,333,172	7,036,012	4,314,544	110,586	93,788	325,790	51,396	214,923	37,713	8,170	14,838	17,754	31,830	-	-	13,590,516
Transfers	54,829	-	-	(54,829)	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(1,724,558)	(2,851,331)	-	(14,618)	(401,306)	(466)	(268,721)	(1,336)	(35,839)	-	-	(640)	-	-	(5,298,815)
Balance as of December 31, 2020	$ 7,248,975	12,312,579	7,719,507	1,000,115	612,554	860,293	779,560	1,052,003	431,831	203,776	124,700	112,145	384,976	-	-	32,843,014
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	(180,193)	-	(595,478)	(97,092)	(157,533)	-	(715)	-	(6,075)	-	(246)	(69)	(797)	-	-	(1,038,198)
Disposals	(190,666)	-	-	190,666	-	-	-	(5,544)	12	5,532	-	-	-	-	-	-
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
Carrying amounts																
As of December 31, 2020	$ 25,074,807	20,921,289	4,073,858	1,866,599	941,610	586,773	214,000	752,463	106,135	144,656	93,575	64,729	97,697	143,297	170,743	55,252,231
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

(1) Total right-of-use net carrying amount for $45,996,096 and $49,742,144 in 2020 and 2019, respectively

(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 2020 include five Boeing B787-9 (same number in 2019) with last maturing in 2028 under JOLCO (Japanese Operating Lease with Call Option) financing; two Boeing B787-8 airplanes (same number in 2019), with last maturing in 2027; nine Boeing B737 airplanes (same number in 2019), which last one will mature in 2025, ten Embraer EMB-190 airplanes in 2020 (same number in 2019) with last maturing in 2024. The finance lease matures previously referred-to, are based on the original terms agreed on with the lessors, now under negotiation due to the Chapter 11 financial restructuring.

Additionally, as of December 31, 2020 and 2019 the Company considered as finance leases one flight simulator as part of its fixed assets.

The leased equipment secures lease obligations. At 31 December 2020, the net carrying amount of leased equipment was $25,074,807 (2019: $24,480,128). During the year, the Company acquired leased assets of $39,545 (2019: $235,294). For our commitments with regards to future payments of finance leases see Note 21.

Property and equipment under construction-

As of December 31, 2020 and 2019 the estimated costs to conclude projects and work in progress amount to $114,446 and $124,330, respectively.

Impairment loss and subsequent reversal

As of December 31, 2020 and 2019 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).

A) 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.

(In thousands of Mexican pesos)

Flight equipment and property leases were entered into years ago as combined leases of flight equipment and properties. Previously to January 1, 2019, these leases were classified as operating leases under IAS 17 *Leases*.

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 $20,921,288 and $25,262,016 in 2020 and 2019, respectively 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 related to short-term leases or low-value assets (for 2020 also Power by the Hour ("PBH") leases for flight equipment – see Note 16 B ii) during the years ended December 31, 2020 and 2019 are as follows:

		2020	2019
Aircraft leasing	$	1,640,978	230,014
Real estate		45,555	67,984
	$	1,686,533	297,998

iii. Leases conditions-

Main operating leases are as follows:

(a) In 2020, the Company leased 77 aircraft and 18 engines (2019: 101 aircraft (including 6 B737 MAX (see Note 33) and 24 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 (the expiring dates and contract options are based on the original terms agreed on with the lessors, now under negotiation due to the Chapter 11 financial restructuring).

During 2020 and 2019, 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 32).

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, 2020, the Company is conducting negotiations with all its lessors under its voluntary financial restructuring process under Chapter 11.

(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 \$3,744,749 and \$6,289,993 in 2020 and 2019, respectively.

B) Leases under Chapter 11-

The following are the main actions taken under Chapter 11 financial restructure:

i. Fleet rejection-

On July 3, 2020 the Company requested Bankruptcy Court authorization to reject certain lease agreements for 19 aircraft to their respective lessors in an orderly manner. These aircraft are not part of the Company's strategic fleet requirements under current market conditions. The aircraft involved were: 5 Boeing 737-800s, 5 Boeing 737-700s and 9 Embraer E-170-LR aircraft, as well as 4 GE CF34-8E5 engines (the "Equipment").

The Bankruptcy Court's hearing approved the termination of said contracts in agreement with the Company's request. The Company followed the guidelines authorized by the Bankruptcy Court and the logistical aspects agreed with the lessors for the orderly return of the Equipment.

ii. Power by the hour agreements-

On September 21, 2020 the Company announced it received approval by the Bankruptcy Court to modify the majority of its existing aircraft equipment leases into power by the hour agreements ("PBH Agreements"). PBH Agreements allow for the Company to reset monthly lease costs based on utilization of the equipment at today's market rates, with significant monthly savings, when compared to the Company's original contracted rates. Such PBH Agreements were entered into between the Company and 27 different leasing companies covering 82 aircraft and 14 spare engines.

(In thousands of Mexican pesos)

(17) Intangible assets-

		Software	Fiduciary Rights (1)	Total
Cost				
Balance as of January 1, 2020	$	1,499,327	1,271,126	2,770,453
Additions		65,808	-	65,808
Disposals		(184,746)	-	(184,746)
Functional currency		44,904	-	44,904
Balance as of December 31, 2020	$	1,425,293	1,271,126	2,696,419
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
Amortization				
Balance as of January 1, 2020	$	944,724	-	944,724
Additions		218,678	-	218,678
Disposals		(184,746)	-	(184,746)
Balance as of December 31, 2020	$	978,656	-	978,656
Balance as of January 1, 2019	$	756,540	-	756,540
Amortization for the year		188,184	-	188,184
Balance as of December 31, 2019	$	944,724	-	944,724

(In thousands of Mexican pesos)

		Software	Fiduciary Rights (2)	Total
Impairment				
Balance as of January 1, 2020	$	-	-	-
Impairment for the year (2)		-	188,460	188,460
Balance as of December 31, 2020	$	-	188,460	188,460
Carrying amounts				
As of December, 2020	$	446,637	1,082,666	1,529,303
As of December, 2019	$	554,603	1,271,126	1,825,729

(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.

(2) For the year ended December 31, 2020, the Company recognized $188,460 losses for impairment.

(18) Investments in equity accounted investees-

Investment in equity accounted investees as of December 31, 2020 and 2019 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:

	%		2020	2019
Carrying amount of interest in associate at beginning of the year	50.00	$	179,391	170,572
Share of gain			6,918	8,819
Impairment			(186,308)	-
Balance end of year		$	-	179,391

(In thousands of Mexican pesos)

(19) Income tax (IT)-

The IT law imposes an IT rate of 30%.

The total income tax expense (benefit) for the years ended December 31, 2020 and 2019 is as follows:

		2020	2019
Current tax expense	$	61,338	90,769
Deferred tax expense		(732,692)	(1,165,347)
Total income tax expense (benefit)	$	(671,354)	(1,074,578)

(a) Reconciliation of effective tax rate:

	2020		2019	
	%	$	%	$
Loss for the year		(42,340,709)		(3,427,399)
Total income tax expense	(2%)	(671,354)	(24%)	(1,074,578)
Loss, excluding income tax		(43,012,063)		(4,501,977)
Income tax using the Company's domestic tax rate	(30%)	(12,903,619)	(30%)	(1,350.593)
Non-deductible expenses	1%	390,164	11%	504,219
De-recognition of deferred tax assets (previously recognized)	26%	11,313,054	-	-
Others, mainly differences in exchange rates for income taxes	1%	529,047	(5%)	(228,204)
	(2%)	(671,354)	(24%)	(1,074,578)

(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, as of December 31, 2020 and 2019 are presented as follows:

		2020	2019
Deferred tax assets:			
Allowance for doubtful accounts	$	111,832	55,500
Accruals		1,647,113	136,753
Air traffic liability		1,910,277	1,233,524
Finance leases		11,187,978	12,930,011
Net operating losses carry forwards		1,353,678	5,122,857
Advances from customers		527,895	162,452
Employee benefits		1,058,401	1,073,394
Other provisions (mainly leased aircraft returns)		1,818,670	1,041,932
Deferred tax assets		19,615,844	21,756,423
Deferred tax liabilities:			
Inventories		488,260	537,427
Property and equipment		11,306,295	12,633,674
Prepaid expenses		118,370	235,827
Amortizable expenses		3,576,154	4,559,780
Deferred tax liabilities		15,489,079	17,966,708
Net deferred tax assets, recorded in the statements of financial position	$	4,126,765	3,789,715

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.

(In thousands of Mexican pesos)

As of December 31, 2020, operating tax loss carry forwards, expire as follows:

Year	Inflation adjusted through December 31, 2020
2021	$ 51,285
2022	265,368
2023	1,657,595
2024	2,450,683
2025	2,437,280
2026	2,355,598
2027	1,469,831
2028	3,165,136
2029	3,263,491
2030	8,473,374

As of December 31, 2020, deferred tax assets have not been recognized in respect of the operating tax losses carry forwards for $6,323,214.

(b) Movement in temporary differences during the year-

	January 1, 2020	Recognized in income	Recognized in equity	December 31, 2020
Property and equipment (includes right of use)	$ (12,633,674)	1,327,379	-	(11,306,295)
Intangible assets	(4,330,181)	635,657	-	(3,694,524)
Inventories	(537,427)	49,167	-	(488,260)
Air traffic liability	1,233,524	676,753	-	1,910,277
Lease liabilities	12,930,011	(1,742,033)	-	11,187,978
Provisions	1,210,148	1,495,367	-	2,705,515
Other items (including tax loss carry- forwards)	5,917,314	(1,709,598)	(395,642)	3,812,074
	$ 3,789,715	732,692	(395,642)	4,126,765

(In thousands of Mexican pesos)

		January 1, 2019	Recognized in income	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

(21) Loans and borrowings-

The features of the loans and borrowings (including leases) comprising this caption and guarantees as at December 31, 2020 and 2019 are described as follows:

Thousands of $	Currency	Nominal interest rate	Year of maturity	2020	2019
Loan guaranteed by the collection of credit card sales in the United States of America ("USA") (2) (4)	US$	*LIBOR rate plus 325 basis points*	2024	$4,489,218	$5,423,455
Senior Trust Bonds ("CEBURES") issued in Mexico, guaranteed by the collection of credit card sales in Mexico (2) (3) (4)	$	*TIIE rate plus138 to 168 basis points*	2025	5,160,158	5,640,643
Prepayments on aircraft purchase rights	US$	*LIBOR rate plus 300 basis points (LIBOR plus 275 basis points in 2019)*	2020	667,761	1,392,891
Loan guaranteed by the Switzerland Export Credit Agency	US$	*LIBOR rate plus 65 basis points*	2020	-	360,004
Loan	US$	*Fixed annual rate 5.62%*	2022	86,563	106,218
Loans guaranteed by the Ex-Im Bank in the USA	US$	*LIBOR rate plus 60 to 65 basis points*	2021	95,862	146,731
Loans guaranteed by the Ex-Im Bank in the USA	US$	*LIBOR rate plus 160 basis points*	2020	-	3,162

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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

Thousands of $	Currency	Nominal interest rate	Year of maturity	2020	2019
Loan	$	*TIIE rate plus 250 basis points*	2020	-	100,000
Loan	$	*TIIE rate plus 253 basis points*	2021	180,000	180,000
Loans guaranteed by the Export Credit Agency in Germany	US$	*LIBOR rate plus 150 basis points*	2024	508,305	514,513
Loans guaranteed by the Ex-Im Bank in the USA	$	*TIIE rate plus 50 basis points*	2021	112,961	131,787
Loans guaranteed by the Ex-Im Bank in the USA	$	*TIIE rate plus 35 basis points*	2022	384,385	469,804
Prepayments on aircraft purchase rights	US$	*LIBOR rate plus 450 basis points*	2021	1,231,980	-
Senior unsecured notes, offered in the USA under Rule 144A of the Securities Act of 1933 of the USA and outside the USA under Regulation S of the Securities Act (5)	US$	*Fixed annual rate 7.00%*	2025	7,963,480	-
Line of credit (with available capacity of US$63.8 million)	US$	*LIBOR rate plus 350 basis points*	2023	121,913	-
Total Loans				**21,002,586**	**14,469,208**
Financial leasing of flight and other equipments (JOLCO)	US$	*Fixed annual rates between 3.78% to 4.75%*	2029	12,038,663	11,689,916
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	2,192,962	2,231,830
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	1,937,396	1,919,517
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	1,112,353	1,147,096
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	702,445	772,784

(In thousands of Mexican pesos)

Thousands of $	Currency	Nominal interest rate	Year of maturity	2020	2019
Finance leases of flight equipment	US$	*Fixed annual rates between 3.16% to 3.57%*	2022	365,823	423,658
Financial lease of flight simulator	US$	*Fixed annual rates of 6.88%*	2029	198,804	195,301
Total Financial Leasing				**18,548,446**	**18,380,102**
Lease Liabilities (IFRS 16)				**25,217,221**	**28,497,580**
Total Lease Liabilities				**43,765,667**	**46,877,682**
Total Loans and Borrowings				**64,768,253**	**61,346,890**
Total Prepaid Expenses				**(537,884)**	**(488,216)**
Total Net Loans and Borrowings				**64,230,369**	**60,858,674**
Less current installments of financial debt				(29,794,398)	(4,930,454)
Less current installments of leases				(25,217,221)	(8,234,789)
Current installments of prepaid expenses				132,329	98,342
Net current installments of Loans and Borrowings				**(54,879,290)**	**(13,066,901)**
Non–current debt				9,756,634	48,181,647
Non-current installments of prepaid expenses				(405,555)	(389,874)
Net non–current Loans and Borrowings				**$9,351,079**	**$47,791,773**

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

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

(3) At December 31, 2020 and 2019, the Company contracted interest rate Swaps, allowing to pay fixed rate (see Note 27).

(In thousands of Mexican pesos)

(4) For this loan the Company settled down certain agreements, including the deferral of the amortization period of principal payments which resolves potential disputes between the Company and the lender parties.

(5) Senior Unsecured Notes issued by Aeroméxico and guaranteed by Grupo Aeroméxico.

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, 2020, the Company is working on its voluntary financial restructuring through Chapter 11, meaning is not in compliance with several of its financial covenants with its lenders. For this reason, most of the loans and borrowings figures are presented as a current liability, with exception those balances for which the Company has reached new conditions.

All the loans had installments throughout the year. As of December 31, 2020, future maturities of loans and borrowings, net of prepaid expenses are as follows:

Year		Loans	Financial leasing	Leases	Total
Current – 2021	$	4,238,862	3,319,440	5,192,081	12,750,383
Non-current maturities reclassification		6,802,698	15,301,069	20,025,140	42,128,907
Net total current loans and borrowings		11,041,560	18,620,509	25,217,221	54,879,290
Non-current:					
2022		2,918,141	2,231,944	5,990,104	11,140,189
2023		2,978,166	2,081,974	3,735,626	8,795,766
2024		1,302,531	1,762,723	3,045,034	6,110,288
2025		8,954,939	9,224,428	2,735,946	20,915,313
2026 and thereafter		-	-	4,518,430	4,518,430
		16,153,777	15,301,069	20,025,140	51,479,986
Current maturities reclassification		(6,802,698)	(15,301,069)	(20,025,140)	(42,128,907)
Total non-current		9,351,079	-	-	9,351,079
Total loans and borrowings	$	20,392,639	18,620,509	25,217,221	64,230,369

(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, 2020	$	32,361,094	28,497,580	60,858,674
Proceeds for loans and borrowings		7,594,108	-	7,594,108
Repayments of borrowings		(4,250,058)	(3,744,749)	(7,994,807)
Total changes from financing cash flows		3,344,050	(3,744,749)	(400,699)
Proceeds for loans and borrowings related to property and equipment acquisition		1,417,117	-	1,417,117
Effects of changes in foreign exchange rates		1,890,887	1,621,059	3,511,946
Other changes –				
New leases (cancellation)		-	(1,156,669)	(1,156,669)
Interest expense		1,858,613	867,492	2,726,105
Interest paid		(1,589,312)	(485,851)	(2,075,163)
Unpaid interest		(269,301)	(381,641)	(650,942)
Balance December 31, 2020	$	39,013,148	25,217,221	64,230,369

There are established conditions to finance the renewal of the Company's fleet (see Note 32).

(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 $254,224 and $232,631 as of December 31, 2020 and 2019, respectively, included in the total employee benefits balances as of the same dates.

(a) Composition of plan assets-

		2020	2019
Equity securities	$	765	721
Government bonds		11,242	10,487
	$	12,007	11,208

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

		2020	2019
Defined benefit obligations as of January 1	$	4,197,089	3,565,512
Benefits paid by the plan		(347,023)	(395,929)
Current service costs		116,087	261,621
Interest cost		283,484	316,127
Curtailment gain		807	888
		4,250,444	3,748,219
Actuarial losses/(gains) recognized in other comprehensive income:			
Financial assumptions		(8,823)	466,239
Demographic assumptions		2,114	29,523
Experience adjustments		(141,927)	(46,891)
Defined benefit obligations as of December 31	$	4,101,808	4,197,090

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

		2020	2019
Fair value of plan assets as of January 1	$	11,208	10,320
Actual return on plan assets		799	887
Fair value of plan assets as of December 31	$	12,007	11,208

(In thousands of Mexican pesos)

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

		2020	2019
Cumulative amount as of January 1	$	(311,890)	136,983
Recognized during the year		148,631	(448,872)
Cumulative amount as of December 31	$	(163,259)	(311,889)

(e) Actuarial assumptions-

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

	2020	2019
Expected rate of return on plan assets	7.20%	7.20%
Discount rate	7.20%	7.20%
Rate of compensation increase	4.54%	4.54%
Remaining average labor life (over benefit obligations)	13 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 our projected pension payments.

(f) Sensitivity analysis-

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant would have affected the defined benefit obligation by the accounts shown below as of December 31, 2020:

		Increase	Decrease
Discount rate (0.5% movement)	$	(141,413)	150,310
Rate of compensation (0.5% movement)	$	147,182	(138,935)

(In thousands of Mexican pesos)

(23) Provisions-

		Leased aircraft returns	Employees' restructure (2)	Litigations	Total
Balance as of January 1, 2020	$	1,647,162	-	135,025	1,782,187
Additions		5,356,289	1,266,647	13,898	6,636,834
Utilization		(4,625,295)	(557,192)	(5,189)	(5,187,676)
Current balance as of December 31, 2020 (1)	$	2,378,156	709,455	143,734	3,231,345
Balance as of January 1, 2019	$	618,836	-	152,474	771,310
Additions		1,637,372	-	63,775	1,701,147
Utilization		(609,046)	-	(81,224)	(690,270)
Current balance as of December 31, 2019 (1)	$	1,647,162	-	135,025	1,782,187

(1) 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.

(2) Includes $1,139,965 of incremental Chapter 11 restructuring costs (see Note 31).

(In thousands of Mexican pesos)

(24) Trade and other payables-

Group trade and other payables are as follows:

		2020	2019
Suppliers	$	19,254,970	13,366,224
Value added tax and other taxes		1,937,117	2,377,210
Salaries and benefits payable		142,135	453,825
Deferred revenue (1)		31,371	29,144
Total current liabilities	$	21,365,593	16,226,403

(1) This contract liability relates to the advance consideration received from customers for which revenue is recognized over time. As of December, 31, 2020, the Company has a long-term portion of this contract liability of $7,823 that will be recognized in revenues in 2022.

(25) Stockholders' equity (deficit)-

(a) Structure of capital stock-

The Company's capital stock at December 31, 2019 is represented by 540 ordinary shares, nominative, with no par value representing the subscribed and paid capital stock of Aeroméxico. The minimum fixed paid 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.

In December 28, 2020 through shareholders' resolutions, the shareholders agreed to the following resolutions:

i. Aeroméxico combined its operations with those of Rempresac Comercial, S. A. de C. V. ("Rempresac"), a company subject to common ownership. The merger resulted in the absorption of Rempresac by Aeroméxico.

ii. Aeroméxico also combined its operations with those of Inmobiliaria Paseo de la Reforma, S. A. de C. V. ("IPR"), a former subsidiary of Aeroméxico. The merger resulted in the absorption of IPR by Aeroméxico.

iii. Rempresac and IPR balance sheets were combined with Aeroméxico's, and as a result of these mergers, Aeroméxico increased its capital stock in $11,300 and absorbed the accumulated results of Rempresac and IPR for $980,067. For this capital stock increase, an additional 540 stocks were issued in its variable portion.

iv. After such movements, the Company's capital stock is represented by 1,080 ordinay shares, nominative with no par value, 15 shares representing the fixed portion and 1,065 representing the variable portion.

Also in December 28, 2020 through shareholders' resolutions, the shareholders agreed to increase the variable portion of the capital stock for $3,715,400 through the capitalization of an account payable in favor of Grupo Aeroméxico. For this capital stock increase, an additional 392 stocks were issued in its variable portion.

The Company's capital stock at December 31, 2020 is represented by 1,472 ordinary shares, nominative, with no par value representing the subscribed and paid capital stock of Aeroméxico. The minimum fixed paid portion of capital stock of Aeroméxico is represented by 15 series "A" shares and the variable portion is represented by 1,457 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 (deficit)-

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, 2020, the statutory reserve for $457,968 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 (deficit).

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.

(c) Going concern--

For the year ended December 31, 2020, The Company has an equity deficit of $33,460,322 meaning it has lost over two-thirds of its equity capital and, in accordance with Mexican law this may be cause for its dissolution, at the legal request of any interested party with outstanding claims.

As explained in Note 2 (b) the Company will continue pursuing, in an orderly manner, its voluntary process of financial restructuring through the Chapter 11 process, while continuing to operate and offer services to its customers and contracting from its suppliers the goods and services required for its operations. The Company will continue to use the advantages of the Chapter 11 proceeding to strengthen its financial position and liquidity, protect and preserve operations and assets, and implement the necessary adjustments to face the impact of COVID-19.

(26) Earnings / losses per share-

We present basic and diluted earnings / losses per share. Basic earnings / losses per share is determined by dividing profit or loss after tax attributable to equity holders of The Company by the weighted average number of ordinary shares outstanding during the respective year. Diluted earnings per share 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 losses per share at December 31, 2020 was based on the loss of the year of $(42,340,709) (2019: $(3,427,399)), and a weighted average number of ordinary shares outstanding of 547 (2019: 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 Company'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 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 Company'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.

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, 2020. 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.

(In thousands of Mexican pesos)

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	
		2020	**2019**
Cash and cash equivalents	$	4,748,766	6,964,267
Other financial instruments, including derivatives		37,617	69,394
Trade and other receivables		3,609,392	7,084,946
	$	8,395,775	14,118,607

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

The following table shows the outstanding investment portfolio grouped by types of counterparties as of December 31, 2020:

Other financial instruments, including derivatives

		Fair value
Private companies	$	37,617
	$	37,617

Trade and other receivables-

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

(In thousands of Mexican pesos)

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 as of December 31, 2020 and 2019 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 shown as follows:

		2020		2019	
		Gross	**Impairment**	**Gross**	**Impairment**
Not past due	$	1,975,359	70,311	2,966,517	17,647
Past due between 0-30 days		76,242	14,170	586,270	30,209
Past due between 31-120 days		74,694	13,703	339,167	42,759
Past due for more than one year		184,302	184,302	170,257	170,254
Additional reserve		-	121,906	-	-
	$	2,310,597	404,392	4,062,211	260,869

During the year 2020 and as a consequence of the adverse economic effects of the COVID-19 pandemic, the airline industry was severely affected, reason why the Company decided to recognize the risk inherent in transactions and future events that may affect our accounts receivable which is reflected in the impairment reserve.

(In thousands of Mexican pesos)

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

		2020	2019
Balance as of January 1	$	260,869	219,500
Impairment increase recognized, net		143,523	41,369
Balance as of December 31	$	404,392	260,869

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 Company applies 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 (except for the reclassification of debt disclosed in Note 21).

The actions taken by the Company to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the consolidated financial statements include the following:

- On July 31, 2020, the Company agreed with the long-term CEBURES holders to waive the payment of the principal amortizations under the Instruments for 18 months, the consequent extension of their due date for the same number of months, as well as the continuity in the payment of interest accrued under the Instruments on each of their scheduled dates.

- On October 9, 2020, the Bankruptcy Court in which the Chapter 11 process is taking place, definitively approved to Grupo Aeroméxico the additional guaranteed financing known as DIP Financing, up to US$1,000 million. The DIP Financing consists of: (i) a preferential and guaranteed Tranche 1 of US$200 million; and (ii) a preferential and guaranteed Tranche 2 of US$800 million. The resources of DIP Financing may only be used for certain permitted expenses, including certain operating and general corporate expenses, as well as restructuring expenses.

Under the voluntary financial restructuring process under Chapter 11 the Company is carrying out, the payment of amortizations and interests of its financing and guarantees are suspended in terms of its execution, so when the payments are suspended respective payments, the financial debt becomes enforceable and is presented in the short term, except for those credits with which new conditions have been achieved.

The COVID-19 pandemic lockdown placed severe stress on the Company's liquidity position as revenue-generating activities were severely restricted from March to December 2020. The Company has taken and continues to take actions to mitigate the impact, including reducing capital expenditure and operating expenses and terminating some leases, among others. Since the end of the first quarter of 2020, the Company announced a combination of lay-offs, furloughs, and salary reductions (senior management included). The Company believes that the effects of the COVID-19 pandemic on its operations will continue to have a material negative impact on its financial results and liquidity, and this negative impact may continue well beyond the containment of the COVID-19 pandemic.

(In thousands of Mexican pesos)

i. Exposure to liquidity risk-

The following are the remaining contractual maturities of financial liabilities at the balance sheet date on December 31, 2020. Carrying amounts are presented net of prepaid expenses and not discounted and include estimated interest payments.

December 31, 2020		Carrying amount	Contractual cash flows	2 or less months	2-12 months	1-2 years	2-5 years	5 years
USD (Libor-Spread)	$	(6,976,872)	(7,193,241)	(732,094)	(1,824,156)	(1,433,083)	(1,805,403)	(1,398,505)
Mexican Pesos (TIIE-Spread)	$	(667,024)	(695,706)	(313,936)	(381,770)	-	-	-
USD (Fixed rate)	$	(7,934,560)	(10,599,398)	(320,969)	(10,278,429)	-	-	-
Financial Leasing Mexican Pesos	$	(660,617)	(771,707)	(79,588)	(692,119)	-	-	-
Financial Leasing USD	$	(17,613,916)	(16,996,429)	(632,613)	(16,363,816)	-	-	-
CEBURES – Guaranteed	$	(5,160,159)	(5,989,346)	(50,557)	(167,407)	(1,269,262)	(4,502,120)	
Leases – Labilities	$	(25,217,221)	(26,097,898)	(1,219,948)	(24,877,950)	-	-	-

(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 2020 and 2019, approximately 71% and 66% of the Company's expenses and 96% and 63%, 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.

(In thousands of Mexican pesos)

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 ExIm Bank guarantees directly into pesos.

Currency risk

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

	2020 USD	2019 USD
Current monetary assets	650,056	201,639
Non-current monetary assets	381,496	115,868
Current monetary liabilities	(737,096)	(789,220)
Non-current monetary liabilities	(526,500)	(288,634)
Net currency risk in the statement of financial position	**(232,044)**	**(760,346)**

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

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
Mexican Peso	21.53	19.26	19.91	18.86

Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the Mexican peso as of December 31, 2020 and 2019 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.

(In thousands of Mexican pesos)

		Effect
December 31, 2020		
US Dollar (5% strengthening)	$	(231,905)
December 31, 2019		
US Dollar (10% strengthening)	$	(860,562)

ii. ***Jet-fuel price fluctuations-***

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 the Company "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 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)	**2020**	**2019**
Annual Consumption (Gal JF54)	221,616	446,562
Derivatives on JF54 (Gal JF54)	261,495	257,708
Amount Hedged (%)	118.0%	57.7%

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 2020 and 2019, the Company had a consumption of 221.6 and 446.5 million gallons of Jet-Fuel which bought at an average price of $1.54 and $2.24 USD/Gal respectively. These prices include transportation and supply surcharges.

During 2020, the Company hedged 118.0% of its annual Jet-Fuel consumption with financial derivative instruments mostly over JF54, which complied with hedge accounting rules.

Because of capacity cuts and lower fuel prices, the Company has paused its fuel hedging activity to cover between 40 to 60% of its annual projected fuel consumption for the fiscal year 2021, given the uncertain pace of recovery.

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	110,808	(110,808)	166,212	(166,212)
Amounts in thousands USD				

Changes in underlying asset	**0.5(+)**	**0.5(-)**	**0.75(+)**	**0.75(-)**
Derivatives	130,742	(130,742)	196,114	(196,114)
Amounts in thousands USD				

If Jet-fuel price increases, the Company would receive more 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 2020 the Company recorded in other comprehensive income US$7.5 million as valuation effects from derivatives; in 2019 the impact was US$7.5 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, 2020 and 2019, 66% and 52%, 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, 2020 and 2019 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.

(In thousands of Mexican pesos)

Also within the Fideicomiso F/1748, whose Trustee is the Company, has outstanding at December 2020 and 2019 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, 2020 amounted to $384.5 million came from the following derivatives:

Interest rate *Swaps*

Counterparty		Notional ($)	Rate	Maturity date
HSBC	$	630 million	5.50%	23/10/2024
Citibanamex	$	2,650 million	7.72%	17/06/2024
BBVA (1)	$	2,100 million	6.79%	23/09/2022
HSBC	$	1,544 million	4.57%	27/01/2027

(1) At the date of presentation of these consolidated financial statements represents the notional value of $2,100 million and accordingly to the Chapter 11 financial restructuring process, a notional value of $2,500 million is under negotiation.

The next table represents the position at risk for the Company as of December 31, 2020.

	Assets	Liabilities
Short Term		
Investments		
Investment US$	4,539	-
Repo transactions	-	-
(Maturities over 3 months)		
Debt instruments	37,617	-

		Assets	Liabilities
Debt			
US$ loans			
Libor + Spread	$	-	2,469,641
Financial lease		-	17,799,019
Fixed rate		-	8,027,199
Loans $			
TIIE + Spread		-	686,235
Fixed rate		-	-
Financial lease		-	679,975
	$	42,156	29,662,069

Long Term

		Assets	Liabilities
Debt			
US$ loans			
Libor + Spread	$	-	4,229,491
Fixed rate		-	-
Financial lease		-	-
MX loans $			
TIIE + Spread		-	5,121,588
Financial lease		-	-
	$	-	9,351,079

The following table represents the risk position for the Company as of December 31, 2020 and 2019 corresponding to the derivative rate financial instruments (amounts in thousands of Mexican pesos):

	Notional Amount 2020	Notional Amount 2019
Derivative Financial Instruments		
Fixed rate instruments		
Interest rate Swaps	(6,924,287)	(16,773,856)

(In thousands of Mexican pesos)

	Notional Amount	
	2020	**2019**
Variable rate instruments		
Interest rate Swaps	6,924,287	16,773,856

Fuel hedge instruments-

As of December 31, 2020, the Company had interest rate swaps instruments to cover Libor rate and temporarily cancelled its call spread options to cover the 2021 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.

During 2020, the Company reclassified $818,690 from OCI to aircraft fuel.

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 300 BP in 2020, going from 7.25% to 4.25%. Along the same lines, the FED decreased the rate of reference in 150 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:

		2020		2019	
		+50 BP	**-50 BP**	**+75 BP**	**-75 BP**
Loans in US$ Libor + Spread	$	38,988	(38,988)	14,671	(14,671)
		+50 BP	**-50 BP**	**+120 BP**	**-120 BP**
Loans in $ TIIE + Spread	$	32,602	(32,602)	29,892	(29,892)

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.

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.

Sensitivity for the investment portfolio is not possible to obtain based on the credit rating of the assets in its portfolio.

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	$ (258,446)	39,459	(40,207)
LIBOR Interest rate Swaps	$ (126,085)	29,004	(30,441)

(e) **Fair value hierarchy-**

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

The different levels are defined as follows:

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

(In thousands of Mexican pesos)

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are not based on observable market data (unobservable inputs).

(f) Fair values 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, 2020 and 2019, 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 book value in the statements of financial position as of December 31, 2020 and 2019, respectively.

Financial assets at fair value

As of December 31, 2020	**Note**		**Fuel options used for hedging**	**Other interest rate swaps**
Book value:				
FVTPL mandatory	11	$	-	-
FVTPL financial instruments	10 and 11		-	-
Total		$	-	-

	Note		**Fuel options used for hedging**	**Other interest rate swaps**
Fair value:				
Level 1		$	-	-
Level 2			-	-
Level 3			-	-
Total		$	-	-

(In thousands of Mexican pesos)

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**

Financial liabilities at fair value

As of December 31, 2020

	Note		Other interest Rate swaps
Book value:			
Fair value for hedging instruments	11	$	384,530
Fair value:			
Level 1		$	-
Level 2			384,530
Level 3			-
Total		$	**384,530**

(In thousands of Mexican pesos)

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
Level 3			-
Total		$	**1,139,207**

Loans and borrowings not carried out at fair value
As of December 31, 2020

	Nota	Loans in USD (Libor - Spred)	Loans in $ (TIIE - Spread)	Loans in USD (Fixed rate)	Loans in $ (Fixed rate)	leasing of flight equipment in $	leasing of flight equipment in USD
Book value:							
Loans and borrowings	21	$ 6,976,872	5,827,183	7,934,560	-	660,617	17,613,916
Fair value:							
Level 1		$ -	-	-	-	-	-
Level 2		6,744,897	6,011,970	7,934,560	-	660,617	17,613,916
Level 3		-	-	-	-	-	-
Total		$ 6,744,897	6,011,970	7,934,560	-	660,617	17,613,916

The debt that was classified as short and long-term is determined as fair value, which are considered in loans in USD (Libor-Spread) and loans in pesos (TIIE-Spread), therefore for short-term liabilities does not include fair value information. For financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(In thousands of Mexican pesos)

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

			Nota	Loans in USD (Libor - Spred)	Loans in $ (THE - Spread)	Loans in USD (Fixed rate)	Financial leasing of flight equipment in $	Financial leasing of flight equipment in USD
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

(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.

* 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.

(In thousands of Mexican pesos)

ii. Transfers between Levels 1 and 2

There were no transfers from Level 2 to Level 1 in 2020 and no transfers in either direction in 2019.

iii. Level 3 fair values

The Company did not present any of the fair values of its financial instruments as Level 3 during 2020 and 2019.

(28) Other income (expenses)-

		2020	2019
Other income:			
Net gain from sale of property and equipment/obsolete material	$	-	57,517
Taxes recoveries		248	35,841
Leases recoveries		68,201	92,077
Other		77,096	178,048
Total other income		145,545	363,483
Other expenses:			
Labor and other contingencies		13,899	63,774
Net loss from sale of property and equipment/obsolete material		33,542	-
Related parties commission expenses, net reimbursement		424,517	-
Other		144,092	129,801
Total other expenses		616,050	193,575
Other income (expenses), net	$	(470,505)	169,908

(In thousands of Mexican pesos)

(29) Wages, salaries and benefits-

		2020	2019
Wages and salaries	$	8,465,668	11,518,449
Compulsory social security contributions		1,380,723	1,380,846
Expenses related to defined benefit plans		116,087	261,621
	$	9,962,478	13,160,916

(30) Finance income and finance costs-

		2020	2019
Interest income on bank deposits and other investments	$	92,329	217,299
Net foreign exchange gain		20,621	42,584
Finance income		112,950	259,883
Interest expense on financial liabilities		1,858,613	1,646,506
Letters of credit commissions		503,721	84,959
Credit card commissions (a)		579,298	1,178,949
Lease interest		867,492	1,649,755
Interest on employee obligation		283,455	316,111
Derivative financial loss		2,698,433	823,940
Bank fees		235,120	290,110
Interest paid to related parties		420,084	454,760
Other financial costs		273,381	83,051
Finance costs		7,719,597	6,528,141
Net finance cost recognized in profit and loss	$	(7,606,647)	(6,268,258)

(In thousands of Mexican pesos)

		2020	2019
Derivative financial instruments reserve recognized in other comprehensive income	$	818,689	(388,823)

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

(31) Restructuring and other related expenses-

On March 20, 2020, the Company announced that as a response to the worldwide COVID-19 crisis it took very important decisions aimed to preserve cash and the sources of employment. On June 30, 2020 Company announced that it and certain of its affiliates the filing of a voluntary Chapter 11 petitions before the Bankruptcy Court to implement a financial restructuring, while continuing to serve customers, with the intention to use the Chapter 11 process to strengthen its financial position and liquidity, protect and preserve its operations and assets, and implement necessary operational changes to address the impact of the ongoing COVID-19 pandemic (see Note 2 (b)).

Special items are those items that in Management's view are to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

Special items recorded within operating expenses for the year ended December 31, 2020 consist of the following:

Employees restructuring plan	$	1,139,965
Leased aircraft incremental return cost		2,781,877
Accelerated depreciation and amortization expense for anticipated aircraft return		1,041,359
Loss for rejected flight equipment		427,969
Professional fees associated to Chapter 11 advisors		1,267,573
Credit due to lease liabilities cancellation		(2,837,505)
Net special restructuring cost recognized in profit and loss as operating expenses	$	3,821,238

Employees restructuring plan provisions

As a result of COVID-19, The Company undertook a workforce reduction of approximately 2,671 employees since April 2020, representing around 17% of its staff, achieved through layoffs, terminations of employment, early retirements and special leaves. A workforce reduction provision of $1,139.9 million was recorded related to these measures. Payments of $557 million have been made to the end of the year 2020. The provision includes the estimated severance costs under the Mexican Labour Code, which amount is subject to adjustment depending on the duration and number of employees who remain on layoff status.

Leased aircraft incremental return cost

In response to capacity reductions related to the impact of the COVID-19 pandemic, the Company updated its cost estimates in preparation to accelerate the retirement of part of its current fleet during 2021 to meet contractual return conditions on upcoming lease returns.

Part of this incremental cost return is attached to the capitalized maintenance expenses that would be accelerated based on the anticipated dates of returns.

During 2020, a non-cash impairment charge of $427.9 million was recorded reflecting the write-down of right-of-use assets for leased aircraft and engines.

Chapter 11 professional fees

Due to the financial restructuring under Chapter 11, the Company is facing additional administrative expenses regarding the fees to be paid to its external advisors.

Lease liabilities cancellation

As explained in Note 16, the Company modified the majority of its existing aircraft equipment leases into PBH agreements. This PBH expense is part of the year-end aircraft leasing expense and temporarily substitutes the contractual lease payments. The cancellation of the corresponding lease liability, representing a non-cash item for $2,837 million, is recognized as a special item within the operating results.

Other impairment charges

In addition, the Company recorded an impairment charge of $13,575.1 million in the year ended December 31, 2020 related to different assets.

(32) 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, 2020, the Company has the following significant contingencies and commitments:

Contingencies:

a. There are labor lawsuits in process for approximately $237.1 million. This amount represents the plaintiffs' expectation, without considering backdated salaries that might be accrued in the event that the court sentences do not favor the Company. The Company has reserved an amount of $143.7 million, which is considered sufficient to cover possible outflows.

b. 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 $86.2 million 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.

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 Group 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 revisión"*).

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.

c. On August 28th, 2020, Aeroméxico's Spanish Branch was notified of a precautionary measure ordered by the Madrid Court due to alleged failure of payment regarding pre and post pandemic catering services. The measure consisted of i) seizing the bank accounts of its Spanish Branch, up to the amount of €609.5 thousand Euros, and if there was not enough money; ii) appointing an administrator to seize the income of the Spanish Branch to ensure the payment of the said amount.

   Therefore, Aeroméxico challenged the precautionary measure on September 29th, 2020 under the arguments that i) Chapter 11 - Stay of USA proceedings should apply to the claim of the Spanish plaintiff, therefore the recognition of the decision of the Bankruptcy Court was also requested; ii) only one of the 4 plaintiffs signed the agreement, namely: Newrest Group Holding ("Newrest"); iii) all the 4 plaintiffs have brought their claims in both the USA and the Spanish Court; and iv) Newrest Toronto and Newrest Costa Rica never signed the agreement, therefore the Spanish Court had no jurisdiction over their disputes.

   On October 23rd, 2020, aforementioned arguments were rejected by Madrid Court. Later on November and December 2020, Aeroméxico appealed this decision and the nomination made by Newrest on appointing an administrator to Aeroméxico's Spanish Branch.

   Such trial is still pending for resolution, and for such purposes, the preliminary hearing of the proceedings is scheduled for the July 28th, 2021.

   At the same time, Aeroméxico submitted a motion over USA jurisdiction to enforce the effects of the Chapter 11 proceedings and mainly the enforcement of the automatic stay.

On February 10th, 2021 an order issued by US Court was entered. The Judge stated that Newrest have been found to be in civil contempt for their continuing and willful violations of the automatic stay. Thus, imposed per diem monetary sanctions for Newrest failure to comply with such contempt order.

Aforementioned order established that Newrest within 5 business days ought to: (1) comply with the Preliminary Injunction; (2) pay Aeroméxico US$165 thousand to compensate it for a portion of its attorneys' fees; and (3) provide proof of compliance with the foregoing; and the Court having further ordered in the Contempt Order that Newrest failure to comply therewith would result in the accrual of monetary against them in the amount of US$5,000 per day until they have so complied and provided evidence to the Court thereof.

The Judge order does not prejudice Aeroméxico rights to seek additional sanctions or the entry of further contempt orders moving forward.

As of the issuance of these financial consolidates statements such trial is still pending for resolution due to Newrest failure to comply with the USA order. Meanwhile, Spain's case also continues its due course.

d. 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 expired in June 21, 2020, and was renewed for subsequent five-year period.

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, the Company has entered into shared code and frequent flyer agreements with other airlines.

e. Fleet renewal.

The Company is having adjustments in the process to upgrade its fleet and has entered into a renegotiation process. Therefore, the following agreements signed as of December 31, 2020 may be adjusted in the future as a result for such renegotiations:

(i) Acquisition from manufacturer up to sixty firm deliveries of Boeing 737 MAX narrow body aircraft and seven firm deliveries of Boeing B787-9; as of December 31, 2020, 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 2020, but as explained in paragraphs (vii) and (viii), we have been experiencing delays on original deliveries. The above figures referred-to, may be delayed or adjusted depending on the actual needs of the Company (see Note 33 d)).

(ii) Some of the aircraft to be incorporated in the future, referred in the previous paragraph, might be acquired utilizing sale and lease back schemes, as they will be acquired from foreign lessors, and/or they might be incorporated through the support of Federal Government financial institutions ("*Export Credit Agency*").

(iii) Subject to Bankruptcy Court approval of the future restructured contracts and reaching final agreements with lessors and Original Equipment Manufacturers the Company might take under operating lease two new B737 MAX and four new B787-9 in the future, for periods between 10 to 12 years.

(In thousands of Mexican pesos)

(iv) As of December 31, 2020 it is uncertain the quantity of aircraft to be redelivered in 2021, as it depends on the satisfactory renegotiations with the lessors and the alignment with the Company's requirements from its revised business plan.

(v) The fleet renewal of the Company could change since the lease terms may be modified during the fleet renegotiation.

(vi) Current commitments related to firm deliveries of fleet acquisitions, translated at the exchange rate and price list as of December 31, 2020, are as follows:

2021	$ 16,949,186
2022	9,580,658
2023	8,850,742
2024	2,950,247
	$ 38,330,833

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 and could change depending on the renegotiation of the current contract.

(vii) 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 air-safety regulators granted on November 18, 2020 the recertification for the B737 MAX. Aeroméxico safely returned to service this type of aircraft on December, 2020, guaranteeing the safety and comfort for its passengers along with a more efficient aircraft in the fleet.

(viii) The additional B737 MAX aircraft which were scheduled for delivery in 2019 and 2020 were affected by the grounding of the aircraft. It will also affect the timing for the deliveries in 2021 as Boeing halted production and deliveries all the way though the before mentioned years and the COVID-19 contingency set back the deliveries in the already manufactured equipment too. Estimated times from Boeing to pull new deliveries are subject to renegotiations with engine manufacturers, lessors, and approval by the Bankruptcy Court. As for December 31, 2020, Boeing has already produced seven B737 Max aircraft from our order, ready for delivery (subject to the air-safety FAA and AFAC regulations being applied to the aircraft).

(33) Subsequent events-

As of May 4, 2021, date of issuance of these consolidated financial statements, the most significant subsequent events in regard to the December 31, 2020 consolidated financial statements and for the year then ended are as follows:

a) Uncertainty in fuel prices consumed by the Company. As of May 4, 2021, the price reached 1.96 dollars per gallon, and at December 31, 2020, was 1.59 dollars per gallon, and the average in 2020 was 1.54 dollars per gallon.

b) As of May 4, 2021 the exchange rate of the peso against the dollar was $19.97 while at December 31, 2020 was $19.91, and the average in 2020 was $21.53 per US$.

c) On January 28, 2021 the Company announced that it had reached satisfactory agreements with the Asociación Sindical de Pilotos Aviadores de México ("ASPA") and the Asociación Sindical de Sobrecargos de Aviación de México ("ASSA"), during the restructure of their Collective Bargaining Agreements. These agreements, executed on February 2, 20121, are essential to face the adverse effects caused globally to the airline industry by the COVID-19 pandemic.

Previously in December 2020, the Company reached satisfactory agreements with its other unionized employees of the Sindicato de Trabajadores de la Industria Aeronáutica, Comunicaciones Similares y Conexos de la República Mexicana ("STIA") and the Sindicato Nacional de Trabajadores al Servicio de las Líneas Aéreas, Transportes, Servicios, Similares y Conexos ("Independencia").

The results achieved during the negotiations were necessary for the Company to meet certain commitments and objectives required by the DIP lenders under the DIP Financing, obtained within the Company's voluntary financial restructuring process.

d) On April 23, 2021, the Company announced it had reached agreement to increase its fleet with twenty-four new Boeing 737 aircraft, including B737-8 and B737-9 MAX, and four B787-9 Dreamliner aircraft as part of the airline's restructured agreements with the manufacturer and certain lessors to incorporate new aircraft. The addition of these aircraft is scheduled to take place during this year and in 2022.

This transaction was approved on April 30, 2021 by the Bankruptcy Court.

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