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

022102/20

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OS AA01

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

Companies House

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

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with accounting requireme

Part 1 **Corporate company name**

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

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

All fields are mandatory unless specified or indicated by *

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

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

A1 **Legislation**

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

Legislation ❷ LEY GENERAL DE SOCIADAD MERCANTILE/ CIRCULAR UNICA

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

A2 **Accounting principles**

Accounts

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

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

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

Name of organisation or body ❸ MEXICAN INSTITUTE OF PUBLIC ACCOUNTANTS

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

OS AA01

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

A3 Audited accounts

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

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X 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 ACCOUNTANTS

Address: HIGHLAND HOUSE

165 THE BROADWAY

Post town: LONDON

County/Region:

Postcode: SW19 1NE

Country: UK

DX:

Telephone: 0208 544 8064

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.
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DX ED235 Edinburgh 1

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

Consolidated financial statements

December 31, 2021 and 2020

(With the Independent Auditors' Report)

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

Contents | **Page**

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

Independent Auditors' Report

(Translation from Spanish Language Original)

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

Opinion

We have audited the consolidated financial statements of Aerovías de México, S. A. de C. V. and subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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 Aerovías de México, S. A. de C. V. and subsidiaries as at December 31, 2021 and 2020, 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.

Emphasis of Matter

As mentioned in note 33(d) to the accompanying consolidated financial statements, on March 17, 2022, Grupo Aeroméxico, S. A. B. de C. V. (ultimate parent) and its subsidiaries (including Aerovías de México, S. A. de C.V.), emerged from Chapter 11 and its Plan of Reorganization become effective. 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.
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.

KPMG

- 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.

Daniel Alejandro Velázquez Méndez

Mexico City, May 3, 2022.

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

Consolidated statements of financial position

As of December 31, 2021 and 2020

(In thousands of Mexican pesos)

Assets	Note		2021	2020
Current assets:				
Cash and cash equivalents	10	$	6,119,789	4,748,766
Restricted cash	10		658,529	744,440
Financial assets	11		-	37,617
Trade and other receivables, net	14		3,900,200	3,608,743
Due from related parties	7		10,104	112,879
Prepayments and deposits			699,673	374,701
Inventories	13		1,589,241	1,359,612
Total current assets			**12,977,536**	**10,986,758**
Non-current assets:				
Property and equipment, including right-of-use	15		49,405,395	55,252,231
Intangible assets	17		1,511,858	1,529,303
Prepayments and deposits	12		3,040,793	4,654,693
Trade and other receivables	14		-	649
Other non-current assets			172,971	158,544
Deferred tax assets	20		5,626,349	4,126,765
Total non-current assets			**59,757,366**	**65,722,185**
Total assets		$	**72,734,902**	**76,708,943**

The notes on pages 10 to 108 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, 2021 and 2020

(In thousands of Mexican pesos)

Liabilities	Note		2021	2020
Current liabilities:				
Loans and borrowings, including leases	21	$	16,232,946	54,879,290
Trade and other payables	24		16,232,273	21,365,593
Due to related parties	7		8,571,920	6,274,941
Provisions	23		3,871,322	3,231,345
Air traffic liability			13,838,161	8,492,875
General unsecured claims liability	23		24,174,154	-
Income taxes payable and employee's statutory profit sharing			72,739	69,986
Total current liabilities			**82,993,515**	**94,314,030**
Non-current liabilities:				
Loans and borrowings, including leases	21		36,948,157	9,351,079
Due to related parties	7		1,123,936	1,810,109
Derivative financial instruments	11		23,329	596,423
Deferred revenue			-	7,823
Employee benefits	22		3,863,055	4,089,801
Total non-current liabilities			**41,958,477**	**15,855,235**
Total liabilities			**124,951,992**	**110,169,265**
Equity (Deficit)				
Capital stock	25		13,940,456	13,940,456
Retained earnings			(68,187,599)	(52,188,631)
Reserves			1,956,786	4,714,937
Total equity (deficit) attributable to equity holders of the Company			**(52,290,357)**	**(33,533,238)**
Non-controlling interest			**73,267**	**72,916**
Total equity (deficit)			**(52,217,090)**	**(33,460,322)**
Total equity and liabilities		$	**72,734,902**	**76,708,943**

The notes on pages 10 to 108 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, 2021 and 2020

(In thousands of Mexican pesos)

	Note		2021	2020
Revenues				
Passenger	8	$	39,835,625	22,977,157
Air cargo			4,934,268	4,623,957
Other			691,997	921,902
Total revenue			45,461,890	28,523,016
Operating expenses				
Aircraft fuel			12,871,934	7,404,583
Wages, salaries and benefits	29		9,953,855	9,962,478
Maintenance			3,317,818	3,946,215
Aircraft, communication and traffic services			6,268,782	4,907,678
Passenger services			996,805	725,811
Travel agent commissions			907,944	820,980
Selling and administrative			3,355,235	3,831,546
Corporate royalties			177,773	60,346
Aircraft leasing	16		3,446,545	1,640,978
Depreciation and amortization			9,511,702	12,767,820
Impairment (reversal)			(1,154,880)	13,575,172
Restructuring expenses	31		8,956,891	3,821,238
Other expenses (income), net	28		279,944	470,505
Share of gain on equity accounted investees	18		-	(6,918)
Total operating expenses			58,890,348	63,928,432
Total operating loss			(13,428,458)	(35,405,416)
Finance income (cost)				
Finance income	30		409,309	112,950
Finance cost	30		(4,501,661)	(7,719,597)
Net finance cost			(4,092,352)	(7,606,647)
Loss before income tax			(17,520,810)	(43,012,063)
Income tax benefit	19		(1,523,702)	(671,354)
Loss for the year		$	**(15,997,108)**	**(42,340,709)**

The notes on pages 10 to 108 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, 2021 and 2020

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

	Note		2021	2020
Loss for the year		$	(15,997,108)	(42,340,709)
Other comprehensive income, net of income taxes (Notes 20(b) and 22)				
Items that will not be reclassified to profit or loss				
Actuarial gains	22		209,545	106,469
Items that are or may be reclassified to profit or loss				
Effects due to change in non-controlling interest			(9)	(68,809)
Foreign currency translation difference			(2,967,696)	2,873,046
Cash flow hedge - effective portion of changes in fair value			-	818,689
Other comprehensive (loss) income for the year, net of income taxes			(2,758,160)	3,729,395
Total comprehensive loss for the year		$	(18,755,268)	(38,611,314)
Loss attributable to:				
Owners of the Company		$	(15,997,468)	(42,346,709)
Non-controlling interest			360	6,000
Loss for the year		$	(15,997,108)	(42,340,709)
Total comprehensive loss attributable to:				
Owners of the Company		$	(18,755,259)	(38,611,314)
Non-controlling interest			(9)	-
Total comprehensive loss for the year		$	(18,755,268)	(38,611,314)
Losses per share				
Basic and diluted losses per share (Mexican pesos)	25	$	(10,867,601)	(77,405,318)

The notes on pages 10 to 108 are an integral part of these consolidated financial statements.

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

Consolidated statements of changes in equity

For the years ended December 31, 2021 and 2020

(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	Total	Non-controlling interest	Total equity
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 Rempresac 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)
Total comprehensive loss for the year:										
Loss for the year	-	-	-	-	-	-	(15,997,468)	(15,997,468)	360	(15,997,108)
Other comprehensive income	-	-	-	209,545	(2,967,696)	-	(1,500)	(2,759,651)	(9)	(2,759,660)
Balance as of December 31, 2021	$ 13,940,456	457,968	(216,105)	95,335	1,619,588	-	(68,187,599)	(52,290,357)	73,267	(52,217,090)

The notes on pages 10 to 108 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, 2021 and 2020

(In thousands of Mexican pesos)

	Note	2021	2020
Cash flows from operating activities			
Loss before income tax		$ (17,520,810)	(43,012,063)
Adjustments for			
Depreciation and amortization	15 and 17	9,511,702	12,767,820
Impairment		(1,154,880)	13,575,173
Lease liability reversal		(4,342,052)	(2,837,505)
Share of gain on equity accounted investees, net of tax		-	(6,918)
(Gain) loss on sale of property and equipment		(668,253)	33,242
Other restructuring expenses provisions, net		13,298,945	6,658,743
Provisions, net		1,300,867	3,854,957
Derivative financial (gain) loss		(311,008)	2,698,433
Employee benefits		522,285	56,511
Inventory adjustments to net realizable value		2,358	14,723
Allowance for doubtful accounts		82,000	236,994
Interest expense, net		1,702,448	3,132,683
Unrealized exchange loss		235,423	343,608
Employees' statutory profit sharing		4,100	5,930
Subtotal		2,663,125	(2,477,669)
Trade and other receivables		(476,148)	2,020,269
Due from related parties		(11,402)	(74,272)
Inventories		(205,420)	8,939
Prepayments and deposits		(344,265)	(60,823)
Trade and other payables		(3,250,084)	(1,451,667)
Due to related parties		1,456,935	497,099
Air traffic liability		5,041,888	2,310,146
Changes in employee benefits		(451,641)	(799)
Interest received		82,220	92,143
Derivatives financial instruments		-	(12,361)
Cash generated form operating activities		4,505,208	851,005
Employees' statutory profit sharing and income tax paid		(72,236)	(73,159)
Interest paid		(1,284,847)	(2,075,163)
Net cash from (used in) operating activities		3,148,125	(1,297,317)
Cash flows from investing activities			
Acquisition of properties and equipment (including major maintenance)		(2,470,763)	(1,777,624)
Proceeds from sale of properties and equipment		1,061,616	3,270
Intangible assets		(91,042)	(65,790)
Proceeds received (paid) due to settlement of derivative financial instruments		37,617	(2,018,699)
Prepayments and deposits for maintenance and acquisition of properties and equipment		(754,676)	(1,638,825)
Net cash used in investing activities		(2,217,248)	(5,497,668)
Cash flows from financing activities			
Capital stock increases		-	3,726,700
Proceeds from loans		1,260,522	7,594,108
Repayments of loans		-	(4,250,058)
Payments of lease liabilities		(789,634)	(3,744,749)
Restricted cash		85,911	1,352,383
Net cash obtained from financing activities		556,799	4,678,384
Increase (decrease) in cash and cash equivalents		1,487,676	(2,116,601)
Effects of exchange rate fluctuations on cash and cash equivalents		(116,653)	(98,900)
Net increase (decrease) in cash and cash equivalents		1,371,023	(2,215,501)
Cash and cash equivalents:			
At beginning of year		4,748,766	6,964,267
At end of year		$ 6,119,789	4,748,766

The notes on pages 10 to 108 are an integral part of these consolidated financial statements.

(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, 2021 and 2020, 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 3, 2022, 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, financial restructuring and Chapter 11 emergence-

i Going concern-

These consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of operations, the realization of assets and the satisfaction of liabilities in the normal course of business. In 2020, the Company suffered material losses as a result of the outbreak of the COVID-19 pandemic, which contributed to the decision to file for Chapter 11 protection on June 30, 2020 (see section iii in this same Note). Uncertainty regarding these matters previously raised significant doubt about the Company's ability to continue as a going concern.

As a result of the Company's emergence from Chapter 11 on the Effective Date of March 17, 2022 (see Note 33), significant doubt has been alleviated regarding the Company's ability to meet its obligations as they become due within one year from the date of these financial statements.

ii Impact of COVID-19-

The outbreak of the COVID-19 pandemic significantly impacted the Company mainly in 2020, which recovery started in 2021.

Because of the deep effects of the COVID-19 pandemic the Company implemented additional operating 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.

As a result of the COVID-19 pandemic and the Chapter 11 financial restructuring process, there were certain effects on the following line items of our consolidated financial statements:

- 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 (see Note 8 ii). The Company believes the updated patterns for the air traffic liability would be seen again during 2022.

- 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, the Company has paused its fuel hedging activity to cover between 40 to 60% of its annual projected fuel consumption for the fiscal year 2022, given the uncertain pace of recovery.
- 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 Group's financial performance were recognized for $8,957 million and $3,821 million for the years ended December 31, 2021 and 2020, respectively (see Note 31).

Management has modelled a number of different scenarios considering a period of 12 months from the date of these consolidated financial statements to estimate any business impact in future periods and travel customer demand. The base case scenario includes the benefits of actions already taken by Management to mitigate the trading downsides brought by COVID-19, and the Chapter 11 financial restructuring process exit (see Note 33). The scenarios include a series of 'downside' case scenarios that are increasingly severe but plausible scenarios, where the Company believes would not have problems in assessing any of its future financial compromises.

iii Financial restructuring and Chapter 11 emergence-

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 11, 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 manner.

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.

<u>Fleet adjustments -</u>

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).

On April 2021 the Company reached an agreement to increase its fleet with twenty-four new Boeing 737 aircraft, including B737-8 and B737-9 MAX, and four 787-9 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 for 2021 and during 2022. These transactions make it possible for the Company to modify long-term maintenance contracts and reduce leasing costs of eighteen other aircraft that are part of the current fleet.

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 full disbursements for Tranche 1 and Tranche 2 were received by Grupo Aeroméxico by February 2021.

The Tranche 2 DIP Financing may be converted, at the lenders' option, into shares of reorganized Grupo Aeroméxico, subject to certain conditions and the applicable corporate and regulatory approvals (including at the Grupo Aeromexico's shareholders meeting) for the issuance of the corresponding shares. In order to effectuate (i) the debt-into-equity conversion of the allowed unsecured claims recognized in our Chapter 11 process at a determined ratio, and (ii) the conversion of the Tranche 2 DIP Financing, the shareholders meeting of Grupo Aeroméxico would need to approve a capital increase. As the lenders exercise the option to convert the Tranche 2 DIP Financing, following the corresponding capital increase, the shareholders will be almost fully diluted so that their remaining equity stake will likely be minimal (if any), provided that shareholders (other than those that have agreed not to exercise preemptive rights pursuant to the Shareholder Support Agreement) will be allowed to exercise their preemptive rights subject to several conditions.

On June 30, 2021 Delta Air Lines, Inc. ("Delta") provided notice to the Grupo Aeroméxico's Chairman of the Board of Directors informing that Delta intends to exercise its call option and purchase US$185 million of Apollo's Tranche 2 Commitments under the existing, and fully disbursed, DIP Financing.

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 negotiatied 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"*).

On December 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"), and likewise on January 2021 the Company 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 CBA. All these agreements, executed on February 2021 were essential to face the adverse effects caused globally to the airline industry by the COVID-19 pandemic.

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

Appointment of the Creditors Committee and Bar Date -

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' Plan of Reorganization.

Plan of Reorganization-

In order for Grupo Aeroméxico to emerge successfully from Chapter 11, Grupo Aeroméxico must obtain the Bankruptcy Court's approval of a Plan of Reorganization ("PoR"), which will enable Grupo Aeroméxico to transition from Chapter 11 into ordinary course operations outside of bankruptcy. In connection with a PoR, Grupo Aeroméxico also may require a new credit facility, or "exit financing". The Grupo Aeroméxico'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 PoR 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 PoR is confirmed.

Grupo Aeroméxico presently expects that any proposed PoR will provide, among other things, mechanisms for settlement of claims against the Debtors' estates, treatment of the Grupo Aeroméxico's existing equity and debt holders, and certain corporate governance and administrative matters pertaining to the reorganized Grupo Aeroméxico. Any proposed PoR is subject to revision prior to submission to the Bankruptcy Court based upon discussions with the Grupo Aeroméxico'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 Grupo Aeroméxico will be able to secure approval for the Grupo Aeroméxico's proposed PoR from the Bankruptcy Court.

On October 1, 2021 Grupo Aeroméxico filed, together with its subsidiaries that are debtors in the Company's Chapter 11 restructuring process, the PoR, a disclosure statement related to the PoR (the "Disclosure Statement") and a motion to approve solicitation procedures with respect to the PoR. The Company intends to file one or more supplements to the Plan on the schedule set forth in the PoR or as otherwise ordered by the Court. Upon entry of an order approving the Disclosure Statement, the Company intends to begin the process to solicit votes on the PoR.

The filing of the PoR is a key milestone on the Company's path to emergence from its Chapter 11 process, and the Company looks forward to continue to engage with its stakeholders to finalize the PoR on a consensual basis.

The Company is continuing to work with its key stakeholders to finalize various documents related to the PoR as expeditiously as possible.

On November 11, 2021 Grupo Aeroméxico received a joint proposal (the "Alliance Proposal") from its lenders under Tranche 2 of its DIP Financing and from certain existing creditors and new money investors with whom Grupo Aeroméxico was prepared to enter into commitment papers upon court approval thereof. The Alliance Proposal has the support of our strategic partner Delta and provides an implementable solution, through a solid group of long-term Mexican investors, to comply with foreign ownership requirements. The Board of Directors of Grupo Aeroméxico has approved, among other matters, instructing the Grupo Aeroméxico's restructuring advisors to prepare, in coordination with advisors for the key stakeholders, a revised version of the Chapter 11 PoR and the Disclosure Statement with respect to the PoR, including any supplements and exhibits related thereto, reflecting the terms of the Alliance Proposal.

The hearing to approve the Disclosure Statement and the hearing to confirm the PoR have been adjourned to a new date to be set in due course by the Bankruptcy Court.

On November 29, 2021 Grupo Aeroméxico filed revised versions of the PoR and accompanying Disclosure Statement, reflecting the final terms of the previously mentioned Alliance Proposal (previously on October 1 and 15, 2021 the Company filed drafts of its PoR and Disclosure Statement which were amended with this latest version).

On December 6, 2021 Grupo Aeroméxico received approval from the Bankruptcy Court to enter into the equity and debt exit financing commitment letters, subscription agreement and ancillary documents related thereto, with respect to the financing Alliance Proposal.

The Debtors anticipate launching solicitation on the PoR following entry of the order approving the Disclosure Statement. The Bankruptcy Court set a confirmation hearing on the PoR to being on January 27, 2022 (see Note 33).

On December 10, 2021 Grupo Aeroméxico informed that the Bankruptcy Court entered an order approving the Disclosure Statement with respect to the PoR in the Grupo Aeroméxico's Chapter 11 restructuring process. The Debtors now have Court approval to launch solicitation of votes on the PoR (see Note 33).

Under the PoR, subject to several conditions, Grupo Aeroméxico will, directly or indirectly, raise approximately US$720 million of new capital and US$762.5 million of new debt ("Exit Financing"), in addition to the equitization of a large portion of the recognized debt under the PoR, submitted for Court approval.

Under the PoR and related documents, Grupo Aeroméxico has capital commitments from creditors and investors that include creditors of the DIP Financing; new investors; Delta, and a strong group of long-term Mexican investors, who have been at the forefront of our group of shareholders for many years with us proactively throughout the restructuring process.

Both Delta and the Mexican shareholders, in addition to injecting resources into Grupo Aeroméxico, have committed to support us with their valuable strategic participation. Among others, the Mexican shareholders, who also serve on our board of directors, and will hold shares representing more than 1% but less than 10% of Grupo Aeroméxico's outstanding shares, have committed to remain, not to compete, align, and focus their interests and efforts in Grupo Aeroméxico.

As we had anticipated, considering the upcoming capital increase to be resolved at the Shareholders Meeting, the current Delta shares and the other shareholders who are not expected to exercise their preemptive rights will be diluted practically in its entirety. It is expected that, upon consummation of the capital increase and the equitization of debt and new capital contributions under the Plan, our strategic partner, Delta, will hold approximately 20% of Grupo Aeroméxico's capital stock.

That is, once the PoR and the resolutions of the Shareholders Meeting becomes fully effective, existing shareholders will be almost completely diluted, so that their remaining shareholding is likely to be minimal (if any) and the value expectations with respect to their current shareholding positions may be close to zero.

(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, 2021 and 2020, was $20.47 and $19.91, 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
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, 2021 there were no changes in the number of entities included in the consolidated financial statements (see Note 6), 15 entities at the beginning and 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 Company´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.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Interest rate benchmark reform-

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the conditions described as follows are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

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. At the 2021 year-end, there has been no confirmation from the banks regarding any change derived from the 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 JF54 and interest derivatives are recorded to the aircraft fuel line and finance income (loss), respectively, in the consolidated statements of profit or loss. During 2021 the Company had no DFI on JF54.

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.

Hedges directly affected by interest rate benchmark reform-

The Company has adopted the Phase 2 Amendments and retrospectively applied them from January 1, 2021 (see Note 4).

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of the InterBank Offered Rates ("IBOR") reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company amends the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform (as defined in this same Note). For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Company amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognized.

The Company amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Company first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Company amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Company deems that the hedging reserve recognized in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

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.

From January 1, 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform (see Note 3(c)), the Company remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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, insurances 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 *Interest Rate Benchmark Reform – Phase 2* (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from January 1, 2021.

The Company applied the Phase 2 Amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 Amendments, the Company has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Company had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as of December 31, 2020, there is no impact on opening equity balances, as a result of retrospective application.

Specific policies applicable from January 1, 2021 for interest rate benchmark reform

The Phase 2 Amendments provide practical relief from certain requirements in IFRS Standards.

These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate. If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 Amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Company applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Company amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

The details of the accounting policies are disclosed in Note 3(c) and 3(f). See also Note 27 for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR 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, 2021 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 does not have onerous contracts at December 31, 2021.

B. *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Company will not have any change regarding this matter.

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)
- *Annual Improvements to IFRS Standards 2018 - 2020*
- *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*
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2)
- *Definition of Accounting Estimates* (Amendments to IAS 8)

(5) Determination of fair values-

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

(a) Property-

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

(b) Derivative securities-

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

(c) Non-derivative financial liabilities-

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

(In thousands of Mexican pesos)

(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.

(e) Share based payment-

The fair value of shares based payments granted to key management personnel is determined by reference of public 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 % 2021	2020
Fully consolidated subsidiaries:				
a Aerolitoral, S. A. de C. V. ("Aerolitoral") (1)	Air transportation services for passenger, goods and cargo	Mexico	99.99	99.99
b Inmobiliaria Avenida Fuerza Aérea Mexicana 416, S. A. de C. V.	Real Estate	Mexico	99.99	99.99
c Inmobiliaria Boulevard Aeropuerto 161, S. A. de C. V.	Real Estate	Mexico	99.99	99.99
d Operadora de Franquicias y Productos Aéreos, S. A. de C. V. ("Operadora")	Trading of franchise system	México	99.99	99.99

(In thousands of Mexican pesos)

Subsidiary	Principal activity	Country of incorporation	Ownership interest % 2021	2020
e 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
f Aerosys, S. A. de C. V.	Management of investment in shares	Mexico	50.01	50.01
g Fundación Aeroméxico, A. C.	Obtainig support and assisting in several altruist causes	Mexico	99.99	99.99
h Centro de Capacitación Alas de América, S. A. de C. V.	Aircraft crew training	Mexico	99.99	99.99
i Administradora Especializada en Negocios, S. A. de C. V. ("Adensa")	Ground handling services	México	99.99	99.99
j Estrategias Especializadas en Negocios, S. A. de C. V. ("Esensa")	Ground handling services	México	50	50
k Aerovías Empresa de Cargo, S. A. de C. V.	Air cargo services	México	100	100
l Fideicomiso Aeromexico Servicios	Equipment lease	México	100	100
m Fideicomiso F/1748	Administration	México	100	100
n 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 2021 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. He is currently a member of the board of directors of several companies, including one of the most important energy companies in the USA that is currently listed on the New York Stock Exchange.
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, 2021 and 2020, the aggregate compensation paid by theCompany to its directors and members of senior management, was approximately $53,288 and $40,268, respectively, which correspond to their base compensation.

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2021 and 2020 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

		2021	2020
Income			
Tickets reward (5)	$	919,815	816,301
Trademark maintenance (3)		395,777	323,547
Joint cooperation agreement, net (10)		-	22,488
Interest income (4)		4,016	187
Premier lounges (5) and (10)		18,011	15,930
Other services (1), (5), (6), (7), (10) and (11)		18,583	12,983
Administrative fee (4), (5), (7) and (12)		7,838	8,296
Leasing (5) and (7)		3,476	3,346
Marketing (5)		18,012	27,393
		1,385,528	1,230,471
Expenses			
Purchase of Premier Points and Sky Miles (5) and (10)	$	1,038,486	739,820
Fuel (10)		385,223	161,806
Ramp services, net (10) and (12)		221,422	88,263
Interline (10)		613,580	370,906
Corporate royalties (3)		573,550	383,893
Administrative services (1), (2) and (7)		107,301	109,295
Maintenance (6) and (10) (a)		35	10,614
Cost of frequent passenger redemptions (5) and (10)		17,572	15,605
Freight handling (5) and (10)		18,306	16,773
Fees (4)		18,406	71,492
Interest expense (1), (2), (3), (4), (5), (7) and (8)		782,133	420,084
Other personnel expenses (10)		7,556	38,274
Related parties fees expenses, net reimbursement (3)		568,875	424,517
	$	4,352,445	2,851,342

(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)

(a) In addition, the Company received maintenance services, which based on the respective accounting policies, were capitalized for \$494,268 and \$346,065 in 2021 and 2020, respectively.

ii. ***Outstanding balance***

Balances due from and due to related parties as of December 31, 2021 and 2020 are as shown in the next page.

(In thousands of Mexican pesos)

		2021	2020
Due from:			
MRO	$	9,614	10,070
Fideicomiso SEAT		-	84,679
Loyalty		490	490
Delta		-	17,640
	$	10,104	112,879
Due to:			
Grupo Aeroméxico	$	7,336,732	5,149,983
PLM (1)		435,332	352,881
Servicios Corporativos		2,733	7,619
Premium		617,520	600,632
T2		30	6,597
Aeromexpress		144,044	130,312
ISRC		34,915	26,734
AM BD		183	183
Delta		431	-
Total current		8,571,920	6,274,941
PLM – non-current (1)		1,123,936	1,810,109
	$	9,695,856	8,085,050

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)

		2021	2020
Passengers	$	37,127,519	21,001,517
Ancillaries		2,708,106	1,975,640
	$	39,835,625	22,977,157

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, 2021 and 2020, the Company recognized approximately $1,113,604 and $3,646,889, 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:

		2021	2020
Mexico	$	20,788,291	11,910,857
North, Central and South America		17,428,299	9,655,824
Europe and Asia		7,245,300	6,956,335
	$	45,461,890	28,523,016

(In thousands of Mexican pesos)

(10) Cash and cash equivalents-

		2021	2020
Bank balances	$	5,991,492	4,735,588
Call deposits		128,297	13,178
Cash and cash equivalents	$	6,119,789	4,748,766

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, 2021 and 2020, the Company has restricted cash amounting to $658,529 and $744,440, 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-

		2021	2020
Financial assets	$	-	37,617
Non-current derivatives (liabilities)		(23,329)	(596,423)

As of December 31, 2020, the Company held investments securities denominated in Mexican pesos, with initial maturity of more than 90 days, corporate fixed rate type, which have been classified as financial assets designated at fair value through profit or loss upon initial recognition.

As of December 31, 2021 and 2020 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. 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, insurances and fuel prepayments.

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

		2021	2020
Advances for fleet renewal (1)	$	1,249,062	5,168,671
Deposits:			
For the lease of aircraft and engines		823,320	1,585,384
With airport groups		358,313	318,803
Maintenance deposits		144,825	7,688,446
Other		531,960	369,865
		3,107,480	15,131,169
Impairment (2)		(66,687)	(10,476,476)
	$	3,040,793	4,654,693

(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.

(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. For the year ended December 31, 2021, $1,154,880 impairment losses previously recorded were reversed.

(In thousands of Mexican pesos)

(13) Inventories-

Inventories as of December 31, 2021 and 2020 are comprised as follows:

		2021	2020
Spare parts and accessories (1)	$	1,685,157	1,521,854
Miscellaneous supplies		181,227	114,901
		1,866,384	1,636,755
Impairment (2)		(277,143)	(277,143)
	$	1,589,241	1,359,612

The inventories are presented net realizable value. Total write downs in 2021 and 2020 were of $143,955 and $156,553, respectively.

(1) During 2021 and 2020 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, 2021 and 2020 consist as follows:

		2021	2020
Airlines and travel agencies	$	205,014	66,022
Credit cards and customers (1)		2,313,328	2,244,575
Recoverable taxes		1,323,485	1,445,740
Other		244,582	256,798
Carried forward	$	4,086,409	4,013,135

(In thousands of Mexican pesos)

		2021	2020
Brought forward	$	4,086,409	4,013,135
Less allowance for doubtful accounts		(186,209)	(404,392)
Net current accounts receivable		3,900,200	3,608,743
Long-term account receivable (2)		-	2,417,339
Less impairment for long-term account receivable (3)		-	(2,416,690)
Net non-current accounts receivable		-	649
Total accounts receivable	$	3,900,200	3,609,392

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, 2021 and 2020 comprise the following:

Cost or deemed cost	Right-of-use (1) Flight equipment under finance leases	Right-of-use (1) Flight and other equipment under 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, 2021	$ 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
Additions	533,800	24,145,607	1,263,181	730,209	119,751	85,011	15,048	2,399	9,619	-	86,147	3,496	24,538	(26,825)	-	26,991,981
Disposals	(19,409,237)	(12,280,808)	(3,833,784)	(730,209)	(92,072)	(348,592)	(33,832)	(52,767)	(5,015)	(3,950)	(3,442)	(290)	(4)	(2,234)	(745)	(36,796,981)
Transfers	-	-	-	-	-	21,534	(104)	-	35	-	-	-	(35)	(21,430)	-	-
Effect of movements in exchange rates	(1,442,060)	80,348	101,727	51,731	22,392	9,611	5,281	19,223	3,437	338	1,553	1,902	1,290	(3,885)	(596)	(1,147,708)
Balance as of December 31, 2021	$ 12,006,285	45,179,015	9,324,489	2,918,445	1,604,235	1,214,630	979,953	1,773,311	546,042	344,820	302,533	181,982	508,462	88,923	169,402	77,142,537
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
Depreciation																
Balance as of January 1, 2021	$ 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
Depreciation for the year	1,021,815	5,845,764	1,752,952	129,574	87,747	189,854	50,802	187,002	34,038	8,198	20,600	16,547	28,029	-	-	9,372,922
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	(4,538,459)	(5,834,840)	(3,622,194)	(25,542)	(26,770)	(337,724)	(31,016)	(52,767)	(4,522)	(2,537)	(2,176)	(243)	(4)	-	-	(14,478,794)
Balance as of December 31, 2021	$ 3,732,331	12,323,503	5,850,265	1,104,147	673,531	712,423	799,346	1,186,238	461,347	209,437	143,124	128,449	413,001	-	-	27,737,142
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
Carrying amounts																
As of December 31, 2021	$ 8,273,954	32,855,512	3,474,224	1,814,298	930,704	502,207	180,607	587,083	84,695	135,383	159,409	53,533	95,461	88,923	169,402	49,405,395
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

(1) Total right-of-use net carrying amount for $41,129,466 and $45,996,096 in 2021 and 2020, 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 2021 include two Boeing B787-8 airplanes (same number in 2020), with last maturing in 2027; nine Boeing B737 NG airplanes (same number in 2020), which last one will mature in 2025, and one flight simulator for the Boeing B-737 MAX maturing in 2029 (same number in 2020). Additionally, as of December 31, 2021 five Boeing B787-9 under JOLCO (Japanese Operating Lease with Call Option) financing and ten Embraer EMB-190 airplanes, all of them previously included as finance leases, modified their conditions to now be considered as operating leases. The finance lease matures previously referred-to, are based on the terms agreed on with the lessors, as part of the negotiations under the Chapter 11 financial restructuring.

The leased equipment secures lease obligations. At 31 December 2020, the net carrying amount of leased equipment was $8,273,955 (2020: $25,074,807). During the year, the Company acquired leased assets of $533,800 (2020: $39,545). For our commitments with regards to future payments of finance leases see Note 21.

Property and equipment under construction-

As of December 31, 2021 and 2020 the estimated costs to conclude projects and work in progress amount to $84,325 and $114,446, respectively.

Impairment loss and subsequent reversal

As of December 31, 2021 and 2020 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 12 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 $32,855,512 and $20,921,288 in 2021 and 2020, 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 (including also Power by the Hour ("PBH") leases for flight equipment – see Note 16 B ii) during the years ended December 31, 2021 and 2020 are as follows:

		2021	2020
Aircraft leasing	$	3,446,545	1,640,978
Real estate		66,887	45,555
	$	3,513,432	1,686,533

iii. Leases conditions-

Main operating leases are as follows:

(a) In 2021, the Company leased 118 aircraft and 36 engines (2020: 77 aircraft and 18 engines) with different terms, with the last expiring in 2033. In some cases, at the end of the contract, there is a purchase option at market value and in others an option to extend the leasing term.

During 2021 and 2020, the Group 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 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, 2021, the Group is finalizing negotiations with all its lessors under its voluntary financial restructuring process under Chapter 11 (see Note 21).

(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 $789,634 and $3,744,749 in 2021 and 2020, 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.

iii. Restructured lease agreements-

During 2021 the Company restructured all its lease agreements and received approval by the Bankruptcy Court to modify the majority of its existing aircraft equipment leases with improved technical and commercial conditions and in some cases with a longer term (see Note 32).

(In thousands of Mexican pesos)

(17) Intangible assets-

		Software	Fiduciary Rights (1)	Total
Cost				
Balance as of January 1, 2021	$	1,425,293	1,271,126	2,696,419
Additions		91,023	-	91,023
Disposals		(327,125)	-	(327,125)
Functional currency		11,542	18,750	30,292
Balance as of December 31, 2021	$	1,200,733	1,289,876	2,490,609
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
Amortization				
Balance as of January 1, 2021	$	978,656	-	978,656
Additions		138,780	-	138,780
Disposals		(327,145)	-	(327,145)
Balance as of December 31, 2021	$	790,291	-	790,291
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

(In thousands of Mexican pesos)

		Software	Fiduciary Rights (2)	Total
Impairment				
Balance as of January 1, 2021	$	-	188,460	188,460
Impairment for the year		-	-	-
Balance as of December 31, 2021	$	-	188,460	188,460
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, 2021	$	410,442	1,101,416	1,511,858
As of December, 2020	$	446,637	1,082,666	1,529,303

(1) Corresponds to the rights received for the former Company'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", 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, including a decline in the fair value of corporate office buildings.

(18) Investments in equity accounted investees-

Investment in equity accounted investees as of December 31, 2021 and 2020 is comprised of the Company's interest in one associate, Aeromexpress (ceased regular operations). The following table analyses, in aggregate, the carrying amount of this associate:

	%		2021	2020
Carrying amount of interest in associate at beginning of the year	50.00	$	-	179,391
Share of gain			-	6,918
Impairment			-	(186,308)
Balance end of year		$	-	-

(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, 2021 and 2020 is as follows:

		2021	2020
Current tax expense	$	64,884	61,338
Deferred tax expense		(1,588,586)	(732,692)
Total income tax expense (benefit)	$	(1,523,702)	(671,354)

(a) Reconciliation of effective tax rate:

	2021		2020	
	%	$	%	$
Loss for the year		(15,997,107)		(42,340,709)
Total income tax expense	(9%)	(1,523,702)	(2%)	(671,354)
Loss, excluding income tax		(17,520,809)		(43,012,063)
Income tax using the Company's domestic tax rate	(30%)	(5,256,243)	(30%)	(12,903,619)
Non-deductible expenses	2%	376,476	1%	390,164
Inflation effect	-	(82,675)		
De-recognition of deferred tax assets (previously recognized) (1)	17%	3,048,537	26%	11,313,054
Others, mainly differences in exchange rates for income taxes	2%	390,203	1%	529,047
	(9%)	(1,523,702)	(2%)	(671,354)

(In thousands of Mexican pesos)

(1) This effect relates to the de-recognition of net operating losses ("NOL's") that were previously recognized since the Company deemed that such NOL's might not be currently recoverable.

(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, 2021 and 2020 are presented as follows:

		2021	2020
Deferred tax assets:			
Allowance for doubtful accounts	$	46,390	111,832
Accruals		1,100,243	1,647,113
Air traffic liability		2,943,946	1,910,277
Finance leases		11,014,025	11,187,978
Net operating losses carry forwards			1,353,678
Advances from customers		353,963	527,895
Employee benefits		989,427	1,058,401
Other provisions (mainly leased aircraft returns)		1,957,190	1,818,670
Deferred tax assets		18,405,184	19,615,844
Deferred tax liabilities:			
Inventories		558,558	488,260
Property and equipment, including right-of-use		10,780,344	11,306,295
Prepaid expenses		182,031	118,370
Amortizable expenses		976,894	3,576,154
Others		281,008	-
Deferred tax liabilities		12,778,835	15,489,079
Net deferred tax assets, recorded in the statements of financial position	$	5,626,349	4,126,765

(In thousands of Mexican pesos)

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

As of December 31, 2021, operating tax loss carry forwards, expire as follows:

Year	Inflation adjusted through December 31, 2021
2022	$ 280,972
2023	1,754,979
2024	2,594,817
2025	2,580,422
2026	2,494,127
2027	1,556,295
2028	3,351,166
2029	3,455,231
2030	10,564,375
2031	3,495,317

(b) Movement in temporary differences during the year-

	January 1, 2021	Recognized in income	Recognized in equity	December 31, 2021
Property and equipment (includes right of use)	$ (11,306,295)	525,951	-	(10,780,344)
Intangible assets	(3,694,524)	2,535,598	-	(1,158,926)
Inventories	(488,260)	(70,298)	-	(558,558)
Air traffic liability	1,910,277	1,033,669	-	2,943,946
Lease liabilities	11,187,978	(173,953)	-	11,014,025
Provisions	2,705,515	(1,716,088)	-	989,427
Other items (including tax loss carry- forwards)	3,812,074	(546,293)	(89,002)	3,176,779
	$ 4,126,765	1,588,586	(89,002)	5,626,349

(In thousands of Mexican pesos)

	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

(21) Loans and borrowings-

The features of the loans and borrowings (including leases) comprising this caption and guarantees as at December 31, 2021 and 2020 are described as follows:

Thousands of $	Currency	Nominal interest rate	Year of maturity	2021	2020
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	$4,615,154	$4,489,218
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	5,156,119	5,160,158
Prepayments on aircraft purchase rights	US$	*LIBOR rate plus 300 basis points*	2020	-	667,761
Loan (6)	US$	*Fixed annual rate 5.62%*	2022	-	86,563
Loans guaranteed by the Ex-Im Bank in the USA	US$	*Fixed annual rate between 0.97% and 1.03% (LIBOR rate plus 60 to 65 basis points in 2020)*	2023	98,550	95,862

(In thousands of Mexican pesos)

Thousands of $	Currency	Nominal interest rate	Year of maturity	2021	2020
Loan (6)	$	*TIIE rate plus 253 basis points*	2021	-	180,000
Loans guaranteed by the Export Credit Agency in Germany (6)	US$	*LIBOR rate plus 150 basis points*	2024	-	508,305
Loans guaranteed by the Ex-Im Bank in the USA	US$	*Fixed annual rate 2.34% (Mexican pesos denominated loan and TIIE rate plus 50 basis points in 2020)*	2023	115,947	112,961
Loans guaranteed by the Ex-Im Bank in the USA	US$	*Fixed annual rate 2.33% (Mexican pesos denominated loan and TIIE rate plus 35 basis points in 2020)*	2022	378,380	384,385
Prepayments on aircraft purchase rights (6)	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) (6)	US$	*Fixed annual rate 7.00%*	2025	-	7,963,480
Line of credit guaranteed by the collection of BSP and credit card sales in the USA (2)	US$	*LIBOR rate plus 350 basis points*	2023	1,397,900	121,913
Total Loans				**11,762,050**	**21,002,586**
Financial leasing of flight and other equipments (JOLCO) (7)	US$	*Fixed annual rates between 3.78% to 4.75%*	2029	-	12,038,663
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	2,254,483	2,192,962
Financial leasing of flight and other equipment, guaranteed by the BNDES (Banco Nacional de Desenvolvimento Economico e Social) (1) (7)	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
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%*	2027	1,143,559	1,112,353

(In thousands of Mexican pesos)

Thousands of $	Currency	Nominal interest rate	Year of maturity	2021	2020
Financial leasing of flight and other equipments, guaranteed by the Ex-Im Bank in the United States of America (1) (3)	US$	*Fixed annual rate 1.37% (Mexican pesos denominated loan and TIIE rate plus 65 basis points in 2020)*	2026	731,610	702,445
Finance leases of flight equipment	US$	*Fixed annual rates between 3.16% to 3.57%*	2022	381,713	365,823
Financial lease of flight simulator	US$	*Fixed annual rate of 6.88%*	2029	204,381	198,804
Total Financial Leasing				**4,715,746**	**18,548,446**
Lease Liabilities (IFRS 16)				**36,703,307**	**25,217,221**
Total Lease Liabilities				**41,419,053**	**43,765,667**
Total Loans and Borrowings				**53,181,103**	**64,768,253**
Total Prepaid Expenses				**-**	**(537,884)**
Total Net Loans and Borrowings				**53,181,103**	**64,230,369**
Less current installments of financial debt				(4,359,114)	(29,794,398)
Less current installments of leases				(11,873,832)	(25,217,221)
Current installments of prepaid expenses				-	132,329
Net current installments of Loans and Borrowings				**(16,232,946)**	**(54,879,290)**
Non–current debt				36,948,157	9,756,634
Non-current installments of prepaid expenses				-	(405,555)
Net non–current Loans and Borrowings				**$36,948,157**	**$9,351,079**

(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, 2021 and 2020, 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.

(6) For the year ended December 31, 2021, $10,244,976 in total has been identified and reclassified as a current general unsecured claim liability, as part of actions taken under Chapter 11 financial restructure (see Note 23), which was recognized as of such date at amortized cost.

(7) As part of the Chapter 11 financial restructuring in 2021, $14,368,128 previously attached to finance leases of flight equipment were transformed and recognized as lease liabilities, as a result of the new negotiated contracts with the Company's lessors.

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

All the loans had installments throughout the year. As of December 31, 2021, future maturities of loans and borrowings, net of prepaid expenses are as follows:

Year		Loans	Financial leasing	Leases	Total
Current – 2022	$	4,359,114	1,112,609	10,761,223	16,232,946
Non-current:					
2023		3,655,623	694,675	3,157,038	7,507,336
2024		2,694,009	709,812	3,532,613	6,936,434
2025		1,053,304	725,292	3,340,467	5,119,063
2026		-	624,307	3,297,156	3,921,463
2027 and thereafter		-	849,051	12,614,810	13,463,861
Total non-current		7,402,936	3,603,137	25,942,084	36,948,157
Total loans and borrowings	$	11,762,050	4,715,746	36,703,307	53,181,103

(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, 2021	$	39,013,148	25,217,221	64,230,369
Proceeds for loans and borrowings		1,260,522	-	1,260,522
Repayments of borrowings		-	(789,634)	(789,634)
Total changes from financing cash flows		1,260,522	(789,634)	470,888
Reclassification of loans and borrowings to general unsecured claims liability		(10,244,976)	-	(10,244,976)
Reclassification of finance leases included in loans and borrowings to lease liabilities		(14,368,128)	-	(14,368,128)
Decrease of loans and borrowings due to new fleet arrangements with lessors		(667,773)	-	(667,773)
Interest and other fees capitalized		5,628	-	5,628
Effects of changes in foreign exchange rates		1,479,374	234,126	1,713,500
Other changes –				
New leases		-	12,041,594	12,041,594
Interest expense		850,243	487,206	1,337,449
Interest paid		(913,952)	(370,894)	(1,284,846)
Other interest accrued (reversed), net		63,710	(116,312)	(52,602)
Balance December 31, 2021	$	16,477,796	36,703,307	53,181,103

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 $343,907 and $254,224 as of December 31, 2021 and 2020, respectively, included in the total employee benefits balances as of the same dates.

(a) Composition of plan assets-

		2021	2020
Equity securities	$	786	765
Government bonds		12,052	11,242
	$	12,838	12,007

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

		2021	2020
Defined benefit obligations as of January 1	$	4,101,808	4,197,089
Benefits paid by the plan		(451,640)	(347,023)
Current service costs		246,756	116,087
Personnel transfer cost		(372)	-
Interest cost		275,184	283,484
Curtailment gain		864	807
		4,172,600	4,250,444
Actuarial losses/(gains) recognized in other comprehensive income:			
Financial assumptions		(189,044)	(8,823)
Demographic assumptions		4,080	2,114
Experience adjustments		(111,743)	(141,927)
Defined benefit obligations as of December 31	$	3,875,893	4,101,808

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

		2021	2020
Fair value of plan assets as of January 1	$	12,008	11,208
Actual return on plan assets		830	799
Fair value of plan assets as of December 31	$	12,838	12,007

(In thousands of Mexican pesos)

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

		2021	2020
Cumulative amount as of January 1	$	(163,256)	(311,890)
Transfer of personnel		1,873	-
Recognized during the year (1)		296,673	148,631
Cumulative amount as of December 31	$	135,290	(163,259)

(1) The effects in other comprehensive income is presented net of tax of ($89,001) and ($42,162) in 2021 and 2020, respectively.

(e) Actuarial assumptions-

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

	2021	2020
Expected rate of return on plan assets	7.90%	7.20%
Discount rate	7.90%	7.20%
Rate of compensation increase	4.54%	4.54%
Remaining average labor life (over benefit obligations)	13 years	13 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, 2021:

		Increase	Decrease
Discount rate (0.5% movement)	$	(127,518)	135,315
Rate of compensation (0.5% movement)	$	(123,506)	129,987

(In thousands of Mexican pesos)

(23) Provisions-

		Leased aircraft returns	Employees' restructure (2)	Litigations	Total
Balance as of January 1, 2021	$	2,378,156	709,455	143,734	3,231,345
Additions		1,139,723	169,874	12,000	1,321,597
Utilization		(3,863)	(675,713)	(2,044)	(681,620)
Current balance as of December 31, 2021 (1)	$	3,514,016	203,616	153,690	3,871,322
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

In addition, for the year-end December 31, 2021 the Company presents $24,174,154 as a general unsecured claim liability, as a result of reconciling claims against the Company's books and to solve claims disputes. This figure is associated to the PoR described in Note 2 (b) iii, and includes the following items:

Loans and borrowings, including leases and derivatives (4)	$	10,982,605
Settlements aircraft and engine lease agreements (3)		9,517,435
Accounts payable (4)		2,185,217
Settlement unions' CBA (3)		1,488,897
Balance as of December 31, 2021	$	24,174,154

(In thousands of Mexican pesos)

(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) In 2021 and 2020 includes $107,800 and $1,142,940, respectively, of incremental Chapter 11 restructuring costs (see Note 31).

(3) These financial liabilities have been recognized at fair value.

(4) These financial liabilities are stated at amortized cost.

(24) Trade and other payables-

Group trade and other payables are as follows:

		2021	2020
Suppliers	$	13,709,756	19,254,970
Value added tax and other taxes		2,284,289	1,937,117
Salaries and benefits payable		230,405	142,135
Deferred revenue (1)		7,823	31,371
Total current liabilities	$	16,232,273	21,365,593

(1) This contract liability relates to the advance consideration received from customers for which revenue is recognized over time.

(25) Stockholders' equity-

(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 as of December 31, 2021 and 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-*

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, 2021, 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, 2021, The Company has an equity deficit of $52,217,090 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, 2021 was based on the loss of the year of $(15,997,108) (2020: $(42,340,709)), and a weighted average number of ordinary shares outstanding of 1,472 (2020: 547). 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, 2021. The Company uses an allowance matrix to measure the ECLs of trade receivable from individual customers, which comprise a very large number of small balances.

i. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
		2020	**2021**
Cash and cash equivalents	$	6,119,789	4,748,766
Other financial instruments, including derivatives		-	37,617
Trade and other receivables		3,900,200	3,609,392
	$	10,019,989	8,395,775

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

Trade and other receivables-

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

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

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

(In thousands of Mexican pesos)

The maximum exposure to credit risk for trade receivables as of December 31, 2021 and 2020 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 are shown as follows:

		2021		2020	
		Gross	**Impairment**	**Gross**	**Impairment**
Not past due	$	2,166,736	3,444	1,975,359	70,311
Past due between 0-30 days		134,216	8,440	76,242	14,170
Past due between 31-120 days		66,193	13,831	74,694	13,703
Past due for more than one year		151,197	148,422	184,302	184,302
Additional reserve		-	12,072	-	121,906
	$	2,518,342	186,209	2,310,597	404,392

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.

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

		2021	2020
Balance as of January 1	$	404,392	260,869
Impairment (decrease) increase recognized, net		(218,182)	143,523
Balance as of December 31	$	186,209	404,392

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. Due to the situation regarding the Chapter 11 financial restructuring, the Company may face difficulties to meet its short-term liabilities commitments. However, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations (see Note 21).

During 2021 and 2020 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 included the following:

- On 2020, the Bankruptcy Court approved the additional guaranteed financing known as DIP Financing to Grupo Aeroméxico, up to US$1,000 million. The DIP Financing consisted 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 were used for certain permitted expenses, including certain operating and general corporate expenses, as well as restructuring expenses.

(In thousands of Mexican pesos)

- As part of the PoR, Grupo Aeroméxico will, directly or indirectly, raise approximately US$720 million of new capital and US$762.5 million of new debt ("Exit Financing"), in addition to the equitization of a large portion of the recognized debt under the PoR, submitted for Court approval.

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).

a. ***Exposure to liquidity risk-***

The following are the remaining contractual maturities of financial liabilities at the balance sheet date on December 31, 2021. Carrying amounts are presented net of prepaid expenses and not discounted and include estimated interest payments.

December 31, 2021		Carrying amount	Contractual cash flows	2 or less months	2-12 months	1-2 years	2-5 years	5 years
Loans in USD (Libor - Spred)	$	(6,013,054)	(6,268,324)	(33,100)	(3,129,554)	(1,796,482)	(1,309,188)	-
Loans in USD (Fixed rate)	$	(592,877)	(606,611)	(59,309)	(296,011)	(208,007)	(43,284)	-
Financial Leasing In USD	$	(4,715,746)	(5,093,210)	(341,188)	(711,525)	(798,973)	(2,280,446)	(961,078)
CEBURES – Guaranteed	$	(5,156,119)	(5,841,825)	(57,971)	(1,258,972)	(1,956,763)	(2,568,119)	-
Leases – Liabilities	$	(36,703,307)	(44,180,000)	(1,105,231)	(4,709,320)	(6,784,439)	(16,915,969)	(14,665,041)
Derivatives – Liabilities	$	(23,329)	(23,942)	(11,750)	(12,039)	(22)	(131)	-

(In thousands of Mexican pesos)

(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 2021 and 2020, approximately 69% and 71% of the Company's expenses and 97% and 96%, 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.

Currency risk

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

	2021 USD	2020 USD
Current monetary assets	692,452	650,056
Non-current monetary assets	323,005	381,496
Current monetary liabilities	(816,180)	(737,096)
Non-current monetary liabilities	(435,829)	(526,500)
Net currency risk in the statement of financial position	**(236,552)**	**(232,044)**

(In thousands of Mexican pesos)

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

	Average rate		Reporting date spot rate	
	2021	**2020**	**2021**	**2020**
Mexican Peso	20.27	21.53	20.47	19.91

Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the Mexican peso as of December 31, 2021 and 2020 would have affected profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

		Effect
December 31, 2021		
US Dollar (10% strengthening)	$	(484,152)
December 31, 2020		
US Dollar (10% strengthening)	$	(231,905)

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)	**2021**	**2020**
Annual Consumption (Gal JF54)	297,367	221,616
Derivatives on JF54 (Gal JF54)	-	261,495
Amount Hedged (%)	-	118.0%

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

During 2021 and 2020, the Company had a consumption of 297.4 and 221.6 million gallons of Jet-Fuel which bought at an average price of $2.12 and $1.54 USD/Gal respectively. These prices include transportation and supply surcharges.

During 2020, the Company hedged 100% of its annual Jet-Fuel consumption with financial derivative instruments mostly over JF54, which complied with hedge accounting rules.

Because of capacity cuts, the Company has paused its fuel hedging activity to cover between 40 to 60% of its annual projected fuel consumption for the fiscal years 2022 and 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:

<u>**Changes in JF**</u>	**0.5(+)**	**0.5(-)**	**0.75(+)**	**0.75(-)**
Direct Purchase of JF54	148,684	(148,684)	223,025	(223,025)
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 2021 the Company did not have derivatives on JF54).

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, 2021 and 2020, 32% and 66%, 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, 2021 and 2020 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 2021 and 2020 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, 2021 amounted to $23.3 million came from the following derivatives:

Interest rate *Swaps*

Counterparty		Notional ($)	Rate	Maturity date
Citibanamex	$	2,650 million	7.72%	17/06/2024
BBVA (1)	$	900 million	6.79%	23/09/2022

(1) At the date of presentation of these consolidated financial statements represents the notional value of $900 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, 2021.

	Assets	Liabilities
Short Term		
Investments		
Investment US$	4,666	-
Repo transactions	-	-
(Maturities over 3 months)		
Debt instruments	-	-

		Assets	Liabilities
Debt			
US$ loans			
Libor + Spread	$	-	3,000,765
Financial lease		-	1,112,609
Fixed rate		-	345,534
Loans $			
TIIE + Spread		-	1,012,815
Financial lease		-	-
	$	4,666	5,471,723

		Assets	Liabilities
Long Term			
Debt			
US$ loans			
Libor + Spread	$	-	3,012,289
Fixed rate		-	247,343
Financial lease		-	3,603,137
MX loans $			
TIIE + Spread		-	4,143,304
Financial lease		-	-
	$	-	11,006,073

The following table represents the risk position for the Company as of December 31, 2021 and 2020 corresponding to the derivative rate financial instruments (amounts in thousands of Mexican pesos):

	Notional Amount	
	2021	2020
Derivative Financial Instruments		
Fixed rate instruments		
Interest rate Swaps	(5,448,987)	(6,924,287)

(In thousands of Mexican pesos)

	Notional Amount	
	2021	**2020**
Variable rate instruments		
Interest rate Swaps	5,448,987	6,924,287
	=======	=======

Hedge instruments-

As of December 31, 2021, the Company had interest rate swaps instruments to cover Libor rate and temporarily cancelled its call spread options to cover the 2022 exposure for its fuel purchases. For more information in connection with these instruments, see Note 3(c) 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 increased by 125 BP in 2021, going from 4.25 to 5.50%. Along the same lines, the FED increased the rate of reference in 25 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:

		2021		2020	
		+50 BP	**-50 BP**	**+50 BP**	**-50 BP**
Loans in US$ Libor + Spread	$	1,444	(1,444)	38,988	(38,988)
		=====	=====	=====	=====
		+50 BP	**-50 BP**	**+50 BP**	**-50 BP**
Loans in $ TIIE + Spread	$	26,108	(26,108)	32,602	(32,602)
		=====	=====	=====	=====

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	$ (12,289)	19,274	(19,526)
LIBOR Interest rate Swaps	$ (61,233)	27,830	(28,393)

(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, 2021 and 2020, 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, 2021 and 2020, respectively.

Financial liabilities at fair value

As of December 31, 2021

	Note		Other interest Rate swaps
Book value:			
Fair value for hedging instruments	11	$	23,329
Fair value:			
Level 1		$	-
Level 2			23,329
Level 3			-
Total		**$**	**23,329**

(In thousands of Mexican pesos)

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**

Loans and borrowings not carried out at fair value

As of December 31, 2021

	Nota		Loans in USD (Libor - Spred)	Loans in $ (TIIE - Spread)	Loans in USD (Fixed rate)	Loans in $ (Fixed rate)	Financial leasing of flight equipment in $	Financial leasing of flight equipment in USD
Book value:								
Loans and borrowings	21	$	6,013,054	5,156,119,	592,877	-	-	4,715,746
Fair value:								
Level 1		$	-	-	-	-	-	-
Level 2			5,410,695	4,270,984	441,351	-	-	3,636,923
Level 3			-	-	-	-	-	-
Total		**$**	**5,410,695**	**4,270,984**	**441,351**	-	-	**3,636,923**

(In thousands of Mexican pesos)

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)	Financial leasing of flight equipment in $	Financial 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**

For 2020 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.

(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.

Financial instruments not measured at fair value:

Type	Valuation technique
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.

b. Transfers between Levels 1 and 2

There were no transfers from Level 2 to Level 1 in 2021 and no transfers in either direction in 2020.

iii. Level 3 fair values

The Company did not present any of the fair values of its financial instruments as Level 3 during 2021 and 2020.

(In thousands of Mexican pesos)

(28) Other income (expenses)-

		2021	2020
Other income:			
Net gain from sale of property and equipment/obsolete material	$	109,851	-
Taxes recoveries		13,976	248
Leases recoveries		60,071	68,201
Credit notes from suppliers		80,090	-
Other		36,943	77,096
Total other income		300,931	145,545
Other expenses:			
Labor and other contingencies		12,000	13,899
Net loss from sale of property and equipment/obsolete material		-	33,542
Related parties commission expenses, net reimbursement		568,875	424,517
Other		-	144,092
Total other expenses		580,875	616,050
Other expenses, net	$	(279,944)	(470,505)

(29) Wages, salaries and benefits-

		2021	2020
Wages and salaries	$	8,297,839	8,465,668
Compulsory social security contributions		1,409,260	1,380,723
Expenses related to defined benefit plans		246,756	116,087
	$	9,953,855	9,962,478

(In thousands of Mexican pesos)

(30) Finance income and finance costs-

		2021	2020
Interest income on bank deposits and other investments	$	86,236	92,329
Other financial income		12,065	-
Derivative financial income		311,008	-
Net foreign exchange gain		-	20,621
Finance income		409,309	112,950
Interest expense on financial liabilities		850,243	1,858,613
Letters of credit commissions		-	503,721
Credit card commissions (a)		1,097,474	579,298
Lease interest		487,206	867,492
Interest on employee obligation		275,184	283,455
Derivative financial loss		-	2,698,433
Bank fees		457,729	235,120
Interest paid to related parties		782,133	420,084
Other financial costs		301,136	273,381
Net foreign exchange loss		250,556	-
Finance costs		4,501,661	7,719,597
Net finance cost recognized in profit and loss	$	(4,092,352)	(7,606,647)
Derivative financial instruments reserve recognized in other comprehensive income	$	-	818,689

(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.

(In thousands of Mexican pesos)

(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, 2021 and 2020 consist of the following:

		2021	2020
Employees restructuring plan	$	460,830	1,139,965
Leased aircraft incremental return cost		-	2,781,877
Accelerated depreciation and amortization expense for anticipated aircraft return		-	1,041,359
(Gain) loss for rejected flight equipment and other leased aircraft restructuring effects		(128,949)	427,969
Accounts receivable / payable reconciliation effects		265,320	-
Professional fees associated to Chapter 11 advisors		3,661,154	1,267,573
General unsecured claim settlements		9,040,588	-
Credit due to lease liabilities cancellation		(4,342,052)	(2,837,505)
Net special restructuring cost recognized in profit and loss as operating expenses	$	8,956,891	3,821,238

Employees restructuring plan provisions

As a result of COVID-19, the Company undertook a workforce reduction since April 2020, expected to continue until 2022, achieved through layoffs, terminations of employment, early retirements and special leaves. A workforce reduction provision in 2021 of $107.8 million (2020: $1,142.9 million) was recorded related to these measures. Payments of $676 million have been made to the end of the year 2021 (2020: $557 million). 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. In 2021 additional one-off employees' costs were also recognized for $353 million.

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. In 2021 after the corresponding negotiations with lessors took place, a credit of $128.9 was recorded reflecting the results of the final agreements agreed on until the year-end.

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.

General unsecured claim settlements

As explained in Note 23, as part of the PoR the Company recognized $9,040 million (at its expected value) different claims promoted by different claimants for the year ended December 31, 2021. This estimated expense represents the expected value of the general unsecured claim settlements based upon the anticipated distributions under the proposed PoR. This additional estimate is the result of the process of reconciling different claims received against the Company's books and to solve claims disputes, after such the Company was able to make a reliable estimate of the final claims pool in terms of the expected value of such claims. The main items refer to lessors and employees' unions claims.

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 in 2021 for $4,342 million (2020: $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, which was partially reversed in the year 2021 for $1,154.8 million.

(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, 2021, the Company has the following significant contingencies and commitments:

Contingencies:

a. There are labor lawsuits in process for approximately $235.7 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 $153.7 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.

As of the issuance of these financial consolidated statements, as a subsequent event, on March 28, 2022, the District Court resolved this case nullifying the resolution issued by COFECE and ordering to issue a new one excluding the proofs considered illegal by the Court. By this means, such Court resolution cancels the fines imposed by COFECE against Aeroméxico.

Notwithstanding the before, COFECE still has the chance to challenge the Court resolution within the next 10 days through a petition for review (*"recurso de revisión"*).

Considering the nature of these type of trials, it is highly probable that COFECE would challenge the Court resolution.

c. 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 as part of its financial restructuring process, renegotiated the contracts related to the fleet renewal, reaching the following agreements as of December 31, 2021:

(i) Acquisition from manufacturer (since 2018 until 2022) up to twenty-six firm deliveries of Boeing 737 MAX narrow body aircraft and six Boeing B787-9; as of December 31, 2021, seventeen B737 MAX and the six B787-9 have been already incorporated to the fleet. The above figures referred-to, may be delayed or adjusted depending on the Boeing delivery program. These commitments would be fully financed through the schemes described in the following paragraph.

(ii) All 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. The corresponding commitments for the future fleet incorporation are based on the compliance of the lessors who would purchase the aircraft on the future.

(iii) During the Chapter 11 financial restructuring process the Company has been following on, additional operational leases for twenty-five new B737 MAX and four new B787-9 with deliveries up to 2023. As of December 31, 2021, ten B737 MAX have been already incorporated to the fleet, for periods between 9 to 12 years.

(iv) As of December 31, 2021, the Company took the decision to reject at the beginning of 2022, five Embraer EMB190, since the business plan does not support the operational needs of such aircraft within the fleet for a longer period.

(33) Subsequent events-

As of May 3, 2022, date of issuance of these consolidated financial statements, the most significant subsequent events in regard to the December 31, 2021 consolidated financial statements and for the year then ended are as follows:

a) Uncertainty in fuel prices consumed by the Company. As of May 3, 2022, the price reached 3.94 dollars per gallon, and at December 31, 2021, was 2.41 dollars per gallon, and the average in 2021 was 2.12 dollars per gallon.

b) As of May 3, 2022 the exchange rate of the peso against the dollar was $20.41 while at December 31, 2021 was $20.47, and the average in 2021 was $21.01 per US$.

c) On January 11, 2022 Grupo Aeroméxico informed the solicitation process of votes on the PoR concluded on January 7, 2022, with strong creditor support throughout the Group's debt structure. Votes on account of claims totaling approximately US$2,680 million were submitted, of which approximately 86% (or the equivalent of approximately US$2,300 million) in votes were submitted in favor the PoR, thus this same day, a formal certification of the votes was filed with the Bankruptcy Court, by the Court-approved solicitation and claims agent, which provided that Grupo Aeroméxico and each of its subsidiaries, except Aerovías Empresa de Cargo, S. A. de C. V. ("Cargo")—a subsidiary with less than US$2 million in claims in the aggregate—, obtained the required affirmative votes in favor of the PoR. The Debtors believe that certain votes were improperly cast at Cargo, and the outcome of that vote will ultimately be determined at an upcoming hearing before the Bankruptcy Court on the Grupo Aeroméxico's motion to enforce certain court-approved PoR support provisions.

On January 21, 2022 Grupo Aeroméxico informed that the Bankruptcy Court announced that it will enter an order granting the Group's motion to enforce a Court order requiring certain parties to vote their claims to accept the Group's PoR. As a result, all eight classes of creditors entitled to vote on the PoR (including the unsecured creditors of Cargo) have voted to accept the PoR, with approximately 88% by amount of claims voting in favor (previously, seven of the eight classes, totaling approximately 86% by amount of claims as explained in the previous paragraph) had voted to accept the PoR.

The Court hearing to consider confirmation of the PoR is scheduled to begin on January 27, 2022.

d) On January 28, 2022 Grupo Aeroméxico informed that the hearing to consider confirmation of the PoR of Grupo Aeroméxico and its subsidiaries that are debtors in the Group's Chapter 11 voluntary financial restructuring process has successfully concluded, and the Bankruptcy Court formally announced that it has confirmed the PoR. On March 17, 2022 (the "Effective Date"), the Company emerged from Chapter 11 and the PoR of the Company became effective.

e) On February 8, 2022 Grupo Aeroméxico informed that it, together with its subsidiary Aeroméxico, has entered into a binding letter of intent ("Binding LOI") with Aimia Holdings UK Limited and Aimia Holdings UK II Limited (jointly, "Aimia"), to assume full control of the "Club Premier" ("PLM") loyalty program in a transaction through which Grupo Aeroméxico will become the sole owner and operator of PLM. Upon closing of the transaction, PLM will become a wholly-owned subsidiary of Grupo Aeroméxico (through Aeroméxico) ("Transaction").

Entry into the Binding LOI is part of Grupo Aeroméxico's PoR that was confirmed by the Bankruptcy Court on January 28, 2022. The parties under the Binding LOI will prepare and execute the definitive agreements for the Transaction, reflecting the terms and conditions of the Binding LOI (the "Definitive Agreement"), which Definitive Agreement will be subject to customary closing conditions, including, among others, consummation of the PoR on its Effective Date and approval of the Transaction by the Mexican antitrust authorities. The Transaction is expected to close within six months of the Bankruptcy Court's order, entered on February 4, 2022, confirming the PoR.

f) As part of the emerging effects of Chapter 11, the Company recorded in its results for the first quarter of 2022, $2,573 million of general unsecured claims liability at its estimated value, previously recognized at its amortized cost.

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