

DON'T
STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company

Companies House



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24/11/2023

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COMPANIES HOUSE

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

✗ What this form is NOT for
You cannot use this form to
an alteration of manner of
with accounting requirements

Part 1 Corporate company nameCorporate name of
overseas company ①

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 *① 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 ②

LEY GENERALE DE SOCIEDAD MERCANTILE/CIRCUL

② 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 A3.③ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
or body ③

MEXICAN INSTITUTE OF PUBLIC ACCOUNTANTS

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 ACCOUNTING

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 Ltd
Address	Highland House
165 The Broadway	
Post town	Wimbledon
County/Region	
Postcode	S W 1 9 1 N E
Country	England
DX	
Telephone	0208 544 8064



Checklist

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Please make sure you have remembered the following:

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



Important information

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



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The Registrar of Companies, Companies House,
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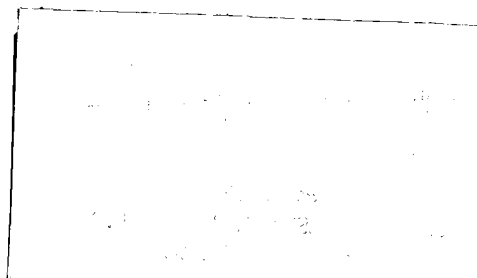
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**Aerovías de México, S. A. de C. V.
and subsidiaries**

Consolidated financial statements

December 31, 2022 and 2021

(With the Independent Auditors' Report)



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

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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, 2022 and 2021, 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, 2022 and 2021, 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.





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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG CARDENAS DOSAL, S. C.


Demetrio Villa Michel

Mexico City, June 23, 2023.



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

Consolidated statements of financial position

As of December 31, 2022 and 2021

(In thousands of Mexican pesos)

Assets	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash and cash equivalents	10	\$ 8,616,785	6,778,318
Derivative financial instruments	11	36,652	-
Trade and other receivables, net	14	6,210,687	3,900,200
Due from related parties	7	10,464	10,104
Prepayments and deposits		857,591	699,673
Inventories	13	<u>1,877,433</u>	<u>1,589,241</u>
Total current assets		<u>17,609,612</u>	<u>12,977,536</u>
Non-current assets:			
Property and equipment, including right-of-use	15	51,016,789	49,405,395
Intangible assets	17	1,498,767	1,511,858
Prepayments and deposits	12	2,464,411	3,040,793
Other non-current assets		43,708	172,971
Deferred tax assets	20	<u>3,084,724</u>	<u>5,626,349</u>
Total non-current assets		<u>58,108,399</u>	<u>59,757,366</u>
Total assets		\$ <u>75,718,011</u>	<u>72,734,902</u>

The notes on pages 10 to 99 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, 2022 and 2021

(In thousands of Mexican pesos)

Liabilities	Note	2022	2021
Current liabilities:			
Loans and borrowings, including leases	21	\$ 9,951,346	16,232,946
Trade and other payables	24	19,245,808	16,232,273
Due to related parties	7	38,285,494	8,571,920
Provisions	23	625,055	3,871,322
Air traffic liability		15,078,682	13,838,161
General unsecured claims liability	23	-	24,174,154
Income taxes payable and employee's statutory profit sharing		76,545	72,739
Total current liabilities		83,262,930	82,993,515
Non-current liabilities:			
Loans and borrowings, including leases	21	42,224,991	36,948,157
Due to related parties	7	-	1,123,936
Provisions	23	4,076,017	-
Derivative financial instruments	11	-	23,329
Employee benefits	22	3,576,486	3,863,055
Total non-current liabilities		49,877,494	41,958,477
Total liabilities		133,140,424	124,951,992
Equity (Deficit)			
Capital stock	25	13,940,456	13,940,456
Statutory reserve		457,968	457,968
Equity accounted investees share of OCI		(216,105)	(216,105)
Remeasurement of defined benefit liability		416,657	95,335
Foreign currency translation difference		3,187,642	1,619,588
Retained earnings (deficit)		(75,282,531)	(68,187,599)
Total equity (deficit) attributable to equity holders of the Company		(57,495,913)	(52,290,357)
Non-controlling interest		73,500	73,267
Total equity (deficit)		(57,422,413)	(52,217,090)
Total equity and liabilities		\$ 75,718,011	72,734,902

The notes on pages 10 to 99 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, 2022 and 2021

(In thousands of Mexican pesos)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Revenues			
Passenger	8	\$ 68,534,566	39,835,625
Air cargo		5,849,853	4,934,268
Other		<u>1,244,976</u>	<u>691,997</u>
Total revenue	9	<u>75,629,395</u>	<u>45,461,890</u>
Operating expenses			
Aircraft fuel		28,463,111	12,871,934
Wages, salaries and benefits	28	12,657,440	9,953,855
Maintenance		3,999,870	3,317,818
Aircraft, communication and traffic services		8,966,760	6,268,782
Passenger services		1,722,551	996,805
Travel agent commissions		1,465,325	907,944
Selling and administrative		5,371,862	3,355,235
Corporate royalties		337,542	177,773
Aircraft leasing	16	2,880,872	3,446,545
Depreciation and amortization		8,965,137	9,511,702
Impairment (reversal)		82,815	(1,154,880)
Restructuring (income) expenses, net	30	(3,210,563)	8,956,891
Other loss (income), net	27	<u>697,375</u>	<u>279,944</u>
Total operating expenses		<u>72,400,097</u>	<u>58,890,348</u>
Total operating (income) loss		<u>3,229,298</u>	<u>(13,428,458)</u>
Finance income (cost)			
Finance income	29	382,988	405,293
Finance cost	29	<u>(8,233,272)</u>	<u>(4,497,645)</u>
Net finance cost		<u>(7,850,284)</u>	<u>(4,092,352)</u>
Loss before income tax		<u>(4,620,986)</u>	<u>(17,520,810)</u>
Income tax expense (benefit)	19	<u>2,464,541</u>	<u>(1,523,702)</u>
Loss for the year		<u>\$ (7,085,527)</u>	<u>(15,997,108)</u>

The notes on pages 10 to 99 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, 2022 and 2021

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

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Loss for the year		\$ <u>(7,085,527)</u>	<u>(15,997,108)</u>
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	22	458,634	298,547
Income taxes		(137,312)	(89,002)
Items that are or may be reclassified to profit or loss			
Effects due to change in non-controlling interest		2	(9)
Foreign currency translation difference		<u>1,568,054</u>	<u>(2,967,696)</u>
Other comprehensive income (loss) for the year, net of income taxes		<u>1,889,378</u>	<u>(2,758,160)</u>
Total comprehensive loss for the year		\$ <u><u>(5,196,149)</u></u>	<u><u>(18,755,268)</u></u>
Loss attributable to:			
Owners of the Company		\$ (7,085,758)	(15,997,468)
Non-controlling interest		<u>231</u>	<u>360</u>
Loss for the year		\$ <u><u>(7,085,527)</u></u>	<u><u>(15,997,108)</u></u>
Total comprehensive loss attributable to:			
Owners of the Company		\$ (5,196,151)	(18,755,259)
Non-controlling interest		<u>2</u>	<u>(9)</u>
Total comprehensive loss for the year		\$ <u><u>(5,196,149)</u></u>	<u><u>(18,755,268)</u></u>

The notes on pages 10 to 99 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, 2022 and 2021

(In thousands of Mexican pesos)

	Attributable to equity holders of the Company								
	Capital stock	Statutory reserve	Effects due to change in non-controlling interest	Remeasurement of defined benefit liability	Foreign currency translation difference	Retained earnings	Total	Non-controlling interest	Total equity
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 loss	-	-	-	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)
Total comprehensive loss for the year:									
Loss for the year	-	-	-	-	-	(7,085,758)	(7,085,758)	231	(7,085,527)
Other comprehensive income	-	-	-	321,322	1,568,054	(9,174)	1,880,202	2	1,880,204
Balance as of December 31, 2022	\$ 13,940,456	457,968	(216,105)	416,657	3,187,642	(75,282,531)	(57,495,913)	73,500	(57,422,413)

The notes on pages 10 to 99 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, 2022 and 2021

(In thousands of Mexican pesos)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Loss before income tax	\$	(4,620,986)	(17,520,810)
Adjustments for			
Depreciation and amortization	15 and 17	8,965,137	9,511,702
Impairment (reversal)		82,815	(1,154,880)
Lease liability reversal		(236,840)	(4,342,052)
Gain on sale of property and equipment		(103,533)	(668,253)
Other restructuring expenses provisions, net		(2,973,723)	13,298,945
Provisions, net		2,805,577	1,300,867
Derivative financial gain		(30,091)	(311,008)
Employee benefits		333,615	522,285
Inventory adjustments to net realizable value		3,990	2,358
Allowance for doubtful accounts		83,831	82,000
Interest expense, net		5,878,407	1,702,448
Unrealized exchange (gain) loss		(147,709)	235,423
Employees' statutory profit sharing		(7,427)	4,100
		<u>10,033,063</u>	<u>2,663,125</u>
Trade and other receivables		(2,423,062)	(476,148)
Due from related parties		(723,753)	(11,402)
Inventories		(376,901)	(205,420)
Prepayments and deposits		695,984	(344,265)
Trade and other payables		1,442,413	(3,250,084)
General unsecured claims liability		(9,580,142)	-
Due to related parties		(343,775)	1,456,935
Air traffic liability		2,117,455	5,041,888
Changes in employee benefits		(161,569)	(451,641)
Interest received		<u>214,677</u>	<u>82,220</u>
Cash (used in) generated from operating activities		<u>894,390</u>	<u>4,505,208</u>
Employees' statutory profit sharing and income tax paid		(48,011)	(72,236)
Interest paid		<u>(5,540,143)</u>	<u>(1,284,847)</u>
Net cash (used in) from operating activities		<u>(4,693,763)</u>	<u>3,148,125</u>
Cash flows from investing activities			
Acquisition of properties and equipment (including major maintenance)		(3,999,111)	(2,470,763)
Proceeds from sale of properties and equipment		63,104	1,061,616
Intangible assets		(273,638)	(91,042)
Financial instruments		-	37,617
Payments and deposits for maintenance and acquisition of properties and equipment		<u>(992,057)</u>	<u>(754,676)</u>
Net cash used in investing activities		<u>(5,201,702)</u>	<u>(2,217,248)</u>
Cash flows from financing activities			
Financing received from related parties		18,810,696	-
Proceeds from loans		-	1,260,522
Repayments of loans		(5,051,539)	-
Payments of lease liabilities		<u>(2,251,910)</u>	<u>(789,634)</u>
Net cash obtained from financing activities		<u>11,507,247</u>	<u>470,888</u>
Increase in cash and cash equivalents		<u>1,611,782</u>	<u>1,401,765</u>
Effects of exchange rate fluctuations on cash and cash equivalents		<u>226,685</u>	<u>(116,653)</u>
Net increase in cash and cash equivalents		<u>1,838,467</u>	<u>1,285,112</u>
Cash and cash equivalents:			
At beginning of year		<u>6,778,318</u>	<u>5,493,206</u>
At end of year	\$	<u>8,616,785</u>	<u>6,778,318</u>

The notes on pages 10 to 99 are an integral part of these consolidated financial statements.



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

Notes to the consolidated financial statements

December 31, 2022 and 2021

(In thousands of Mexican pesos)

(1) Description of business-

Aerovías de México, S. A. de C. V. ("Aeroméxico") is a corporation organized under the laws of the United Mexican States or Mexico, domiciled at Paseo de la Reforma 243 25th Floor, Colonia Cuauhtémoc, 06500 Mexico City, Mexico. The consolidated financial statements of the Company, as at and for the years ended December 31, 2022 and 2021, comprise Aeroméxico and its subsidiaries (together referred to as the "Company").

Aeroméxico is a subsidiary of Grupo Aeroméxico, S. A. P. I. de C. V. ("Grupo Aeroméxico" formerly Grupo Aeroméxico, S. A. B. de C. V.). Grupo Aeroméxico was listed on the Mexican Stock Exchange until December 28, 2022. The principal activity of the Company, is to provide air transport services for passengers, goods and cargo, inside and outside of Mexico, training and management services, franchise systems commercialization and management of investment in shares.

(2) Basis of preparation-

(a) Statement of compliance-

The 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 June 23, 2023, 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) Financial restructuring and Chapter 11 emergence-

i Impact of COVID-19-

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



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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:

- The Company has applied the practical expedient allowed by IFRS 16 *Leases* for those contracts that meet the prescribed requirements, by which the lessee may account for certain 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 results of the period.
- Due to cash restrictions, the Company temporarily discontinued its fuel hedging that covers between 40 to 60% of its annual projected fuel consumption for the fiscal years 2022 and 2021.
- Special restructuring (income) expenses that in Management's view are to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance were recognized for \$(3,210,563) and \$8,956,891 for the years ended December 31, 2022 and 2021 (see Note 30).

ii. Financial restructuring and Chapter 11 emergence-

On June 30, 2020, the Company announced that it initiated, together with its affiliates, Grupo Aeroméxico, S. A. P. I. de C. V., Aerolitoral, S. A. de C. V. and Aerovías Empresa de Cargo, S. A. de C. V., voluntary Chapter 11 proceedings ("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.

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, as the airline industry faces unprecedented challenges due to significant declines in demand for air transportation globally.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

Fleet adjustments -

Effective July 1, 2020, the Company received approval by the Bankruptcy Court to modify temporarily certain existing aircraft and equipment leases into power by the hour agreements ("PBH") (see Note 16 B).

During 2022 and 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.

DIP Financing -

On October 9, 2020, Grupo Aeroméxico received the final approval from the Bankruptcy Court to secure the commitment for \$1,000 million senior secured super-priority multi-tranche term loan facility, as part of its restructuring process (which is known as "debtor-in-possession" or "DIP Financing"), with funds managed by affiliates of Apollo Global Management Inc. ("Apollo"). The DIP Financing consisted of (i) a senior secured Tranche 1 facility of \$200 million, and (ii) a senior secured Tranche 2 facility of \$800 million.

Part of the Tranche 2 DIP Financing was 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 Aeroméxico's shareholders meeting) for the issuance of the corresponding shares. As certain lenders exercised the option to convert the Tranche 2 DIP Financing, following the corresponding capital increase, the former shareholders were fully diluted.

Plan of Reorganization -

In order for the Company to emerge successfully from Chapter 11, the Company obtained the Bankruptcy Court's approval of a Plan of Reorganization ("PoR"), which enabled the Company to transition from Chapter 11 into ordinary course operations outside of bankruptcy. In connection with a PoR, the Company also required a new credit facility, or "exit financing".

A PoR determined the rights and satisfaction of claims of various creditors and parties-in interest, through the date on which the PoR was confirmed.



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(In thousands of Mexican pesos)

The authorized PoR provided, among other things, mechanisms for settlement of claims against the Debtors' estates, treatment of the Company's existing equity and debt holders, and certain corporate governance and administrative matters pertaining to the reorganized Company.

On January 28, 2022, Grupo Aeroméxico informed that the hearing to consider confirmation of the PoR of Grupo Aeroméxico and its subsidiaries that were debtors in the Company's Chapter 11 voluntary financial restructuring process was 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.

As a consequence of the PoR effectiveness, there was a total dilution of Grupo Aeroméxico's existing capital stock. The largest shareholders of the reorganized Grupo Aeroméxico were part of the ad hoc groups of creditors who invested \$720 million in new capital, including among others Apollo and Delta Airlines. This is in addition to other amounts related to fees accrued on the DIP Financing and on the new equity contributions payable in new stock as provided in the PoR, where the remaining shares distributed among all new investors and creditors that capitalized their new capital contributions and recognized claims in new shares representing Grupo Aeroméxico's actual capital stock.

Additionally, key stakeholders funded new exit debt of \$762.5 million to Grupo Aeroméxico, in the form of new US dollar denominated Notes ("Exit Financing").

From March 17, 2022, which is the date the Company emerged from its Chapter 11 process to December 31, 2022, the Company improved its financial and operating conditions, including among others: (i) the number of aircraft in use is higher to those in 2019 (pre-pandemic COVID-19); (ii) the Company has successfully re-opened the majority of its pre-pandemic routes and it has transported 21.7 million passengers for the year-end 2022, which represents an increase of 31.2% compared to the previous year and has increased its load factor; (iii) the Company has been able to maintain its cash position in cash and cash equivalents, sufficient to cover its regular operating needs and (iv) the Company is in compliance of all of its loans and borrowings covenants.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

(c) Basis of measurement-

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, 2022 and 2021, was \$19.36 and \$20.47, 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. 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.



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(In thousands of Mexican pesos)

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

Notes 3(e) and 15 – useful lives of property and equipment

Note 3(i) - impairment

Note 3(l) – revenue recognition: determination if the revenues coming from the services rendered by the Company are recognized at a point in time or over time

Note 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) – air traffic liability

Note 20 – deferred tax assets and liabilities

Note 23 – provisions

Note 26 – measurement of loss allowances for expected credit losses for trade accounts receivable and assets from contracts: key assumptions used to determine the weighted average loss rate

Note 31 – contingencies and commitments

(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 on December 31, 2022 there was one change in the number of entities included in the consolidated financial statements 16 entities at the year-end (see Note 6).

(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 if mentioned otherwise.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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. 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.



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(In thousands of Mexican pesos)

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-

When the Company loses control over subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity. Any resulting gain or loss is recognized in profit or loss.

Any interest retained in the former subsidiary is measured at fair value when 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.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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.



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(In thousands of Mexican pesos)

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.

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.



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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.



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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.



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(In thousands of Mexican pesos)

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.



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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 2022 year-end, there has been no confirmation from the banks regarding any change derived from the interest rate benchmark reform.



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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 follows IAS 7 guidance that states that when a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

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 2022 and 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.



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Hedges directly affected by interest rate benchmark reform-

The Company has adopted the Phase 2 Amendments and retrospectively applied them from January 1, 2021.

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.



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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 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.



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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.



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

	<u>Rates</u>	<u>% residual value</u>
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".



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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.

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.



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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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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
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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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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. The Company's performs an impairment assessment of long-lived assets at the cash-generating unit ("CGU") when there are indicators that the carrying value of such assets may not be recoverable. This involves estimating the recoverable amount of the CGU at the greater of its fair value less costs to sell, or value in use using a discounted cash flow model. As of December 31, 2022 the Company has property and equipment, (including right-of-use assets), intangible assets, prepayments and deposits, and certain other long-term assets, which represents the CGU.

For intangible assets that have indefinite lives, such as fiduciary rights, the recoverable amount is estimated each year at the same time.

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 CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU 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.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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.

(I) 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.

The above-mentioned sales where Aeroméxico acts as an agent, conduct to interline service charges which are part of other commissions revenues, recognized in profit and loss when the service is rendered.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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 expired 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.

When a ticket is sold, the Company is required to charge certain taxes and fees on its passenger tickets. These passenger related taxes and fees include for example value added tax, governmentally imposed airport departure and arrival taxes, airport passenger facility charges, etc. Since the Company has a legal obligation to act as a collection agent with respect to these taxes and fees, such amounts are not part of the passenger revenue. The Company records a liability when these amounts are collected and derecognizes the liability when payments are made to the applicable government agency or operating airport.

ii. *Cargo revenue-*

Cargo revenue is recognized when the service is rendered.

iii. *Other revenues-*

Other revenues include mainly revenue from training, 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.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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")-

Income tax expense (benefit) 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.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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. The ESPS is determined by the taxable profit calculated by individual entity level and not under a consolidated basis.

(p) 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.

(q) 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) Domestic, (2) International. The Company allocates revenues by geographic area based on passenger flight destination.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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

Changes in significant accounting policies-

The Company has adopted *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to IAS 37) from January 1, 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analyzed all contracts existing on January 1, 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as of January 1, 2022 as a result of the change.

Standards issued but not yet effective -

A number of new standards or amendments are effective for annual periods beginning after January 1, 2022, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

A. 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 – i.e. 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.



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Notes to the consolidated financial statements

(In thousands of Mexican pesos)

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 asset or liability is recognized on a net basis. Under the amendments, the Company will recognize a separate deferred tax asset and a deferred tax liability. As of December 31, 2022, the taxable temporary difference in relation to the right-of-use asset is \$10,984,173 (Note 20 (b)) and the deductible temporary difference in relation to the lease liability is \$9,564,667 (Note 20 (b)), resulting in a net deferred tax liability of \$(1,419,506) (Note 20 (b)). Under the amendments, the Company will recognize a separate deferred tax liability of \$10,984,173 and a deferred tax asset of \$14,068,897. There will be no impact on retained earnings on adoption of the amendments.

B. Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after January 1, 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application.

The Company is closely monitoring the developments.

C. Other standards

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

- 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.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

(a) Property-

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

(b) Derivative securities-

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

(c) Non-derivative financial liabilities-

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

(d) Debt securities-

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

(6) Company's entities-

Significant subsidiaries-

The significant consolidated subsidiaries as at December 31, 2022 and 2021 are shown on the next page.



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership interest %</u>	
			<u>2022</u>	<u>2021</u>
<i>Fully consolidated subsidiaries:</i>				
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
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



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

Notes to the consolidated financial statements

(In thousands of Mexican pesos)

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership interest %</u>	
			<u>2022</u>	<u>2021</u>
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
o Fideicomiso CIB/4021	Administration	México	100	-
<i>Investments in equity accounted investees:</i>				
l. 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.

(7) Related party transactions-

Ultimate controlling party-

Grupo Aeroméxico is the parent and ultimate controlling party.

Key management personnel compensation comprised:

For the years ended December 31, 2022 and 2021, the aggregate compensation paid by the Company to its directors and members of senior management, was approximately \$78,063 and \$53,288, respectively, which correspond to their base compensation.

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2022 and 2021 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

		<u>2022</u>	<u>2021</u>
Income			
Tickets reward (5)	\$	838,518	919,815
Trademark maintenance (3)		670,913	395,777
Administrative fee (4), (5), (7) and (12)		56,451	7,838
Interest income (3) y (4)		-	4,016
Premier lounges (5) and (10)		3,433	18,011
Leasing (5) and (7)		3,615	3,476
Marketing (5)		32,386	18,012
Other services (1), (5), (6), (7), and (10)		<u>69,923</u>	<u>18,583</u>
	\$	<u>1,675,239</u>	<u>1,385,528</u>
Expenses			
Purchase of Premier Points and Sky Miles (5) and (10)	\$	1,541,057	1,038,486
Fuel (10)		1,709,178	385,223
Corporate royalties (3)		1,008,455	573,550
Interline (10)		792,670	613,580
Ramp services, net (10) and (12)		543,019	221,422
Administrative services (1) and (7)		116,298	107,301
Freight handling (5) and (10)		32,330	18,306
Fees (4)		12,649	18,406
Maintenance (6) and (10) (a)		14,446	35
Cost of frequent passenger redemptions (5) and (10)		6,518	17,572
Other personnel expenses (10)		7,699	7,556
Interest expense (1), (3), (4), (5), (7) and (8)		2,267,124	782,133
Related parties fees expenses, net reimbursement (3)		<u>1,205,618</u>	<u>568,875</u>
	\$	<u>9,257,061</u>	<u>4,352,445</u>



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

Notes to the consolidated financial statements

(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 \$425,479 and \$494,268 in 2022 and 2021, respectively.

ii. Outstanding balance

Balances due from and due to related parties as of December 31, 2022 and 2021 are 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)

	<u>2022</u>	<u>2021</u>
<u>Due from:</u>		
MRO	\$ 8,402	9,614
Loyalty	12	490
Delta	<u>2,050</u>	<u>-</u>
	\$ <u>10,464</u>	<u>10,104</u>
	=====	=====
<u>Due to:</u>		
Grupo Aeroméxico (2)	\$ 37,223,048	7,336,732
PLM (1)	1,014,372	435,332
Servicios Corporativos	2,668	2,733
Premium	-	617,520
T2	-	30
Aeromexpress	8,433	144,044
ISRC	36,790	34,915
AM BD	183	183
Delta	<u>-</u>	<u>431</u>
Total current	38,285,494	8,571,920
PLM – non-current (1)	<u>-</u>	<u>1,123,936</u>
	\$ <u>38,285,494</u>	<u>9,695,856</u>
	=====	=====

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.
- (2) During 2022, the Company received financing for \$18,810,696 from Grupo Aeroméxico, and a debt substitution for \$13,221,599, which accrues interest in accordance with the intercompany interest policy, the average rate was 7.9% per year, without specific maturity.



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(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".

	<u>2022</u>	<u>2021</u>
Passengers	\$ 61,929,831	37,127,519
Ancillaries	<u>6,604,735</u>	<u>2,708,106</u>
	<u>\$ 68,534,566</u>	<u>39,835,625</u>

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, 2022 and 2021, the Company recognized approximately \$3,024,326 and \$1,113,604, 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 due to the current COVID-19 pandemic, the Company has been modifying its ticket utilization policy, so the usual terms for a flight to be completed without breakage was extended during the year 2021, until March 2022.

(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 for segment is total operating income (loss).



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Geographical revenue segment information is as follows:

	<u>2022</u>	<u>2021</u>
Domestic	\$ 30,807,954	20,788,291
International	<u>44,821,441</u>	<u>24,673,599</u>
	\$ <u>75,629,395</u>	<u>45,461,890</u>

(10) Cash and cash equivalents-

	<u>2022</u>	<u>2021</u>
Bank balances	\$ 3,118,101	5,991,492
Call deposits	5,067,473	128,297
Restricted cash	<u>431,211</u>	<u>658,529</u>
Cash and cash equivalents	\$ <u>8,616,785</u>	<u>6,778,318</u>

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

As of December 31, 2022 and 2021, the Company has restricted cash amounting to \$431,211 and \$658,529, 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.

Change in accounting policy - During 2022, the Company adopted the IFRIC agenda decision related to the classification criteria for restricted cash (Demand Deposits under IAS 7). The Company previously presented the caption of "restricted cash" separate from the "cash and cash equivalents" caption and as a consequence of the IFRIC agenda decision changed its accounting policy. Beginning January 1, 2022, the Company presents its restricted cash within the cash and equivalents caption. Also the Company reclassified the financing cash flows of "change in restricted cash" to the line of "cash and cash equivalents" at the bottom of the consolidated statements of cash flows. These changes were adopted retrospectively as required by the IFRS.



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(11) Derivative financial instruments-

		<u>2022</u>	<u>2021</u>
Current derivatives (assets)	\$	36,652	-
Non-current derivatives (liabilities)		-	(23,329)
		=====	=====

As of December 31, 2022 and 2021, 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.

Derivative financial instruments used by the Company and exposure to credit, currency and interest rate risks are disclosed in Note 26.

(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:

		<u>2022</u>	<u>2021</u>
Advances for fleet renewal (1)	\$	181,851	1,249,062
Deposits:			
For the lease of aircraft and engines		687,817	823,320
With airport groups		344,844	358,313
Maintenance deposits		572,396	144,825
Other		<u>677,503</u>	<u>531,960</u>
		2,464,411	3,107,480
Impairment (2)		<u>-</u>	<u>(66,687)</u>
	\$	<u>2,464,411</u>	<u>3,040,793</u>
		=====	=====



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- (1) The Company entered into agreements to continue the renewal of the fleet; for such purposes, it has made a number of advance payments to the manufacturer (see Note 31), which will be applied in accordance with the incorporation of the new aircraft to the fleet.
- (2) For the years ended December 31, 2022 and 2021, the Company reversed \$5,474 and \$1,154,880, respectively for impairment losses previously recorded.

Cash additions of deposits for maintenance and acquisition of properties and equipment amounted to \$992,057 for 2022 and \$754,676 for 2021.

(13) Inventories-

Inventories as of December 31, 2022 and 2021 are comprised as follows:

	<u>2022</u>	<u>2021</u>
Spare parts and accessories (1)	\$ 1,914,432	1,685,157
Miscellaneous supplies	<u>240,144</u>	<u>181,227</u>
	2,154,576	1,866,384
Impairment	<u>(277,143)</u>	<u>(277,143)</u>
	\$ <u>1,877,433</u>	<u>1,589,241</u>

In 2022, inventories of \$788,217 (2021: \$592,451) were recognized as an expense during the year which were included in different operating expenses lines.

The inventories are presented at net realizable value. Total write downs in 2022 and 2021 were of \$124,809 and \$143,955, respectively.

- (1) During 2022 and 2021 these inventories were guaranteeing a fuel supplying contract used in Mexico.



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(14) Trade and other receivables, net-

Trade and receivables as of December 31, 2022 and 2021 consist as follows:

	<u>2022</u>	<u>2021</u>
Airlines and travel agencies	\$ 190,226	205,014
Credit cards and customers (1)	2,462,781	2,313,328
Recoverable taxes	3,533,877	1,323,485
Other	<u>199,629</u>	<u>244,582</u>
	6,386,513	4,086,409
Less allowance for doubtful accounts	<u>(175,826)</u>	<u>(186,209)</u>
Total trade and other receivables	\$ <u>6,210,687</u>	<u>3,900,200</u>

For aging analysis of our trade and other receivables see Note 26.

- (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).



(13) Property and equipment, including right-of-use as of December 31, 2022 and 2021 comprise the following:



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- (4) 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 2022 include two Boeing B787-8 airplanes (same number in 2021 and as of January 1, 2021), with the last maturing in 2029; nine Boeing B737 NG airplanes (same number in 2021), the last of which will mature in 2027, and one flight simulator for the Boeing B-737 MAX maturing in 2029 (same number in 2021). 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 maturities 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 2022, the net carrying amount of leased equipment was \$7,436,126 (2021: \$8,273,954). During the year 2022 the Company did not acquire leased equipment (acquisitions in 2021: \$533,800). For our commitments with regard to future payments of finance leases see Note 21.

Property and equipment under construction-

As of December 31, 2022 and 2021 the estimated costs to conclude projects and work in progress amount to \$132,864 and \$84,325, respectively.

Impairment loss-

As of December 31, 2022 and 2021 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 2 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.



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Flight equipment and property leases were entered into years ago as combined leases of flight equipment and properties.

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 \$34,463,375 and \$32,855,512 and in 2022 and 2021, 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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Aircraft leasing	\$ 2,880,872	3,446,545
Real estate	<u>101,835</u>	<u>66,887</u>
	<u>\$ 2,982,707</u>	<u>3,513,432</u>

iii. Leases conditions-

Main operating leases are as follows:

- (a) In 2022, the Company leased 133 aircraft and 39 engines (2021: 118 aircraft and 36 engines) with different terms, with the last expiring in 2034.



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During 2022 and 2021, the Company renewed certain lease agreements, extending their original maturity dates, which are presented as a liability at the end of those years (see Note 31).

The aforementioned agreements are partially guaranteed by 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.

At the year-end 2021 and at the beginning of 2022, the Company finalized 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 \$2,251,910 and \$789,634 in 2022 and 2021, respectively.

B) Leases under Chapter 11-

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

i. Power by the hour agreements-

On September 21, 2020 the Company 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 (see Note 30).



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ii. Restructured lease agreements-

During 2021 and at the beginning of 2022 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 31, paragraph e).

(17) Intangible assets-

	<u>Software</u>	<u>Fiduciary Rights (1)</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2022	\$ 1,200,733	1,289,876	2,490,609
Additions	273,635	-	273,635
Disposals	(143,986)	-	(143,986)
Functional currency	<u>(27,245)</u>	<u>(56,145)</u>	<u>(83,390)</u>
Balance as of December 31, 2022	<u>\$ 1,303,137</u>	<u>1,233,731</u>	<u>2,536,868</u>
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	<u>11,542</u>	<u>18,750</u>	<u>30,292</u>
Balance as of December 31, 2021	<u>\$ 1,200,733</u>	<u>1,289,876</u>	<u>2,490,609</u>
<u>Amortization</u>			
Balance as of January 1, 2022	\$ 790,291	-	790,291
Additions	115,048	-	115,048
Disposals	<u>(143,987)</u>	<u>-</u>	<u>(143,987)</u>
Balance as of December 31, 2022	<u>\$ 761,352</u>	<u>-</u>	<u>761,352</u>



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		<u>Software</u>	<u>Fiduciary rights (2)</u>	<u>Total</u>
<u>Amortization</u>				
Balance as of January 1, 2021	\$	978,656	-	978,656
Additions		138,780	-	138,780
Disposals		<u>(327,145)</u>	<u>-</u>	<u>(327,145)</u>
Balance as of December 31, 2021	\$	<u>790,291</u>	<u>-</u>	<u>790,291</u>
<u>Impairment</u>				
Balance as of January 1, 2022	\$	-	188,460	188,460
Impairment for the year		<u>-</u>	<u>88,289</u>	<u>88,289</u>
Balance as of December 31, 2022	\$	<u>-</u>	<u>276,749</u>	<u>276,749</u>
Balance as of January 1, 2021	\$	-	188,460	188,460
Impairment for the year		<u>-</u>	<u>-</u>	<u>-</u>
Balance as of December 31, 2021	\$	<u>-</u>	<u>188,460</u>	<u>188,460</u>
<u>Carrying amounts</u>				
As of December 31, 2022	\$	<u>541,785</u>	<u>956,982</u>	<u>1,498,767</u>
As of December 31, 2021	\$	<u>410,442</u>	<u>1,101,416</u>	<u>1,511,858</u>



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- (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, 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, 2022, the Company recognized \$88,289 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, 2022 and 2021 is comprised of the Company's 50% interest in one associate, Aeromexpress (ceased regular operations) whose book value is zero in both years.

(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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 60,228	64,884
Deferred tax expense (benefit)	<u>2,404,313</u>	<u>(1,588,586)</u>
Total income tax expense (benefit)	\$ <u>2,464,541</u>	<u>(1,523,702)</u>



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(a) Reconciliation of effective tax rate:

		<u>2022</u>		<u>2021</u>	
		<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
Loss for the year			(7,085,527)		(15,997,108)
Total income tax expense	53%		<u>2,464,541</u>	(9%)	<u>(1,523,702)</u>
Loss, excluding income tax			(4,620,986)		(17,520,810)
Income tax using the Company's domestic tax rate	(30%)		(1,386,296)	(30%)	(5,256,243)
Non-deductible expenses	12%		547,292	2%	376,476
Inflation effect	-		200	-	(82,675)
De-recognition of deferred tax assets (1)	163%		7,528,244	17%	3,048,537
Effects of the Chapter 11 process	(117%)		(5,390,920)	-	-
Others, mainly differences in exchange rates for income taxes	25%		<u>1,166,021</u>	2%	<u>390,203</u>
	53%		2,464,541	(9%)	(1,523,702)

- (1) This effect relates to the de-recognition of net operating losses ("NOL's") and other assets that were previously recognized since the Company deemed that such NOL's and other assets 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, 2022 and 2021 are presented on the next page.



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	<u>2022</u>	<u>2021</u>
<i>Deferred tax assets:</i>		
Allowance for doubtful accounts	\$ 40,259	46,390
Accruals	1,507,901	1,100,243
Air traffic liability	3,062,080	2,943,946
Lease liability	9,564,667	11,014,025
Advances from customers	35,487	353,963
Employee benefits	911,223	989,427
Other provisions (mainly leased aircraft returns)	<u>1,875,634</u>	<u>1,957,190</u>
Deferred tax assets	<u>16,997,251</u>	<u>18,405,184</u>
<i>Deferred tax liabilities:</i>		
Inventories	644,753	558,558
Property and equipment, including right-of-use	10,984,173	10,780,344
Prepaid expenses	247,319	182,031
Amortizable expenses	1,340,582	976,894
Others	<u>695,700</u>	<u>281,008</u>
Deferred tax liabilities	<u>13,912,527</u>	<u>12,778,835</u>
Net deferred tax assets, recorded in the statements of financial position	\$ <u>3,084,724</u>	<u>5,626,349</u>



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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, 2022, gross operating tax loss carry forwards, expire (ten years) are as follows:

<u>Year</u>	<u>Inflation adjusted through December 31, 2022</u>	
2023	\$	1,895,166
2024		2,802,010
2025		2,033,230
2026		2,693,389
2027		1,680,529
2028		3,618,765
2029		3,731,181
2030		11,408,132
2031		2,861,152
2032		15,145,041

Tax losses carryforwards and other assets, unrecognized deferred tax assets-

Deferred tax assets have not been recognized in respect of the following tax losses carryforwards and other assets because it is not probable that future taxable profit will be available against which certain subsidiaries of the Company can use the benefits therefrom:

		<u>2022</u>		<u>2021</u>	
		<u>Gross</u>	<u>Tax Effect</u>	<u>Gross</u>	<u>Tax Effect</u>
Tax losses	\$	47,868,595	14,360,579	32,127,701	9,638,310
Other assets		<u>9,353,250</u>	<u>2,805,975</u>	<u>-</u>	<u>-</u>
	\$	<u>57,221,845</u>	<u>17,166,554</u>	<u>32,127,701</u>	<u>9,638,310</u>



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(b) Movement in temporary differences during the year-

	January 1, 2022	Recognized in income	Recognized in equity	December 31, 2022
Allowance for doubtful accounts	\$ 46,390	(6,131)	-	40,259
Accruals	1,100,243	407,658	-	1,507,901
Air traffic liability	2,943,946	118,134	-	3,062,080
Finance leases	11,014,025	(1,449,358)	-	9,564,667
Advances from customers	353,963	(318,476)	-	35,487
Employee benefits	989,427	59,108	(137,312)	911,223
Other provisions (mainly leased aircraft returns)	1,957,190	(81,556)	-	1,875,634
Inventories	(558,558)	(86,195)	-	(644,753)
Property and equipment, including right-of-use	(10,780,344)	(203,829)	-	(10,984,173)
Prepaid expenses	(182,031)	(65,288)	-	(247,319)
Amortizable expenses	(976,894)	(363,688)	-	(1,340,582)
Others	(281,008)	(414,692)	-	(695,700)
	\$ <u>5,626,349</u>	<u>(2,404,313)</u>	<u>(137,312)</u>	<u>3,084,724</u>
	January 1, 2021	Recognized in income	Recognized in equity	December 31, 2021
Allowance for doubtful accounts	\$ 111,832	(65,442)	-	46,390
Accruals	1,647,113	(546,870)	-	1,100,243
Air traffic liability	1,910,277	1,033,669	-	2,943,946
Finance leases	11,187,978	(173,953)	-	11,014,025
Net operating losses carry forwards	1,353,678	(1,353,678)	-	-
Advances from customers	527,895	(173,932)	-	353,963
Employee benefits	1,058,401	20,028	(89,002)	989,427
Other provisions (mainly leased aircraft returns)	1,818,670	138,520	-	1,957,190
Inventories	(488,260)	(70,298)	-	(558,558)
Property and equipment, including right-of-use	(11,306,295)	525,951	-	(10,780,344)
Prepaid expenses	(118,370)	(63,661)	-	(182,031)
Amortizable expenses	(1,343,690)	366,796	-	(976,894)
Others	(2,232,464)	1,951,456	-	(281,008)
	\$ <u>4,126,765</u>	<u>1,588,586</u>	<u>(89,002)</u>	<u>5,626,349</u>



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(21) Loans and borrowings-

The features of the loans and borrowings (including leases) comprising this caption and guarantees as at December 31, 2022 and 2021, are described as follows:

Thousands of \$	Currency	Nominal interest rate	Year of maturity	2022	2021
Loan secured by the collection of credit card sales in the United States of America ("USA") (2)	US\$	LIBOR rate plus 325 basis points	2024	\$ 2,849,556	\$4,615,154
Senior Trust Bonds ("CEBURES") issued in Mexico, secured by the collection of credit card sales in Mexico (2) (3)	\$	TIE rate plus 138 to 168 basis points	2025	4,167,032	5,156,119
Loans secured 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	10,621	98,550
Loans secured by the Ex-Im Bank in the USA	US\$	Fixed annual rate 2.34% (Mexican pesos denominated loan and TIE rate plus 50 basis points in 2020)	2023	22,193	115,947
Loans secured by the Ex-Im Bank in the USA	US\$	Fixed annual rate 2.33% (Mexican pesos denominated loan and TIE rate plus 35 basis points in 2020)	2024	201,167	378,380
Line of credit secured by the collection of BSP and credit card sales in the USA (2)	US\$	LIBOR rate plus 350 basis points	2023	-	1,397,900
Total Loans				7,250,569	11,762,050
Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)	US\$	Fixed annual rate of 2.33%	2029	1,985,920	2,254,483
Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)	US\$	Fixed annual rate of 2.54%	2027	886,646	1,143,559



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Thousands of \$	Currency	Nominal interest rate	Year of maturity	2022	2021
Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)	US\$	Fixed annual rate 1.37% (Mexican pesos denominated loan and TIIE rate plus 65 basis points in 2020)	2026	535,919	731,610
Finance leases of flight equipment	US\$	Fixed annual rates between 3.16% to 3.57%	2024	200,925	381,713
Financial lease of flight simulator	US\$	Fixed annual rate of 6.88%	2029	153,912	204,381
Total Financial Leasing				3,763,322	4,715,746
Lease Liabilities (IFRS 16)				41,162,446	36,703,307
Total Lease Liabilities				44,925,768	41,419,053
Total Net Loans and Borrowings				52,176,337	53,181,103
Less current installments of financial debt				(3,570,288)	(4,359,114)
Less current installments of leases				(6,381,058)	(11,873,832)
Net current installments of Loans and Borrowings				(9,951,346)	(16,232,946)
Net non-current Loans and Borrowings				\$42,224,991	\$36,948,157

- (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.

As of December 31, 2022, the Company is in compliance with its covenants.

- (2) This loan establishes a financial covenant related to collections coverage ratio which represented the payment guarantee.
- (3) At December 31, 2022, and 2021, the Company contracted interest rate Swaps, allowing to pay fixed rate (see Note 26).



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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.

All the loans had installments throughout the year. As of December 31, 2022, future maturities of loans and borrowings, net of prepaid expenses are as follows:

<u>Year</u>		<u>Loans</u>	<u>Financial leasing</u>	<u>Leases</u>	<u>Total</u>
Current – 2023	\$	<u>3,570,288</u>	<u>845,881</u>	<u>5,535,176</u>	<u>9,951,345</u>
Non-current:					
2024		2,621,941	720,415	5,225,277	8,567,633
2025		1,058,340	706,459	4,990,348	6,755,147
2026		-	612,364	4,612,278	5,224,642
2027		-	405,933	4,417,918	4,823,851
2028 and thereafter		<u>-</u>	<u>472,270</u>	<u>16,381,448</u>	<u>16,853,718</u>
Total non-current		<u>3,680,281</u>	<u>2,917,441</u>	<u>35,627,269</u>	<u>42,224,991</u>
Total loans and borrowings	\$	<u>7,250,569</u>	<u>3,763,322</u>	<u>41,162,446</u>	<u>52,176,337</u>



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

		<u>Loans and borrowings</u>	<u>Lease liabilities</u>	<u>Total</u>
Balance as of January 1, 2022	\$	16,477,796	36,703,307	53,181,103
Repayments of borrowings		<u>(5,051,539)</u>	<u>(2,251,910)</u>	<u>(7,303,449)</u>
Total changes from financing cash flows		(5,051,539)	(2,251,910)	(7,303,449)
Interest and other fees capitalized		10,914	-	10,914
Effects of movements in foreign exchange rates		(423,279)	(2,962,006)	(3,385,285)
Other changes –				
New leases		-	9,673,055	9,673,055
Interest expense		861,152	2,928,909	3,790,061
Interest paid		(904,367)	(2,368,642)	(3,273,009)
Other interest accrued (reversed), net		<u>43,214</u>	<u>(560,267)</u>	<u>(517,053)</u>
Balance December 31, 2022	\$	<u>11,013,891</u>	<u>41,162,446</u>	<u>52,176,337</u>

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

(22) Employee benefits-

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



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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 \$321,533 and \$343,907 as of December 31, 2022 and 2021, respectively, included in the total employee benefits balances as of the same dates.

(a) Composition of plan assets-

	<u>2022</u>	<u>2021</u>
Equity securities	\$ 820	786
Government bonds	<u>13,028</u>	<u>12,052</u>
	\$ 13,848	12,838
	=====	=====

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

	<u>2022</u>	<u>2021</u>
Defined benefit obligations as of January 1	\$ 3,875,893	4,101,808
Benefits paid by the plan	(161,550)	(451,640)
Current service costs	65,924	246,756
Personnel transfer cost (1)	8,249	(372)
Interest cost	281,627	275,184
Other, including curtailment gain and seniority premium adjustment	<u>(21,175)</u>	<u>864</u>
	<u>4,048,968</u>	<u>4,172,600</u>
Remeasurement of defined benefit liability losses/(gains) recognized in other comprehensive income:		
Financial assumptions	(317,069)	(189,044)
Demographic assumptions	2,224	4,080
Adjustment rate recognized in the year, from previous years	(56,434)	-
Experience adjustments	<u>(87,355)</u>	<u>(111,743)</u>
Defined benefit obligations as of December 31	\$ <u>3,590,334</u>	<u>3,875,893</u>
	=====	=====



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The Company expects to pay \$98,596 in contributions to its defined benefit plans in 2023.

(1) For the year ended December 31, 2022, the Company recognized \$925 additional prior years cost for personnel transfers through retained earnings.

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

		<u>2022</u>	<u>2021</u>
Fair value of plan assets as of January 1	\$	12,838	12,008
Actual return on plan assets		<u>1,010</u>	<u>830</u>
Fair value of plan assets as of December 31	\$	<u>13,848</u>	<u>12,838</u>

(d) Remeasurement of defined liability gains and (losses) recognized in other comprehensive income-

		<u>2022</u>	<u>2021</u>
Cumulative amount as of January 1	\$	135,290	(163,256)
Transfer of personnel		825	1,873
Adjustment rate recognized in the year, from previous years		55,609	-
Recognized during the year (1)		<u>402,200</u>	<u>296,673</u>
Cumulative amount as of December 31	\$	<u>593,924</u>	<u>135,290</u>

(1) The effect in other comprehensive income is presented net of tax.

(e) Actuarial assumptions-

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

	<u>2022</u>	<u>2021</u>
Expected rate of return on plan assets	9.40%	7.90%
Discount rate	9.40%	7.90%
Rate of compensation increase	4.54%	4.54%
Remaining average labor life (over benefit obligations)	14 years	13 years



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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, 2022:

		<u>Increase</u>	<u>Decrease</u>
Discount rate (0.5% movement)	\$	(112,244)	118,546
		=====	=====
Rate of compensation (0.5% movement)	\$	(109,941)	115,085
		=====	=====

(23) Provisions-

		<u>Leased aircraft returns</u>	<u>Employees' restructure (2)</u>	<u>Litigations</u>	<u>Total</u>
Balance as of January 1, 2022	\$	3,514,016	203,616	153,690	3,871,322
Additions (cancellations)		1,315,924	-	(16,160)	1,299,764
Utilization		<u>(265,923)</u>	<u>(203,616)</u>	<u>(475)</u>	<u>(470,014)</u>
		4,564,017	-	137,055	4,701,072
Less non-current portion		<u>(4,076,017)</u>	<u>-</u>	<u>-</u>	<u>(4,076,017)</u>
Current balance as of December 31, 2022 (1)	\$	<u>488,000</u>	<u>-</u>	<u>137,055</u>	<u>625,055</u>
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		<u>(3,863)</u>	<u>(675,713)</u>	<u>(2,044)</u>	<u>(681,620)</u>
Current balance as of December 31, 2021 (1)	\$	<u>3,514,016</u>	<u>203,616</u>	<u>153,690</u>	<u>3,871,322</u>



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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) ii, and includes the following items:

Loans and borrowings, including leases and derivatives (4)	\$ 10,982,605
Settlements regarding aircraft and engine lease agreements (3)	9,517,435
Accounts payable (4)	2,185,217
Settlement unions' CBA (3)	<u>1,488,897</u>
Balance as of December 31, 2021 (5)	\$ 24,174,154 =====

- (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, includes \$107,800 of incremental Chapter 11 restructuring costs (see Note 30).
- (3) These financial liabilities have been recognized at fair value.
- (4) These financial liabilities are stated at amortized cost.
- (5) This balance was additional adjusted during the year 2022 at its expected value for some incremental settlements agreed with suppliers, which final balance was cash paid or converted to stocks in Grupo Aeroméxico.

(24) Trade and other payables-

	<u>2022</u>	<u>2021</u>
Suppliers	\$ 15,718,298	13,709,756
Value added tax and other taxes	3,260,787	2,284,289
Salaries and benefits payable	266,723	230,405
Deferred revenue (1)	<u>-</u>	<u>7,823</u>
Total current liabilities	\$ 19,245,808 =====	16,232,273 =====



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- (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 as of December 31, 2022 and 2021 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, 2022, 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.

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) Retained earnings-

For the year ended December 31, 2022, the Company has an equity deficit of \$74,824,563 (net of statutory reserve), meaning it has lost an amount in excess of its Capital Stock and, in accordance with Mexican law this may be cause for its dissolution, at the legal request of any interested party with outstanding claims.



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(26) Financial instruments and risk management-

(a) Overview-

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

- a) Credit risk
- b) Liquidity risk
- c) Market Risk
 - 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.



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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, 2022. 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.



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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:

	<u>Carrying amount</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,616,785	6,778,317
Other financial instruments, including derivatives	36,652	-
Trade and other receivables	<u>6,210,687</u>	<u>3,900,203</u>
	<u>\$ 14,864,124</u>	<u>10,678,518</u>

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.

The maximum exposure to credit risk for trade receivables as of December 31, 2022 and 2021 by type of customer is shown in Note 14, including recoverable taxes over which the Company has so far not experienced impairment losses.



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Impairment losses-

The aging of trade receivables and the related impairment at the reporting date are shown as follows:

		<u>2022</u>		<u>2021</u>	
		<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	\$	2,278,542	1,543	2,166,736	3,444
Past due between 0-30 days		195,269	7,753	134,216	8,440
Past due between 31-120 days		90,451	59,532	66,193	13,831
Past due for more than one year		88,722	106,999	151,197	148,422
Additional reserve		<u>-</u>	<u>-</u>	<u>-</u>	<u>12,072</u>
	\$	<u>2,652,984</u>	<u>175,826</u>	<u>2,518,342</u>	<u>186,209</u>

During the year 2020 and, as a consequence of the adverse economic effects of the COVID19 pandemic, the airline industry was severely affected, reason why the Company decided to recognize the risk inherent in transactions and future events that may affect our accounts receivable which is reflected in the impairment reserve. In 2021, Management considered risks related to the collections of some of its associated with corporate customers and incremental credit card chargebacks associated to COVID-19 travel interruptions. These estimates are revised and adjusted accordingly in the following year.

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

		<u>2022</u>	<u>2021</u>
Balance as of January 1	\$	186,209	404,392
Impairment (decrease) increase recognized, net		<u>(10,383)</u>	<u>(218,182)</u>
Balance as of December 31	\$	<u>175,826</u>	<u>186,209</u>



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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 a constant basis. The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations (see Note 21).

a. Exposure to liquidity risk-

The following are the remaining contractual maturities of financial liabilities at the balance sheet date on December 31, 2022 and 2021. Carrying amounts are presented net of prepaid expenses and not discounted and include estimated interest payments.

<u>December 31, 2022</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>2 or less months</u>	<u>2-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years</u>
<u>Loans in USD</u>							
(Libor - Spread)	\$ 2,849,556	3,449,133	377,805	1,733,289	1,338,039	-	-
<u>Loans in USD</u>							
(Fixed rate)	\$ 233,981	237,748	-	186,159	51,588	-	-



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<u>December 31, 2022</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>2 or less months</u>	<u>2-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years</u>
Financial Leasing							
In USD	\$ 3,763,322	4,025,638	346,402	753,455	792,588	1,735,930	397,263
CEBURES –							
Securitized in \$	\$ 4,167,032	4,703,156	382,293	1,794,138	1,413,874	1,112,850	-
Leases –							
Liabilities	\$ 41,162,446	53,568,100	1,636,001	6,746,661	7,741,741	18,872,125	18,571,572
<u>December 31, 2021</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>2 or less months</u>	<u>2-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years</u>
Loans in USD							
(Libor - Spread)	\$ 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 –							
Securitized in \$	\$ 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

(d) Market risk-

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



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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 US Dollar. In 2022 and 2021, approximately 29% and 30% of the Company's expenses and 5% and 6%, of its revenues are denominated in currencies different from the US, respectively. The Company believes that this composition of revenues and costs between US Dollars and other currencies 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:

	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
Monetary assets	371,134	378,044
Monetary liabilities	(902,626)	(2,741,857)
Net currency risk in the statement of financial position	<u>(531,492)</u>	<u>(2,363,813)</u>

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

	<u>Average rate</u>		<u>Reporting date spot rate</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Mexican Peso	20.14	20.27	19.36	20.47
	=====	=====	=====	=====



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Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the other currencies as of December 31, 2022 and 2021 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.

	<u>Effect</u>
December 31, 2022	
US Dollar (10% strengthening)	\$ (48,317)
	=====
December 31, 2021	
US Dollar (10% strengthening)	\$ (214,892)
	=====

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.



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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)	<u>2022</u>	<u>2021</u>
Annual Consumption (Gal JF54)	390,818	297,367
Derivatives on JF54 (Gal JF54)	-	-
Amount Hedged (%)	-	-

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 2022 and 2021, the Company had a consumption of 390.8 and 297.4 million gallons of Jet-Fuel which bought at an average price of 3.65 and 2.12 USD/Gal respectively. These prices include transportation and supply surcharges.

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.



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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	195,409	(195,409)	293,114	(293,114)
Amounts in thousands USD				

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

iii. Interest rate risk-

Management of benchmark interest rate reform and associated risks.

The Company has US dollar LIBOR and peso TIE exposures on its financial instruments that will be replaced or reformed after June 30, 2023, and upon further notice.

To reduce the risk and uncertainty of the existing LIBOR contracts, and to avoid potential adverse consequences following the replacement of the LIBOR and TIE benchmark interest rates, the Company will modify its existing LIBOR contracts by either:

1. Converting contracts that reference LIBOR or TIE to an alternative benchmark rate prior to the cessation of LIBOR and TIE; and/or both.
2. Incorporating alternative language that includes an alternative reference rate defined after the cessation of LIBOR and TIE to provide contractual certainty of new interest rates upon the cessation of LIBOR and TIE.

The Company will actively use products that provide alternative benchmark rates to LIBOR, such as Secured Overnight Financing Rate Data ("SOFR") and TIE to TIE funding. In order to utilize these alternative reference rates in new contracts and proactively modify the reference rates in legacy contracts prior to the discontinuation of the LIBOR and TIE reference rates.



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As of the date of issuance of these consolidated financial statements, the Company has one loan referred to LIBOR (for an amount as of December 31, 2022, of US\$147.2 million). The Company finished the process of implementing appropriate fallback clauses for all LIBOR indexed exposures during 2022. These clauses automatically switch the instruments from LIBOR to SOFR as when the LIBOR ceases.

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, 2022 and 2021, 36% and 32%, 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, 2022 and 2021 the Company has interest rate Swaps on force in which the Company pays fixed rate receiving a floating rate indexed to TIIE 28 days. Through these instruments the Company makes the risk management generated by the variability of flows to floating interest rate.

Also within the Fideicomiso F/1748, whose Trustee is the Company, has outstanding at December 2022 and 2021 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, 2022 amounted to \$36,652 came from the following derivatives:

Interest rate Swaps

<u>Counterparty</u>	<u>Notional (\$)</u>	<u>Rate</u>	<u>Maturity date</u>
Citibanamex	\$ 1,590 million	7.72%	17/06/2024

The next table represents the position at risk for the Company as of December 31, 2022.



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		<u>Assets</u>	<u>Liabilities</u>
Short Term			
Investments			
Investment US\$	\$	4,414	-
Repo transactions		-	-
(Maturities over 3 months)			
Debt instruments		-	-
Debt			
US\$ loans			
Libor + Spread		-	1,628,318
Financial lease		-	845,880
Fixed rate		-	193,278
Loans \$			
TIIE + Spread		-	1,748,692
Financial lease		-	-
	\$	4,414	4,416,168
		=====	=====
Long Term			
Debt			
US\$ loans			
Libor + Spread	\$	-	1,221,238
Fixed rate		-	40,703
Financial lease		-	2,917,441
MX loans \$			
TIIE + Spread		-	2,418,340
Financial lease		-	-
	\$	-	6,597,722
		=====	=====

The following table represents the risk position for the Company as of December 31, 2022 and 2021 corresponding to the derivative rate financial instruments (amounts in thousands of Mexican pesos):



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	<u>Notional Amount</u>	
	<u>2022</u>	<u>2021</u>
Derivative Financial Instruments		
Fixed rate instruments		
Interest rate Swaps	(1,590,000)	(5,448,987)
	=====	=====
Variable rate instruments		
Interest rate Swaps	1,590,000	5,448,987
	=====	=====
Fuel 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 and 2021 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.

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 500 BP in 2022, going from 5.50 to 10.50%. Along the same lines, the FED increased the rate of reference in 400 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:

	<u>2022</u>		<u>2021</u>	
	<u>+50 BP</u>	<u>-50 BP</u>	<u>+50 BP</u>	<u>-50 BP</u>
Loans in US\$ Libor + Spread	US\$ 988	(988)	1,444	(1,444)
	=====	=====	=====	=====



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	<u>+50 BP</u>	<u>-50 BP</u>	<u>+50 BP</u>	<u>-50 BP</u>
Loans in \$ TIIE + Spread	\$ 24,212	(24,212)	26,108	(26,108)
	=====	=====	=====	=====

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.

		<u>Sensitivity</u>	
	<u>Carrying amount</u>	<u>+ 50 BP</u>	<u>- 50 BP</u>
TIIE Interest rate Swaps	\$ 36,652	4,697	(4,741)
	=====	=====	=====

(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).



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The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are not based on observable market data (unobservable inputs).

(f) Fair 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, 2022 and 2021, 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, 2022 and 2021, respectively.

Financial assets at fair value

As of December 31, 2022

	<u>Note</u>	<u>Other interest</u> <u>Rate swaps</u>
<u>Book value:</u>		
Fair value for hedging instruments	11	\$ 36,652
Total		\$ 36,652
<u>Fair value:</u>		
Level 1		\$ -
Level 2		36,652
Level 3		-
Total		\$ 36,652



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Financial liabilities at fair value

As of December 31, 2021

	<u>Note</u>	<u>Other interest</u> <u>Rate swaps</u>
<u>Book value:</u>		
Fair value for hedging instruments	11	\$ 23,329 =====
<u>Fair value:</u>		
Level 1		\$ -
Level 2		23,329
Level 3		- -----
Total		\$ 23,329 =====

Loans and borrowings not carried at fair value

As of December 31, 2022

	<u>Note</u>	<u>Loans</u> <u>in USD</u> <u>(Libor -</u> <u>Spread)</u>	<u>Loans</u> <u>in \$</u> <u>(TIIE -</u> <u>Spread)</u>	<u>Loans</u> <u>in USD</u> <u>(Fixed</u> <u>rate)</u>	<u>Loans</u> <u>in \$</u> <u>(Fixed</u> <u>rate)</u>	<u>Financial</u> <u>leasing</u> <u>of flight</u> <u>equipment</u> <u>in \$</u>	<u>Financial</u> <u>leasing</u> <u>of flight</u> <u>equipment</u> <u>in USD</u>
<u>Book value:</u>							
Loans and borrowings	21	\$ 2,849,556	4,167,032	233,981	-	-	3,763,321
<u>Fair value:</u>							
Level 1		\$ -	-	-	-	-	-
Level 2		2,807,552	3,287,732	233,445	-	-	3,826,879
Level 3		-	-	-	-	-	-
Total		\$ 2,807,552	3,287,732	233,445	-	-	3,826,879
		=====	=====	=====	=====	=====	=====



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Loans and borrowings not carried at fair value
As of December 31, 2021

	<u>Note</u>	<u>Loans</u> <u>in USD</u> <u>(Libor -</u> <u>Spread)</u>	<u>Loans</u> <u>in \$</u> <u>(TIIE -</u> <u>Spread)</u>	<u>Loans</u> <u>in USD</u> <u>(Fixed</u> <u>rate)</u>	<u>Loans</u> <u>in \$</u> <u>(Fixed</u> <u>rate)</u>	<u>Financial</u> <u>leasing</u> <u>of flight</u> <u>equipment</u> <u>in \$</u>	<u>Financial</u> <u>leasing</u> <u>of flight</u> <u>equipment</u> <u>in USD</u>
<u>Book value:</u>							
Loans and borrowings	21	\$ 6,013,054	5,156,119,	592,877	-	-	4,715,746
<u>Fair value:</u>							
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

(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.



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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 2022 and no transfers in either direction in 2021.

iii. Level 3 fair values

The Company did not present any of the fair values of its financial instruments as Level 3 during 2022 and 2021.



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(27) Other loss (income), net-

	<u>2022</u>	<u>2021</u>
<i>Other income:</i>		
Net gain from sale of property and equipment/obsolete material	\$ 235,369	109,851
Labor and other contingencies cancellation	16,158	-
Taxes recoveries	26,009	13,976
Leases recoveries	39,543	60,071
Credit notes from suppliers	-	80,090
Other	<u>79,044</u>	<u>36,943</u>
Total other income	<u>396,123</u>	<u>300,931</u>
<i>Other expenses:</i>		
Value added tax non-collectible	336,125	-
Labor and other contingencies	-	12,000
Related parties commission expenses, net reimbursement	638,339	568,875
Other	<u>119,034</u>	<u>-</u>
Total other expenses	<u>1,093,498</u>	<u>580,875</u>
Other loss, net	\$ <u>(697,375)</u>	<u>(279,944)</u>



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(28) Wages, salaries and benefits-

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 11,266,415	8,297,839
Compulsory social security contributions	1,325,101	1,409,260
Expenses related to defined benefit plans	<u>65,924</u>	<u>246,756</u>
	\$ <u>12,657,440</u>	<u>9,953,855</u>

(29) Finance income and finance costs-

	<u>2022</u>	<u>2021</u>
Interest income on bank deposits and other investments	\$ 213,548	82,220
Other financial income	-	12,065
Derivative financial income	30,091	311,008
Net foreign exchange gain	<u>139,349</u>	<u>-</u>
Finance income	<u>382,988</u>	<u>405,293</u>
Interest expense on financial liabilities	861,152	850,243
Credit card commissions (a)	1,710,457	1,097,474
Lease interest	2,928,909	487,206
Interest on employee obligation	281,627	275,184
Bank fees	90,159	457,729
Interest paid to related parties	2,267,134	778,117
Other financial costs	93,834	301,136
Net foreign exchange loss	<u>-</u>	<u>250,556</u>
Finance costs	<u>8,233,272</u>	<u>4,497,645</u>
Net finance cost recognized in profit and loss	\$ <u>(7,850,284)</u>	<u>(4,092,352)</u>



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- (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.

(30) 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, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Employees restructuring plan	\$ -	460,830
(Gain) loss for rejected flight equipment and other leased aircraft restructuring effects	(1,151,881)	(128,949)
Credit cards chargebacks	-	265,320
Professional fees associated to Chapter 11 advisors	282,394	3,661,154
General unsecured claim settlements	(2,104,236)	9,040,588
Credit due to lease liabilities cancellation	<u>(236,840)</u>	<u>(4,342,052)</u>
Net special restructuring (income) expenses recognized in profit and loss as operating expenses	\$ <u>(3,210,563)</u>	<u>8,956,891</u>



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Employees restructuring plan provisions

As a result of COVID-19, the Company undertook a workforce reduction since April 2020, which continued until 2022, achieved through layoffs, terminations of employment, early retirements and special leaves. A workforce reduction provision in 2021 of \$107,800 was recorded related to these measures. Payments of \$203,616 have been made to the end of the year 2022 (2021: \$675,713). 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 \$353,030.

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.

In 2021 after the corresponding negotiations with lessors took place; a credit of \$128,249 was recorded reflecting the results of the final agreement until the year-end.

In 2022, the remaining lease terms for three aircraft were reduced, creating short – term liabilities, therefore the reduction of the right-of-use and lease liability balances generated a profit with upon cancellation.

Credit cards chargebacks

Incremental costs regarding additional chargebacks through credit cards transactions.

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.



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General unsecured claim settlements

As explained in Note 23 as part of the PoR the Company recognized \$(2,104,236) and \$9,040,588 in 2022 and 2021, respectively (at its expected value) different claims promoted by different claimants. This estimated expense represented the expected value of the general unsecured settlements based upon the 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 2022 for \$236,840 (2021: \$4,342,052), is recognized as a special item within the operating results.

(31) Contingencies and Commitments-

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

As of December 31, 2022, the Company has the following significant contingencies and commitments:



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Contingencies:

- a. There are labor lawsuits in process for approximately \$552,913. 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 \$137,055, which is considered sufficient to cover possible outflows.
- b. In 2015, the Mexican Economic Federal Antitrust Commission (*Comisión Federal de Competencia Económica* or "COFECE") initiated an investigation against Aeroméxico for alleged monopolistic practices in the airline sector. In connection with this investigation, Aeroméxico received a fine of Ps.86.2 million pesos in 2019. On April 25, 2019, Aeroméxico filed constitutional relief proceedings (*juicio de amparo*) challenging the fine. On March 28, 2022, the competent district court nullified COFECE's resolution and the fines against the Company. On October 20, 2022, COFECE presented an appeal (*recurso de revisión*) challenging the district court's decision, and the resolution of this case is pending as of the date of issuance of these financial statements.
- 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;



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- 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 periods.

- d. In 2015, we entered into a Joint Cooperation Agreement (“JCA”) with Delta that has received antitrust immunity from U.S. and Mexican regulators. The JCA with Delta, and the antitrust immunity we have been granted by Department of Transportation (“DOT”) and Mexican regulators in connection therewith, is of strategic significance to the Group because it permits both companies to coordinate pricing, network and scheduling on Mexico-US routes, ensuring that we are able to provide coherent and seamless service to our passengers.

DOT’s grant of antitrust immunity was effective as of May 5, 2017 and was limited to five years’ duration. The JCA is subject to periodic reviews by government authorities including, for example, a pending review by the DOT of a joint application by Delta and Grupo Aeroméxico to renew the DOT’s approval of, and grant of antitrust immunity to, the JCA following the expiration of the five-year term. The DOT approval and antitrust immunity grant remain in effect pending DOT action on the renewal application, for which there is no defined procedural timeline.

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

- e. Fleet renewal.

The Company has the following agreements as of December 31, 2022:



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(In thousands of Mexican pesos)

- (i) Acquisition from manufacturer (since 2018 until 2022) for twenty-six firm deliveries of Boeing B737 MAX aircraft, which the last ten aircraft of this order have been already incorporated to the fleet in April 2022. These commitments were financed through sale and lease back schemes as they were acquired from foreign lessors.
- (ii) During the year-end 2022 the Company has been following on with the fleet renewal program, but it also considers the extension of certain aircraft to fulfill the commercial and fleet plan. In 2022, the Company extended three Embraer E190 and two Boeing B787-8 aircraft. As of December 31, 2022, nineteen B737 MAX and one B787-9 have been already incorporated to the fleet in the year 2022 (either from our order book or from lessors). Additionally, we signed operational lease commitments for twenty-four new B737 MAX (mostly -9 variant elected) and four new B787-9 to be received in the coming months.

(32) Subsequent events-

As of June 23, 2023, date of issuance of these consolidated financial statements, the most significant subsequent events in regard to the December 31, 2022 consolidated financial statements and for the year then ended are as follows:

- a) Uncertainty in fuel prices consumed by the Company. As of June 23, 2023, the price reached 2.58 dollars per gallon, and at December 31, 2022, was 3.19 dollars per gallon, and the average in 2022 was 3.65 dollars per gallon.
- b) As of June 23, 2023, the exchange rate of the peso against the dollar was \$17.20 while at December 31, 2022 was \$19.36, and the average in 2022 was \$20.14 per US\$.
- c) The Company has signed service agreements within the normal course of its operations.

