



AEROMEXICO REPORTS FULL YEAR 2022 AUDITED RESULTS

Mexico City, Mexico, July, 19 2023 - Grupo Aeromexico S.A.P.I. de C.V. ("Aeromexico") today reported financial results full year ended December 31, 2022.

For the full year audited results, the Company has used the US Dollar as the presentation currency for consolidated financial statements, which is also the functional currency of the Group. The company has changed the reporting from Mexican Peso to US dollar. The change in presentation currency is as of January 1, 2021, and is applied from the date of the change.

All figures are expressed in US dollars unless otherwise indicated.

KEY FINANCIAL HIGHLIGHTS FOR THE FULL YEAR 2022

- In 2022, available seat kilometers (ASKs) increased by 37.3% year over year, primarily driven by the sequential recovery in domestic and international markets.
- Aeromexico's FY22 total revenue reached \$3.8 billion: a 70.4% increase as compared to 2021.
- Revenue per ASK in dollars (RASK) was 8.0¢, which represents a 24.1% year over year increase.
- EBITDAR, excluding the purchase price allocation effects from PLM's acquisition amounted to \$799.0 million; an \$844.7 million dollar increase year over year. Adjusted EBITDAR margin was 21.0%; a 23 p.p. improvement as compared to 2021.
- Full year 2022 EBIT, excluding PLM's acquisition, amounted to \$203.1 million, with a 5.3% margin.
- Cost per ASK (CASK) in dollars, excluding fuel, was 4.9¢. This is a 10.8% decrease as compared to 2021, reflecting the Company's commitment to cost control.
- During 2022, cash generated from operating activities, adjusted for Chapter 11 payments, amounted to \$552.6 million. This allowed us to continue to strengthen our financial position by amortizing close to \$220.0 million dollars of financial debt. Total adjusted net debt to EBITDAR amounted to 3.3 times (excluding the PLM accounting effect), a significant improvement with respect to the ratio of 7.8 times recorded at the end of 2021.
- As of December 31, 2022, Aeromexico's operating fleet comprised 144 aircraft, 11 additional aircraft as compared to the fourth quarter 2021.



Daniel Medellín Enríquez
SVP Financial Planning & Investor Relations
dmedellin@aeromexico.com

Ricardo Sánchez Baker
CFO
rsbaker@aeromexico.com

MANAGEMENT DISCUSSION AND ANALYSIS

On December 22, 2022, Aeroméxico informed that the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) issued a final decree closing the chapter 11 cases of the Company and its subsidiaries Aerovías de México, S.A. de C.V., Aerolitoral, S.A. de C.V., and Aerovías Empresa de Cargo, S.A. de C.V. (collectively, the “Reorganized Debtors”).

Considering, among other things, that the Reorganized Debtors’ plan of reorganization, which became fully effective on March 17, 2022, was substantially consummated and distributions on account of almost 100% of all eligible allowed claims had been made, the Bankruptcy Court determined that entry of the Final Decree was appropriate.

On December 28, 2022, Aeroméxico informed that, by means of official communication No. 153/3497/2022 (the “Authorization”), the Mexican National Banking and Securities Commission (“CNBV”, or Comisión Nacional Bancaria y de Valores) authorized the cancellation of the registration in the National Securities Registry (“RNV”, or Registro Nacional de Valores) of all ordinary, nominative, single series shares, without par value, representing the capital stock of the Company (the “Shares”).

The Authorization has been formally notified to the Mexican Stock Exchange (“BMV”, or Bolsa Mexicana de Valores, S.A.B. de C.V.) and, consequently, the BMV has proceeded to implement the required administrative processes to cancel the registration of the Shares before the BMV and the RNV, with effective date of December 28, 2022.

At the end of December 2022, as part of the obligations of the Company under the Registration Rights Agreement (RRA), Aeromexico completed the form F-1 registration statement with the Securities and Exchange Commission (SEC).



FY22 AUDITED RESULTS



Financial Standards

All figures are expressed in millions of U.S. dollars unless otherwise indicated. Aeromexico's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Financial Reporting Standards Council ("IASB").

Financial KPIs	Twelve Months Ended December 31		
	2022	2021	Var. %
Total revenue	3,812.0	2,237.7	70.4
Adjusted EBITDAR* (Ex. PLM PPA)	799.0	(45.7)	N.A.
Adjusted EBITDAR margin* (Ex. PLM PPA, % of Revenue)	21.0%	(2.0%)	N.A.
Adjusted Operating Income (loss) (Ex. PLM PPA)	203.1	(635.0)	N.A.
Adjusted Operating Margin (Ex. PLM PPA, % of Revenue)	5.3%	(28.4%)	N.A.
Income (loss)	(64.2)	(1,019.4)	N.A.
Income (loss) Margin (% of Revenue)	(1.7%)	(45.6%)	N.A..
Key Operating Indicators	2022	2021	Var. %
Total ASKs (millions)	47,752	34,774	37.3
Total RPKs (millions)	38,515	26,004	48.1
Load factor on scheduled flights (%)	82%	77%	5 p.p.
Passengers ('000)	21,724	16,553	31.2
On-Time departure performance within 15 minutes (%)	79%	79%	0.1 p.p.
Total liters of fuel ('000)	1,479,457	1,125,696	31.4
Yield (USD cents)**	8.0	7.0	13.6
Total revenue / ASK (USD cents)	8.0	6.4	24.1
Passenger revenue / ASK (USD cents)	6.4	5.3	22.5
Total cost / ASK (USD cents)	7.8	7.3	7.5
Total cost excluding fuel / ASK (USD cents)	4.9	5.5	(10.8)

Figures may not sum to total due to rounding.

* This metric is not defined under IFRS but has been included for reference given its relevance to the Company's performance. EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, and rental costs.

** Estimated as passenger revenues (excluding ancillaries) divided by RPKs of itinerary flights.

The Company has used the US Dollar as the presentation currency for these consolidated financial statements, which is also the functional currency of the Group. The company has changed the reporting from Mexican Peso to US dollar. The change in presentation currency is as of January 1, 2021, and is applied from the date of the change.

Market Conditions

- **Post pandemic recovery.** For the full year 2022, ASKs increased by 37% as compared to 2021.
- **Exchange rate.** Full year average exchange rate recorded a slight 0.6% appreciation, from \$20.27 pesos per dollar in 2021 to \$20.14 pesos per dollar in 2022.
- **Fuel price.** Fuel cost per liter in dollars increased by 69.7%, from an average of 56¢ per liter in 2021 to 96¢ per liter in 2022.



- **Inflation.** Annual inflation as of December 2022 was 7.8%, a 0.4 pp increase when compared to 2021.
- **Economic activity.** The Mexican economy showed a slight recovery during the last quarter of 2022. On a year over year basis, the Global Economic Activity Indicator grew 4.8%, 3.6% and 3.1% over the last three months of the year, respectively.

Revenue

Total revenue for the full year recorded \$3.8 billion; a 70.4% increase as compared to the previous year.

Total ASKs increased by 37.3% as compared to 2021, with international ASKs accounting for 63.0% of Aeromexico's total ASKs. This is a 4.8 p.p. increase as compared to 2021. Aeromexico continues to adapt its offer deployment based on the current composition of demand.

Total passenger revenue increased by 73.5%, recording \$3.4 billion. Aeromexico transported 21 million 724 thousand passengers in 2022, which represents a 31.2% increase when compared to 2021.

Passengers on international and domestic routes increased by 52.7% and 24.0%, respectively. Overall performance was primarily driven by passenger growth and revenue initiatives to recover increased fuel costs.

In 2022 cargo revenue increased by 19.9% as compared to the previous year, recording \$291.3 million. This reflects the strength of Aeromexico Cargo operations.

As a wholly owned subsidiary, the PLM operation is now consolidated in our financial statements (previously under equity method). The annual increase of 84.1 million in other revenues was driven primarily by PLM consolidation.

Operating Expenses

For the full year, total operating expenses increased by 14.9%, totaling \$3.3 billion, in line with the volume increase achieved over the year.

Jet fuel expenses increased by 123.0%, recording \$1.4 billion as compared to \$634.5 million in 2021. Average fuel price increased by 69.7% year over year. Fuel burn per ASK decreased by 4.3% as compared to the previous year.

During 2022 CASK recorded a 7.5% increase amounting to 7.8¢, while CASK excluding fuel recorded 4.9¢; a 10.8% decrease as compared to the previous year, reflecting the Company's commitment to cost control.

Wages, salaries, and related expenses during 2022 increased by 28.5% as compared to 2021, mainly due to higher operational volume and inflationary pressure.

Aircraft, communication and traffic services expenses increased by 44.5% for the full year, primarily due to the rise in our operational volume.



Other operating costs including passenger services, travel agent commissions and selling and administrative expenses increased by 52.0% on a yearly basis. As previously mentioned, this increase was mainly driven by higher passenger volumes, as well as fees related to our Chapter 11 final exiting process and other expenses derived from our delisting from the Mexican Stock Exchange.

The Company's share of gain on equity accounted investees income represented a benefit of \$329.6 million in 2022, as compared to a \$17.9 million benefit in 2021. This benefit increase is explained by the \$307.7 million gain resulting from the remeasurement to fair value of the Group interest in PLM.

For the full year, aircraft rent cost, depreciation and amortization expenses totaled \$597.0 million, a 6.7% decrease as compared to the previous year.

EBITDAR

EBITDAR in 2022 recorded \$1.1 billion; a \$1.2 billion improvement as compared to the previous year. Excluding the gain from PLM remeasurement, full year EBITDAR amounted to \$799.0 million dollars, with a 21.0% margin, an \$844.7 million improvement over the previous year.

Operating Income

Aeromexico recorded a \$510.8 million total operating income in 2022 as compared to a \$635.0 million operating loss in 2021. This result was also impacted by the \$307.7 million gain from the remeasurement to fair value of the Group interest in PLM. Excluding this effect, full year EBIT amounted to \$203.1 million dollars, with a 5.3% margin, an \$838.2 million improvement over the previous year.

Net Income (loss)

For the full year, the Company recorded a net loss of \$64.2 million, as compared to a \$1.0 billion dollar loss recorded in 2021.

Comments to the Consolidated Statements of Financial Position and Cash Flow

Aeromexico's cash position as of December 2022, amounted to \$842.2 million. Excluding restricted cash, Aeromexico's cash balance amounted to \$755.2 million. During 2022, cash flow from operating activities, excluding expenses associated to our Chapter 11 process, amounted to \$552.6 million. During the year, the Company continued to strengthen its financial position by amortizing \$219 million of financial debt. Total adjusted net debt to EBITDAR was 3.3 times (excluding the PLM accounting effect), a significant decrease compared to the 7.8 times recorded at the end of 2021.



FY22 AUDITED RESULTS



Passenger Revenue Breakdown

All figures are expressed in millions of U.S. dollars unless otherwise indicated. Aeromexico's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Financial Reporting Standards Council ("IASB").

Passenger Revenue	Twelve Months Ended December 31		
	2022	2021	Var. %
Domestic	1,373.0	929.5	47.7
International	2,029.4	1,031.1	96.8
Total passenger revenue	3,402.4	1,960.6	73.5

Figures may not sum to total due to rounding.

Fleet

During 2022, Grupo Aeromexico received 1 Boeing 787-9 and 19 Boeing 737-MAX aircraft.

Grupo Aeromexico's operating fleet comprised 144 aircraft as of December 31, 2022, with an average age of 8.0 years.

Operating Fleet

Fleet	4Q20	4Q21	3Q22	4Q22
B-787	19	18	18	19
B-737-700	5	5	1	1
B-737-800	30	36	36	36
B-737 MAX 8	6	21	32	33
B-737 MAX 9	-	6	12	13
Aeromexico	60	86	99	102
E-190	47	47	42	42
Aeromexico Connect	47	47	42	42
Grupo Aeromexico	107	133	141	144



FY22 AUDITED RESULTS



Grupo Aeroméxico S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Profit or Loss and other Comprehensive Income

Twelve months ended December 31

(USD Millions)

	<u>2022</u>	<u>2021</u>	<u>Var %</u>
Revenues:			
Passenger	3,402	1,961	73.5%
Air cargo	291	243	19.9%
Other	118	34	245.9%
Total revenue	3,812	2,238	70.4%
Operating expenses:			
Jet-fuel	1,415	634	123.0%
Wages, salaries and benefits	638	497	28.5%
Maintenance	203	163	24.1%
Aircraft, communication and traffic services	446	309	44.5%
Passenger services	86	49	74.5%
Travel agent commissions	73	45	63.4%
Selling and administrative	287	200	43.9%
Aircraft leasing	143	170	-15.6%
Depreciation and amortization	454	470	-3.5%
Impairment (reversal)	(1)	(51)	NA
Restructuring expenses	(114)	419	NA
Other (income) loss, net	1	(14)	NA
Share of gain on equity accounted investees, net of tax	(330)	(18)	NA
Total operating expenses	3,301	2,873	14.9%
Total operating income (loss)	511	(635)	NA
Finance income (cost)			
Net finance Cost	(451)	(498)	NA
Income (loss) before income tax	60	(1,133)	NA
Income tax benefit	124	(113)	NA
Net Income (loss) for the year	(64)	(1,019)	NA

The Company has used the US Dollar as the presentation currency for these consolidated financial statements, which is also the functional currency of the Group. The company has changed the reporting from Mexican Peso to US dollar. The change in presentation currency is as of January 1, 2021, and is applied from the date of the change.



FY22 AUDITED RESULTS



Grupo Aeroméxico S.A.B. de C.V. and Subsidiaries Consolidated Statements of Financial Position

As of December 31, 2022
(USD Millions)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	842	979
Derivative financial instruments	2	1
Trade and other receivables	391	196
Due from related parties	1	0
Prepayments and deposits	45	34
Inventories	97	78
Total current assets	1,377	1,289
Non-current assets:		
Property and equipment, including right-of-use	2,643	2,427
Other non-current assets	1,525	549
Total non-current assets	4,169	2,976
Total assets	5,546	4,264
Liabilities		
Current liabilities:		
Loans and borrowings, including leases	514	1,907
Others	2,089	2,956
Total current liabilities	2,603	4,863
Non-current liabilities:		
Loans and borrowings, including leases	2,937	1,805
Others	737	242
Total non-current liabilities	3,674	2,047
Total liabilities	6,277	6,910
Total equity (deficit)	(731)	(2,645)
Total equity and liabilities	5,546	4,264

The Company has used the US Dollar as the presentation currency for these consolidated financial statements, which is also the functional currency of the Group. The company has changed the reporting from Mexican Peso to US dollar. The change in presentation currency is as of January 1, 2021, and is applied from the date of the change.



FY22 AUDITED RESULTS



Grupo Aeroméxico S.A.B. de C.V. and Subsidiaries Consolidated Statements of Cash Flows

Twelve months ended December 31

(USD Millions)

	<u>2022</u>	<u>2021</u>	<u>Var \$</u>
Operating cash	529	121	408
Working capital excluding general unsecured claims	24	94	(70)
Cash generated from operating activities ex GUC	553	215	338
General unsecured claims	(464)	-	(464)
Cash generated from operating activities	89	215	(126)
Employees' statutory profit sharing and income tax paid	(33)	(5)	(28)
Interest paid	(266)	(166)	(101)
Net cash (used in) from operating activities	(211)	44	(255)
Net cash used in investing activities	(522)	(123)	(399)
Net cash from financing activities	596	646	(50)
Net (decrease) increase in cash and cash equivalents	(137)	567	(704)
Cash and cash equivalents:			
At beginning of year	979	412	567
At end of year	842	979	(137)

The Company has used the US Dollar as the presentation currency for these consolidated financial statements, which is also the functional currency of the Group. The company has changed the reporting from Mexican Peso to US dollar. The change in presentation currency is as of January 1, 2021, and is applied from the date of the change.



**Grupo Aeroméxico, S. A. P. I. de C. V.
and subsidiaries (formerly Grupo Aeroméxico,
S. A. B. de C. V. and
subsidiaries**

Consolidated financial statements

December 31, 2022, 2021 and January 1, 2021

(With the Independent Auditors' Report)



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Contents	<u>Page</u>
Independent auditors' report	1 to 3
Consolidated statements of financial position	4
Consolidated statements of profit or loss and other comprehensive income	6
Consolidated statements of changes in equity	8
Consolidated statements of cash flows	11
Notes to the consolidated financial statements	12 to 121





Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Grupo Aeroméxico, S. A. P. I. de C. V.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries (the Company) as of December 31, 2022, 2021 and January 1, 2021, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021 and January 1, 2021 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International

Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.





Basis of Presentation

As discussed in Note 2 to the consolidated financial statements, Grupo Aeroméxico, S. A. P. I. de C. V. has changed the reporting currency from Mexican peso to US dollar. The change in reporting currency is as of January 1, 2021 and is applied from date of the change.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisition of PLM Premier, S. A. P. I. de C. V. – Fair value of certain intangible assets and remeasurement of previously held interest.

As discussed in Notes 3(a) i, 6 and 17 to the consolidated financial statements, on July 15, 2022, the Group acquired 48.86% of the shares and voting interests in *PLM Premier, S. A. P. I. de C. V.* (PLM). As a result, the Group's equity interest in PLM increased from 51.14% to 100%, granting it control of PLM. The consideration paid was \$430,359 thousand. This acquisition resulted in the Company recording intangible assets related to customer relationships and a trademark in the consolidated statement of financial position. The fair value of these intangible assets and the trademark was \$346,380 thousand as of the acquisition date. In addition, the Company remeasured to fair value its previously held interest in PLM, which resulted in a gain of \$307,680 thousand.

We identified the assessment of the acquisition-date fair value of certain intangible assets, which consisted of customer relationships and a trademark, acquired in the PLM acquisition as well as the remeasurement of the previously held interest in PLM as a critical audit matter. The estimated fair values of these intangible assets and the previously held interest in PLM were sensitive to changes in the key assumptions used to measure their fair values. Specifically, there was a high degree of subjective auditor judgment involved in evaluating the forecasted revenue growth rates and the discount rate. In addition, specialized skills and knowledge were needed to test the key assumptions listed above.





The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's acquisition-date valuation process, including controls related to the development of the forecasted revenue growth rates and the discount rate. We evaluated the growth rates used by the Company to determine forecasted revenues by comparing them to industry benchmarks and publicly available data. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the discount rate used by the Company by comparing it to an independently developed range using publicly available market data for comparable entities
- Developing an estimated range of fair value for each of the customer relationships intangible asset, trademark intangible asset, and the previously held interest in PML using the Company's forecasted revenue growth rates and an independently developed range of discount rates, and comparing it to the Company's fair value estimate.

KPMG Cárdenas Dosal, S. C

KPMG

Cárdenas Dosal, S.C.

We have served as the Company's auditor since 2007.

Mexico City
April 28, 2023



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of financial position

As of December 31, 2022, 2021 and January 1, 2021

(In thousands of US dollars)

	<u>Note</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1,</u> <u>2021</u>
Assets				
Current assets:				
Cash and cash equivalents	10	\$ 842,182	979,078	411,944
Financial assets	11	-	-	1,889
Derivative financial instruments	11	1,893	1,045	-
Trade and other receivables	14	391,272	196,229	183,621
Due from related parties	7	540	494	5,670
Prepayments and deposits	12	44,568	34,191	18,824
Inventories	13	96,967	77,648	68,292
Total current assets		<u>1,377,422</u>	<u>1,288,685</u>	<u>690,240</u>
Non-current assets:				
Property and equipment, including right-of-use	15	2,643,406	2,426,579	2,784,752
Intangible assets and goodwill	17	1,063,812	69,480	76,256
Prepayments and deposits	12	138,009	158,510	244,742
Investments in equity accounted investees	18	30,181	10,773	15,451
Trade and other receivables	14	-	-	33
Other non-current assets		2,272	8,578	23,086
Deferred tax assets	20	291,064	301,609	195,553
Total non-current assets		<u>4,168,744</u>	<u>2,975,529</u>	<u>3,339,873</u>
Total assets		\$ <u>5,546,166</u>	<u>4,264,214</u>	<u>4,030,113</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.

Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of financial position (Continued)

As of December 31, 2022, 2021 and January 1, 2021

(In thousands of US dollars)

	<u>Note</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1,</u> <u>2021</u>
Liabilities				
Current liabilities:				
Loans and borrowings, including leases	21	\$ 513,976	1,907,163	3,159,721
Trade and other payables	25	1,032,236	822,403	1,083,924
Due to related parties	7	445	28,337	24,280
Provisions	24	32,281	190,767	163,061
Air traffic liability	8	784,248	681,542	431,996
Frequent flyer program	8	234,568	-	-
General unsecured claims liability	24	-	1,228,377	-
Income taxes payable and employee's statutory profit sharing		5,224	4,092	3,938
Total current liabilities		2,602,978	4,862,681	4,866,920
Non-current liabilities:				
Loans and borrowings, including leases	21	2,936,961	1,805,238	469,698
Due to related parties	7	-	54,914	90,921
Derivative financial instruments	11	-	-	27,711
Frequent flyer program	8	211,443	-	-
Deferred revenue		-	-	393
Provisions	24	234,522	-	-
Employee benefits	22	185,400	186,510	216,299
Deferred tax liabilities	20	105,694	205	2,623
Total non-current liabilities		3,674,020	2,046,867	807,645
Total liabilities		6,276,998	6,909,548	5,674,565
Equity (Deficit)				
Capital stock	26	4,598,016	373,578	373,578
Share premium		(2,182,889)	77,540	77,540
Statutory reserve		24,750	24,750	24,750
Stock repurchase reserve		29,703	29,703	29,703
Equity accounted investees share of OCI		(6,577)	(6,962)	(6,196)
Remeasurement of defined benefit liability		16,351	1,719	(17,588)
Retained earnings (deficit)		(3,212,155)	(3,147,608)	(2,128,162)
Total equity (deficit) attributable to equity holders of the Company		(732,801)	(2,647,280)	(1,646,375)
Non-controlling interest		1,969	1,946	1,923
Total equity (deficit)		(730,832)	(2,645,334)	(1,644,452)
Total equity and liabilities		\$ 5,546,166	4,264,214	4,030,113

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of profit or loss and other comprehensive income

For the years ended December 31, 2022, 2021 and 2020

(In thousands of US dollars)

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:				
Passenger	8	\$ 3,402,409	1,960,599	1,137,621
Air cargo		291,340	242,947	213,517
Other		118,250	34,187	42,112
Total revenue	9	<u>3,811,999</u>	<u>2,237,733</u>	<u>1,393,250</u>
Operating expenses:				
Jet-fuel		1,414,763	634,475	364,323
Wages, salaries and benefits	30	638,313	496,605	482,223
Maintenance		202,688	163,311	185,395
Aircraft, communication and traffic services		445,819	308,561	235,516
Passenger services		85,645	49,091	35,304
Travel agent commissions		73,086	44,718	40,090
Selling and administrative		287,365	199,629	181,104
Aircraft leasing	16	143,482	170,046	77,549
Depreciation and amortization		453,543	469,899	593,289
Impairment (reversal)		(1,180)	(50,658)	700,248
Restructuring (income) expenses, net	32	(114,088)	419,192	180,859
Other loss (income), net	29	1,382	(14,229)	3,861
Share of gain on equity accounted investees, net of tax	18	(329,648)	(17,901)	(16,262)
Total operating expenses		<u>3,301,170</u>	<u>2,872,739</u>	<u>3,063,499</u>
Total operating income (loss)		<u>510,829</u>	<u>(635,006)</u>	<u>(1,670,249)</u>
Finance income (cost)				
Finance income	31	15,334	21,478	21,349
Finance cost	31	(465,911)	(519,244)	(371,047)
Net finance cost		<u>(450,577)</u>	<u>(497,766)</u>	<u>(349,698)</u>
Income (loss) before income tax		60,252	(1,132,772)	(2,019,947)
Income tax expense (benefit)	19	124,477	(113,349)	(22,964)
Loss for the year		<u>\$ (64,225)</u>	<u>(1,019,423)</u>	<u>(1,996,983)</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

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

For the years ended December 31, 2022, 2021 and 2020

(In thousands of US dollars, except for earning per share)

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Loss for the year		\$ (64,225)	(1,019,423)	(1,996,983)
Other comprehensive income (OCI), net of income taxes (Notes 20(b) and 22)				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit liability	22	20,885	27,541	(2,894)
Income taxes		(6,253)	(8,234)	868
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion of changes in fair value		-	-	60,696
Equity accounted investees share of OCI	18	385	(766)	367
Employee benefits remeasurement due to personnel transfers		(299)	-	-
Income taxes		-	-	(18,209)
Other comprehensive income for the year, net of income taxes		<u>14,718</u>	<u>18,541</u>	<u>40,828</u>
Total comprehensive loss for the year		\$ <u>(49,507)</u>	<u>(1,000,882)</u>	<u>(1,956,155)</u>
Loss attributable to:				
Owners of the Company		\$ (64,248)	(1,019,446)	(1,997,001)
Non-controlling interest		<u>23</u>	<u>23</u>	<u>18</u>
Loss for the year		\$ <u>(64,225)</u>	<u>(1,019,423)</u>	<u>(1,996,983)</u>
Total comprehensive loss attributable to:				
Owners of the Company		\$ (49,530)	(1,000,905)	(1,956,173)
Non-controlling interest		<u>23</u>	<u>23</u>	<u>18</u>
Total comprehensive loss for the year		\$ <u>(49,507)</u>	<u>(1,000,882)</u>	<u>(1,956,155)</u>
Loss per share from continuing operations				
Basic and diluted loss per share (US dollars)	27	\$ <u>(0.47)</u>	<u>(7.47)</u>	<u>(14.64)</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of changes in equity

For the years ended December 31, 2022, 2021 and 2020

(In thousands of US dollars)

	Attributable to equity holders of the Company									
	Capital stock	Share premium	Statutory reserve	Stock repurchase reserve	Equity accounted investees share of OCI	Remeasurement of defined benefit liability	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance as of January 1, 2022	\$ 373,578	77,540	24,750	29,703	(6,962)	1,719	(3,147,608)	(2,647,280)	1,946	(2,645,334)
Capital stock increase (Notes 2(b) and 26(a))- Cash	720,000	-	-	-	-	-	-	720,000	-	720,000
DIP Financing commitment premium conversion to capital stock	744,393	(72,917)	-	-	-	-	-	671,476	-	671,476
Equity commitment premium	108,000	(108,000)	-	-	-	-	-	-	-	-
General unsecured claims conversion to capital stock	2,694,450	(2,079,512)	-	-	-	-	-	614,938	-	614,938
Capital stock decrease (Note 26(a))	(42,405)	-	-	-	-	-	-	(42,405)	-	(42,405)
Total comprehensive loss for the year:										
Loss for the year	-	-	-	-	-	-	(64,248)	(64,248)	23	(64,225)
Other comprehensive income	-	-	-	-	385	14,632	(299)	14,718	-	14,718
Balance as of December 31, 2022	\$ <u>4,598,016</u>	<u>(2,182,889)</u>	<u>24,750</u>	<u>29,703</u>	<u>(6,577)</u>	<u>16,351</u>	<u>(3,212,155)</u>	<u>(732,801)</u>	<u>1,969</u>	<u>(730,832)</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of changes in equity

For the years ended December 31, 2022, 2021 and 2020

(In thousands of US dollars)

	Attributable to equity holders of the Company									
	<u>Capital stock</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Stock repurchase reserve</u>	<u>Equity accounted investees share of OCI</u>	<u>Remeasurement of defined benefit liability</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
Balance as of January 1, 2021	\$ 373,578	77,540	24,750	29,703	(6,196)	(17,588)	(2,128,162)	(1,646,375)	1,923	(1,644,452)
Total comprehensive loss for the year:										
Loss for the year	-	-	-	-	-	-	(1,019,446)	(1,019,446)	23	(1,019,423)
Other comprehensive income	-	-	-	-	(766)	19,307	-	18,541	-	18,541
Balance as of December 31, 2021	\$ <u>373,578</u>	<u>77,540</u>	<u>24,750</u>	<u>29,703</u>	<u>(6,962)</u>	<u>1,719</u>	<u>(3,147,608)</u>	<u>(2,647,280)</u>	<u>1,946</u>	<u>(2,645,334)</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of changes in equity

For the years ended December 31, 2022, 2021 and 2020

(In thousands of US dollars)

Attributable to equity holders of the Company											
	<u>Capital stock</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Stock repurchase reserve</u>	<u>Equity accounted investees share of OCI</u>	<u>Remeasurement of defined benefit liability</u>	<u>Cash flow hedge-effective portion of changes in fair value</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
Balance as of January 1, 2020	\$ 373,326	77,070	24,750	30,646	(6,563)	(15,562)	(42,487)	(131,161)	310,019	1,905	311,924
Repurchase of shares	-	-	-	(943)	-	-	-	-	(943)	-	(943)
Capital stock increase (Note 26(a))	252	470	-	-	-	-	-	-	722	-	722
Total comprehensive loss for the year:											
Loss for the year	-	-	-	-	-	-	-	(1,997,001)	(1,997,001)	18	(1,996,983)
Other comprehensive income	-	-	-	-	367	(2,026)	42,487	-	40,828	-	40,828
Balance as of December 31, 2020	\$ <u>373,578</u>	<u>77,540</u>	<u>24,750</u>	<u>29,703</u>	<u>(6,196)</u>	<u>(17,588)</u>	<u>-</u>	<u>(2,128,162)</u>	<u>(1,646,375)</u>	<u>1,923</u>	<u>(1,644,452)</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.

Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries
(formerly Grupo Aeroméxico S. A. B. de C. V. and subsidiaries)

Consolidated statements of cash flows

For the years ended December 31, 2022, 2021 and 2020

(In thousands of US dollars)

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities				
Income (loss) before income tax		\$ 60,252	(1,132,772)	(2,019,947)
Adjustments for:				
Depreciation and amortization	15 and 17	453,543	469,899	593,289
Impairment (reversal)		(1,180)	(50,658)	700,247
Lease liability reversal		(11,567)	(214,058)	(130,066)
Share of gain on equity accounted investees, net of tax		(329,648)	(17,901)	(16,262)
Loss (gain) on sale property and equipment		(5,140)	(32,620)	1,975
Other restructuring expenses provisions, net		(102,521)	633,250	310,925
Provisions, net		140,276	60,728	180,530
Derivative financial loss (gain)		790	(15,315)	119,265
Employee benefits		8,307	3,762	2,705
Inventory adjustments to net realizable value		204	116	686
Allowance for doubtful accounts		4,162	4,046	11,009
Interest expense, net		269,852	304,489	167,661
Unrealized exchange gain		41,991	107,686	(38,272)
Employees' statutory profit sharing		(369)	202	275
		<u>528,952</u>	<u>120,854</u>	<u>(115,980)</u>
Trade and other receivables		(167,363)	(16,493)	127,680
Due from related parties		(46)	(70)	340
Inventories		(19,520)	(9,472)	1,998
Prepayments and deposits		32,788	(15,467)	(1,814)
Trade and other payables		38,376	(87,224)	(142,559)
Due to related parties		(3,142)	(30,873)	14,891
General unsecured claims liability		(464,004)	-	-
Air traffic liability		102,683	249,523	114,570
Frequent flyer program		24,592	-	-
Interest received		15,334	4,046	4,413
Derivative financial instruments		-	-	(657)
Cash generated from operating activities		<u>88,650</u>	<u>214,824</u>	<u>2,882</u>
Employees' statutory profit sharing and income tax paid		(33,197)	(5,288)	(6,904)
Interest paid	21	(266,365)	(165,604)	(103,820)
Net cash (used in) from operating activities		<u>(210,912)</u>	<u>43,932</u>	<u>(107,842)</u>
Cash flows from investing activities				
Acquisition of properties and equipment (including major maintenance)	15	(199,867)	(123,625)	(87,028)
Proceeds from sale of properties and equipment	15	3,133	52,386	152
Dividends from equity accounted investees	18	2,455	21,890	16,357
Investment in equity accounted investees, net		-	(619)	-
Acquisition of subsidiaries net of cash received	6	(262,949)	-	-
Intangible assets	17	(13,700)	(4,461)	(3,212)
Proceeds received (paid) due to settlement of derivative financial instruments	3(c), iii	-	1,889	(101,379)
Prepayments and deposits for maintenance and acquisition of properties and equipment	12	(50,726)	(70,015)	(88,363)
Net cash used in investing activities		<u>(521,654)</u>	<u>(122,555)</u>	<u>(263,473)</u>
Cash flows from financing activities				
Proceeds from capital stock issuance	2(b)ii	720,000	-	252
Cash paid for capital stock		(42,405)	-	-
Proceeds from loans	21	762,500	687,175	750,930
Repayments of loans	21	(731,725)	(3,664)	(265,716)
Payments of lease liabilities	21	(112,700)	(37,754)	(182,626)
Share premium		-	-	470
Repurchase of shares		-	-	(943)
Net cash from financing activities		<u>595,670</u>	<u>645,757</u>	<u>302,367</u>
Net (decrease) increase in cash and cash equivalents		<u>(136,896)</u>	<u>567,134</u>	<u>(68,948)</u>
Cash and cash equivalents:				
At beginning of year		<u>979,078</u>	<u>411,944</u>	<u>480,892</u>
At end of year		<u>\$ 842,182</u>	<u>979,078</u>	<u>411,944</u>

The notes on pages 12 to 121 are an integral part of the consolidated financial statements.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

December 31, 2022, 2021 and 2020

(In thousands of US dollars)

(1) Description of business -

Grupo Aeroméxico, S. A. P. I. de C. V. (the “Company”) is a company incorporated under the laws of Mexico. The address of the Company is Paseo de la Reforma 243 25th Floor, Colonia Cuauhtémoc, 06500 Mexico City, Mexico. The consolidated financial statements of the Company as of and for the years ended December 31, 2022, 2021 and 2020, comprise the Company and its subsidiaries (together referred to as the “Group” or “Grupo Aeroméxico” and individually as “Group entities”).

The Company was listed on the Mexican Stock Exchange until December 28, 2022. The principal activity of the Group is to provide air transport services for passengers, goods and cargo and loyalty program, inside and outside of Mexico, training and management services, franchise systems commercialization and management of investment in shares.

(2) Basis of preparation-

On March 28, 2023, the transformation of the Company and adoption of the new corporate regime of "Sociedad Anónima Promotora de Inversión de Capital Variable" (S.A.P.I. de C.V.) was carried out.

(a) Statement of compliance-

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

On April 28, 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 Group’s bylaws, the stockholders are empowered to modify the consolidated financial statements after issuance. The accompanying consolidated financial statements will be submitted to the next Stockholders’ Meeting for approval.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(b) Financial restructuring and Chapter 11 emergence-

i Impact of COVID-19-

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

Because of the deep effects of the COVID-19 pandemic the Group 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 Group 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 Group temporarily discontinued its fuel hedging that covers between 40 to 60% of its annual projected fuel consumption for the fiscal years 2021 and 2022.
- 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 Group's financial performance were recognized for \$(114,088), \$419,192 and \$180,859 for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 32).

ii Financial restructuring and Chapter 11 emergence-

On June 30, 2020, the Company announced that it initiated, together with its affiliates, Aerovías de México, S. A. 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The Group made such filing to utilize the Chapter 11 process to strengthen the Group'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.

Fleet adjustments -

Effective July 1, 2020, the Group 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 2021 and 2022 the Group 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 - see Note 21), 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 Group to emerge successfully from Chapter 11, the Group obtained the Bankruptcy Court's approval of a Plan of Reorganization ("PoR"), which enabled the Group to transition from Chapter 11 into ordinary course operations outside of bankruptcy. In connection with a PoR, the Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

On January 28, 2022, Grupo Aeroméxico informed that the hearing to consider confirmation of the PoR of the Company and its subsidiaries that were debtors in the Group'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"), Grupo Aeroméxico emerged from Chapter 11 and the PoR of the Group became effective.

In order to be able to effectuate the PoR approved by the Bankruptcy Court, a Shareholders Meeting of Grupo Aeroméxico was held on January 14, 2022 to approve, among other corporate resolutions, a capital stock increase in the amount of Mexican pesos equivalent to approximately \$4,266.8 million, resolutions that became effective on March 17, 2022, date on which the conditions precedent under the Chapter 11 PoR became legally effective. As set forth in the PoR, only for purposes of the negotiations under the Chapter 11 PoR, the "Plan Equity Value" of the reorganized Company ("Plan Equity Value") was approximately \$2,564 million, and the new outstanding listed shares are 136,423,959 (excluding treasury shares then pending to be subscribed of 13,642,396). As required by IAS 33, the Company calculated retrospectively its earnings (loss) per share calculation as a consequence of this modification in the number of shares. The authorized total amount of shares issued by the Company are 150,066,355 shares. The theoretical value of the new shares, for purposes of the Chapter 11 PoR, was approximately of Ps.389.0187 pesos per share (Plan Equity Value of the Company (\$2,564 million) divided by new subscribed shares (136,423,959)), which results in approximately a theoretical value of \$18.79 dollars per share converted at the official exchange rate (Ps.20.7035 pesos per one dollar of the United States of America).

As a consequence of the PoR effectiveness, there was a total dilution of the Company's existing capital stock. The largest shareholders of the reorganized Company were part of the ad hoc groups of creditors who invested \$720,000 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.

As a result of the PoR, and based on the Stockholders Meeting held on January 14, 2022, the Company increased its capital stock as described on the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>Capital stock</u>	<u>Share premium</u>
Cash	\$ 720,000	-
DIP Financing commitment premium conversion to capital stock ⁽¹⁾	744,393	(72,917)
Equity commitment premium ⁽²⁾	108,000	(108,000)
General unsecured claims conversion to capital stock	<u>2,694,450</u>	<u>(2,079,512)</u>
Total capital stock increase in 2022	\$ <u>4,266,843</u>	<u>(2,260,429)</u>

(1) Corresponds to the equity conversion of allowed Tranche 2 DIP Financing conversion to new stock.

(2) Corresponds to a premium payable in new stock in connection with the subscription and purchase of cash-paid of new stock.

Additionally, key stakeholders funded new exit debt of \$762.5 million in the form of new US dollar denominated Notes (“Exit Financing”). On June 17, 2022, Grupo Aeroméxico concluded the listing on the market of the Republic of Singapore of these Notes issued on March 17, 2022, at an interest rate of 8.50% (see Note 21).

From March 17, 2022, which is the date the Group emerged from its Chapter 11 process to December 31, 2022, the Group 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 Group 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 Group has been able to maintain its cash position in cash and cash equivalents, sufficient to cover its regular operating needs and (iv) the Group is in compliance of all of its loans and borrowings covenants.

(c) Basis of measurement-

The Company has used the US Dollar (“\$”, “dollar” or “US”) as the presentation currency for these consolidated financial statements, which is also the functional currency of the Group. The Company has changed the reporting from Mexican Peso to US dollar. The change in presentation currency is as of January 1, 2021, and is applied from the date of the change. These consolidated financial statements are the first set that considered the US dollar as the presentation currency.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Group's Management believes that the use of the US Dollar as the presentation currency for reporting its consolidated financial information will improve and facilitate analysis for a wide range of users. Thus, the use of the US Dollar as the presentation currency will improve the comparability of Grupo Aeroméxico's consolidated financial information with other international companies, which commonly report in US Dollars. All financial information presented in US Dollar has been rounded to the nearest thousands, except when otherwise indicated.

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.

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(a) iv and 18 – investments in joint arrangements

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 Group are recognized at a point in time or over time

Note 24 – 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 and frequent flyer program



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Note 20 – deferred tax assets and liabilities

Note 24 – provisions

Note 28 – 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 33 – contingencies and commitments

(e) Scope of consolidation

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

All Grupo Aeromexico'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 were three changes in the number of entities included in the consolidated financial statements (see Note 6), 26 entities at the year-end.

(3) Significant accounting policies-

The Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements, except if mentioned otherwise.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation-

i. Business combinations-

The Group 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 Group (see ii). In determining whether a particular set of activities and assets is a business, the Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

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

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

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

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

A step – up acquisition occurs when a shareholder gains control of an entity by acquiring an additional interest in that entity. Under IFRS, the Group remeasured its previously held interest at fair value.

ii. Subsidiaries-

Subsidiaries are entities controlled by the Group (see Note 6). The Group 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 Group. All entities of the Group prepared their financial statements as of December 31.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

iii. Loss of control-

When the Group loses control over a 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-

The Group's interests in equity accounted investees as of December 31, 2022 comprise interests, in two joint ventures (AM DL MRO JV, S. A. P. I. de C. V. or "MRO" and AM BD GP JV, S. A. P. I. de C. V. or "AM BD"); and an associate (Aeromexpress, S. A. de C. V.).

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are those arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method (equity accounted investees) and are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence of joint control ceases.

MRO until November 30, 2022 performed major maintenance on aircraft fuselage from nose to tail, mainly to certain fleet of its related parties Aerovías de México, S. A. de C. V., Aerolitoral, S. A. de C. V. and Delta. Beginning December 1, 2022 the MRO leased its assets to third parties.

AM BD until June 2021, promoted former "Gran Plan" all-inclusive packages, based on the experience and agreements of Best Day. At the 2021 year-end, this joint venture ceased operations, and the new "Aeroméxico Vacations" product is now offered through a different commercial channel.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group'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 Group's entities at the exchange rates 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.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost denominated in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

(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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Restricted cash, is presented within cash and cash equivalents and mainly comprises cash balances from Fideicomiso F/1748 (“Fideicomiso” or “Trust”), the consolidated issuer trust used by the Group, to securitize cash flows from credit card ticket sales through offices and travel agencies in Mexico; which will be paid to the holders of the Senior Trust Bonds issued by the Trust. Additionally in 2022, restricted cash also includes a trust deposit to cover any shares payments to be settled in connection to the tender offer as explained in Note 26.

The Group 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 Group becomes a party to the contractual provisions of the instrument.

The Group 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 Group 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 Group 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 Group 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 on 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 Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group’s risk management or investment strategy.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, including any interest or dividend income, are recognized in profit or loss. The fair value is obtained from financial counterparties who act as appraisers.

ii. *Amortized Cost-*

Financial assets are classified at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, and if they 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 Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Fideicomiso F/1748 (“Fideicomiso” or “Trust”), a Group’s subsidiary placed Senior Trust Bonds (“CEBURES”) issued in the Mexican Stock Exchange, for the overall authorized program amounts to Ps.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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

The Group 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 Group's consolidated financial statements (see Notes 10 and 21).

The Group 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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group 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 Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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 Group 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 jet fuel prices, the Group 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 Group 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 Group 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 Group has purchased DFI’s that allowed it to swap variable interest rates from certain long term debt based on TIIE 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 Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

For a cash flow hedge of a forecast transaction, the Group 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 Group 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 Group 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 Group 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 Group 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 rate derivatives are recorded to the jet fuel line and finance income (loss), respectively, in the consolidated statements of profit or loss. During 2022 and 2021 the Group 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 market data. Such data can be obtained from financial counterparties who act as appraisers.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Hedges directly affected by interest rate benchmark reform-

The Group 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 Group 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 Group 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 Group 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 Group 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 Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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.

Repurchase of capital stock (treasury shares)-

When capital stock recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings. This reserve is in standby until new stock market registration.

(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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group are classified as property and equipment if they are expected to be used over more than one period.

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

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

In the case the Group 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 Group, 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 Group will obtain ownership by the end of the lease term. Land is not depreciated.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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 (including major maintenance)” 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”.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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 Group recognizes during the lease term a provision for leased aircraft returns (see Note 3(j)).

(f) Leases-

At inception of a contract, the Group 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 Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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 Group 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 Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Intangible assets and goodwill-

Intangible assets are mainly comprised of software, fiduciary rights, partners’ contracts and customer relationships, trademark and goodwill.

i. Partners’ contracts and customer relationships-

Accumulation partners’ contracts and customer relationships (including “Club Premier” member base) are considered long-lived assets, some of them with finite lived and others indefinite lived. Finite lived intangible assets are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, typically 10 years (for intangibles with finite lived). The average remaining amortization period of individually significant accumulation partners’ contracts is 4.5 years. Indefinite lived intangible assets are recorded at cost less accumulated impairment losses and are not amortized but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that these intangibles may be impaired.

The partners’ contracts and customer relationships with indefinite lives do not have expiration date nor cost of renewal, and these adjustments were recognized in July 2022 within the PLM acquisition.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

ii. Trademark-

Trademarks which are considered intangible assets with indefinite lives, are recorded at cost less accumulated impairment losses and are not amortized but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the trademarks may be impaired. These intangible assets have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate cash flows. See for impairment testing Note 3(i).

iii. Goodwill-

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition and it is measured net of accumulated impairment losses. Goodwill is not amortized, but instead tested annually, or more frequently, should events or changes in circumstances indicate that the goodwill may be impaired.

iv. Other intangible assets-

Intangible assets such as software with specific useful lives are systematically amortized based on the best estimation of their useful lives as per expected future economic benefits.

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

iii. Amortization-

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

Amortization is recognized from the date on which intangible assets with finite useful lives are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The estimated useful lives for the current and comparative periods are as follows:

Software	4 - 7 years
Partners' contracts and customer relationships	10 years

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

(h) Prepayments and deposits-

Non-current prepayments and deposits consist primarily of US Dollar deposits made to the lessors 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 Group 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 Group'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 Group recognizes loss allowances for expected credit losses on:

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

The Group 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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- 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 Group expects to receive).

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

Credit-impaired financial assets

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group 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 Group 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 Group's procedures for recovery of amounts due.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

ii. Non-financial assets-

The carrying amounts of the Group'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 Group 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 Group has property and equipment, (including right-of-use assets), intangible assets and goodwill, prepayments and deposits, and certain other long-term assets, which represents the CGU.

For intangible assets that have indefinite lives, such as trademarks, fiduciary rights and partners' contracts and customer relationships, the recoverable amount is estimated each year at the same time.

The partners' contracts and customer relationships with indefinite lives do not have expiration date nor cost of renewal, and these adjustments were recognized in July 2022 within the PLM acquisition.

The Group'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.

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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(j) Provisions-

A provision is recognized if, as a result of a past event, the Group 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 Group 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 Group has defined benefit plans for part of its employees. Additionally seniority premiums are provided to all employees under the Mexican Labor Law. The Law provides that seniority premiums are payable, based on salary and years of service, to employees who resign or are terminated after at least fifteen years of service. Under the Law, benefits are also payable to employees who are dismissed.

The Group'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 Group'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 Group, 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 Group.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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 Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

ii. Termination benefits-

Termination benefits are recognized as an expense when the Group 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 Group 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 Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

iv. Share-based payment transactions-

Equity-settled share based payments in the form of free shares were granted to certain key management personnel subject to certain service and non-market performance conditions. Cost of the awards granted is recognized as an employee expense, with a corresponding increase in equity, over the period vesting. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

(l) Revenue recognition-

i. Air traffic liability and revenue recognition for passenger services and ancillary revenues-

Ticket sales are initially recorded as an air traffic liability (contract liability under IFRS 15) and are recognized as passenger revenue, net of airport charges, when the service is rendered. The liability is also reduced by transportation services previously sold through Aerovías de México, S. A. de C. V. (“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 on behalf of other airlines, since it only arranges the transportation to be provided by other airlines) and refunds of expired 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.

Passenger revenue includes airfare, income for expired 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 Group 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 Group utilizes its historical experience with refundable and non-refundable tickets and other patterned facts.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

When a ticket is sold, the Group 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 Group 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 Group 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 “Club Premier” redeemed points (see next item) and other, and are recognized in the statement of profit or loss and comprehensive income in the period the services are provided.

iv. Frequent flyer liability and revenue recognition for “Club Premier” Points-

Club Premier frequent flyer program allows passengers to accumulate Premier Points (mainly by flying on the Group’s airlines or its alliance partners and by using services of the program partners for cobranded credit cards, hotel stays, car rentals and others) that entitle them to a choice of various awards. All the Premier Points earned by the Club Premier members are accounted as a liability (frequent flyer program) and are recognized as revenue when the awards are redeemed. The amount of revenue recognized by the Group is based on the number of Premier Points redeemed in a period in relation to the total number expected to be redeemed, which factors in the Group’s estimate for breakage.

Breakage represents the estimated Premier Points that are not expected to be redeemed by the program members. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members’ redemption practices. Changes in breakage are accounted for as follows: in the period of change, the deferred revenue balance (frequent flyer liability) is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Breakage is allocated to other income.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(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 Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

(n) Income tax ("IT")-

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

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

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

(o) Employee Statutory Profit Sharing (“ESPS”)-

ESPS payable for the year is determined in conformity with the tax provisions in effect. Under current tax law, companies are required to share 10% of their taxable profits with their employees. The ESPS is determined by the taxable profit calculated by individual entity level and not under a consolidated basis.

(p) Earnings per share-

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(q) Business concentrations-

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

The main supplier of fuel used by aircraft in Mexico is World Fuel Services México, S. de R. L. de C. V.

(r) Segment reporting-

The Group reports information by segments as established in IFRS 8 *Operating segments*. An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are reviewed regularly by the Group'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 Group has determined that it has one operating segment: air transportation. The Group divided this operating segment in the following geographical destinations: to (1) Domestic, (2) International. The Group allocates revenues by geographic area based on passenger flight destination.

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

Changes in significant accounting policies-

The Group 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 Group 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 Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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.

The Group 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 Group 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 \$556,061 (Note 20 (b)) and the deductible temporary difference in relation to the lease liability is \$475,139 (Note 20 (b)), resulting in a net deferred tax liability of \$80,922 (Note 20 (b)). Under the amendments, the Group will recognize a separate deferred tax liability of \$166,818 and a deferred tax asset of \$142,542. 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 Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The Group is closely monitoring the developments.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Group'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 Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the methods described in the next paragraphs. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property-

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

(b) Derivative securities-

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

(c) Non-derivative financial liabilities-

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(d) Debt securities-

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

(e) Intangible assets-

The fair value of the partners' contracts and customer relationships and trademark is explained in Note 6B.

(f) Share based payment-

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

(6) Group entities-

Significant subsidiaries-

The significant consolidated subsidiaries as of December 31, 2022, 2021 and January 1, 2021 are shown as follows:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership interest %</u>		
			<u>December 31, 2022</u>	<u>2021</u>	<u>January 1, 2021</u>
<i>Fully consolidated subsidiaries:</i>					
I. Aerovías de México, S. A. de C. V. and subsidiaries (“Aeroméxico”)	Air transportation services for passengers, goods and cargo	Mexico	100	100	100
a Aerolitoral, S. A. de C. V. (“Aerolitoral”) (1)	Air transportation services for passenger, goods and cargo	Mexico	99.99	99.99	99.99
b Inmobiliaria Avenida Fuerza Aérea Mexicana 416, S. A. de C. V.	Real Estate	Mexico	99.99	99.99	99.99



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership interest %</u>		
			<u>December 31, 2022</u>	<u>2021</u>	<u>January 1, 2021</u>
c Inmobiliaria Boulevard Aeropuerto 161, S. A. de C. V.	Real Estate	Mexico	99.99	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	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	99.99
f Aerosys, S. A. de C. V.	Management of investment in shares	Mexico	50.01	50.01	50.01
g Fundación Aeroméxico, A. C.	Obtainig support and assisting in several altruist causes	Mexico	99.99	99.99	99.99
h Centro de Capacitación Alas de América, S. A. de C. V.	Aircraft crew training	Mexico	99.99	99.99	99.99
i Administradora Especializada en Negocios, S. A. de C. V. ("Adensa")	Ground handling services	México	99.99	99.99	99.99
j Estrategias Especializadas en Negocios, S. A. de C. V. ("Esensa")	Ground handling services	México	50	50	50
k Aerovías Empresa de Cargo, S. A. de C. V.	Air cargo services	México	100	100	100
l Fideicomiso Aeromexico Servicios	Equipment lease	México	100	100	100
m Fideicomiso F/1748	Administration	México	100	100	100
n Empresa de Mantenimiento Aéreo S. A. de C. V.	Aircraft maintenance services	Mexico	100	100	100
o Fideicomiso CIB/4021	Administration	México	100	-	-



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership interest %</u>		
			<u>December 31, 2022</u>	<u>2021</u>	<u>January 1, 2021</u>
II. Integración y Supervisión de Recursos Corporativos, S. A. de C. V.	Services	Mexico	100	100	100
III. Servicios Corporativos Aeroméxico, S. A. de C. V.	Services	Mexico	99.99	99.99	99.99
IV. Corporación Nadmin, S. A. de C. V.	Management of investment on shares	Mexico	100	100	100
V. Aeroméxico Cargo, S. A. P. I. de C. V. (1)	Air cargo services	Mexico	100	100	100
VI. Premium Alliance Services, LLP	Services	United Kingdom	100	100	100
VII.T2 Servicios Aeroportuarios, S. A. de C. V.	Airport services	Mexico	100	100	100
VIII. PLM Premier, S. A. P. I. de C. V. ("PLM"), holding company of Loyalty Servicios Profesionales Mundiales, S. A. de C. V. (2)	Design and development of loyalty programs	Mexico	100	-	-
Investments in equity accounted investees:					
I. Aeromexpress, S. A. de C. V.	Air cargo services	Mexico	50	50	50
II. AM DL MRO JV, S. A. P. I. de C. V. ("MRO") (3)	Aircraft maintenance services	Mexico	50	50	50
III. AM BD GP JV, S. A. P. I. de C. V. ("AM BD") (3)	Sale of vacation packages	México	51	51	51
IV. PLM Premier, S. A. P. I. de C. V. ("PLM"), holding company of Loyalty Servicios Profesionales Mundiales, S. A. de C. V. (2)	Design and development of loyalty programs	Mexico	-	51.14	51.14

(1) All these companies have an interest in Esensa thus representing consolidated ownership of 100% in such entity.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- (2) Since July 15, 2022 the Group consolidates these subsidiaries (see next item and Note 18).
- (3) The Group maintains joint control in these companies.

Acquisition of subsidiary -

See accounting policy in Note 3 (a) *i - ii*.

On July 15, 2022, the Group acquired 48.86% of the shares and voting interests in PLM. As a result, the Group's equity interest in PLM increased from 51.14 to 100%, granting it control of PLM (see Note 18 (a) *ii*).

PLM is operating the frequent flyer program named "Club Premier", that allows frequent passengers to accumulate "Premier Points" that entitle them to a choice of various awards. In addition, Premier Points are sold by PLM to commercial partners to use in promotional activity. The fair value attributed to all the Premier Points earned by the members, is accounted for by PLM as a liability and recognized as revenue on redemption of the Premier Points by the participants to whom they are issued. The fair value of the award is determined based on prices at which the awards are sold to commercial partners.

Included in the identifiable assets and liabilities acquired at the date of acquisition of PLM are inputs (partners' contracts and customer relationships, trademark, and goodwill) and an organized workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Taking control of PLM will enable the Group to convert PLM's coalition program to a modern frequent flyer program with a higher engagement of its members. The acquisition is also expected to promote an increased activity of the "Club Premier" program members.

Since the date of acquisition, PLM contributed revenue of \$43,636 and net profit of \$21,236 to the Group's results for the period ended December 31, 2022. If the acquisition had occurred on January 1, 2022, Management estimates that consolidated revenue would have been \$83,835, and consolidated net profit for the year would have been \$46,010. In determining these amounts, Management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2022.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

A. Consideration transferred –

Grupo Aeroméxico transferred cash of \$430,359 for this transaction and there is an additional contingent consideration up to \$24,000 to certain performance provisions.

Contingent consideration

The Group has agreed to pay the selling shareholders in three years' time (calendar years 2022 to 2024) an additional variable consideration ("Earn Out") if the acquiree's cumulative gross billings over this period would be above 97.5% of the estimated gross billing target. The Group has included \$24,000 as contingent consideration related to the estimated Earn Out (see Note 24).

B. Identifiable assets acquired and liabilities assumed-

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

	<u>Note</u>	
Cash and cash equivalents		\$ 167,410
Trade and other receivables		35,508
Property and equipment, including right-of-use	15	315
Intangible assets and goodwill	17	143,353
Deferred tax assets	19	109,117
Trade and other payables		(43,912)
Deferred revenue (frequent flyer program)		(421,419)
Employee benefits	22	<u>(407)</u>
Total identifiable net assumed liabilities		\$ (10,035) =====

i. Measurement of fair values-

The valuation techniques used for measuring the fair value of material assets acquired were those shown on the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Assets acquired	Valuation technique
Intangible assets	The fair value of the Customers' Relationship was determined based on the methodology called <i>Multi-Period Excess Earnings Method</i> ("MPEEM"), which consists of demanding a return on each of the assets, tangible and intangible that contribute to the generation of income by the intangible asset subject to the valuation. It is considered that once the present value of such returns is deducted from the present value of the projected after-tax operating profit of the business, the resulting surplus will correspond to the value of the intangible asset subject to valuation. To estimate the fair value of the Trademark, it was used the methodology of <i>Relief from Royalty</i> ("RfR") commonly used to estimate the fair value of this type of intangible assets. The application of this methodology is based on the scenario of hypothetical savings of a royalty that is not paid to an independent third party and since the owner owns the intangible asset and does not need to license it from someone else. In the application of Relief from Royalty, royalty transactions are rarely found on products identical to those being valued, since by their very nature they have very particular characteristics. In addition, these transactions commonly report a range of royalties and it is at the discretion and based on the experience of the appraiser, to adjust the most appropriate royalty percentage based on the characteristics of the valued brand and from which the information is obtained.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

C. Goodwill-

Goodwill arising from the acquisition has been recognized were those shown on the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>Note</u>	
Consideration transferred	A	\$ 430,359
Fair value on identifiable intangibles (customer relationships and trademark) of PLM	17	346,380
Additional contingent consideration	24	24,000
Carrying amount on pre-existing interest in PLM as a joint venture		479
Fair value on identifiable net assumed liabilities	B	10,035
Share of gain on equity accounted investee	18	(307,680)
Goodwill	17	\$ 503,573 =====

The remeasurement to fair value of the Group's existing 51.14% interest in PLM resulted in a gain of \$307,680 recognized in the share of gain of the equity-accounted investee at the date of acquisition. To estimate this gain, it was used a revenue approach based on the methodology of discounted cash flows.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating PLM into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

D. Operating segment-

PLM is now part of the consolidated financial statements of Grupo Aeroméxico, Management considers it is also part of the air transportation operating segment, as referred-to in Note 9.

(7) Related party transactions-

Ultimate controlling party-

Grupo Aeroméxico is the parent and ultimate controlling party.

The key management personnel compensation of Grupo Aeroméxico as of and during the years ended December 31 was as follows:



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 3,876	2,630	1,870
Variable compensation	26,857	472	3,773
Share-based payments	<u>-</u>	<u>-</u>	<u>958</u>
	<u>\$ 30,733</u>	<u>3,102</u>	<u>6,601</u>

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2022, 2021 and 2020, are disclosed below:

i. Operations

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Income:</u>			
Tickets reward (2)	\$ 29,193	45,389	37,918
Joint cooperation agreement, net (4)	-	-	1,045
Administrative services (2)	50	100	100
Marketing, net (2)	455	889	1,272
Premier lounges (2) and (4)	1,170	889	740
Other services (1), (2), (3), (4) and (5)	<u>1,974</u>	<u>788</u>	<u>392</u>
	<u>\$ 32,842</u>	<u>48,055</u>	<u>41,467</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i><u>Expenses:</u></i>			
Purchase of Premier Points and Sky Miles (2) and (4)	\$ 32,464	51,245	34,365
Fuel (4)	84,854	19,009	7,516
Interline (4)	39,353	30,278	17,229
Ramp services, net (4)	26,959	10,778	3,934
Maintenance (3) and (4) (a)	717	2	493
Frequent passenger redemption costs (2)	771	867	725
Personnel services (4)	382	373	1,778
Freight handling (2) and (4)	1,296	903	779
Interest expenses, net (1) and (2)	1,636	3,573	2,618
Other services (1)	<u>-</u>	<u>177</u>	<u>167</u>
	\$ <u>188,432</u>	<u>117,205</u>	<u>69,604</u>

- (1) Aeromexpress, S. A. de C. V. (“Aeromexpress”)
- (2) PLM Premier, S. A. P. I. de C. V. (“PLM”). The figures reported for 2022 correspond to the period from January 1 to July 15, 2022 where this related-party was a non-consolidated joint-controlled entity.
- (3) AM DL MRO JV, S. A. P. I. de C. V. (“MRO”).
- (4) Delta Airlines (“Delta”)
- (5) AM BD GP JV, S. A. P. I. de C. V. (“AM BD”)

- (a) In addition, the Group received maintenance services, which based on the respective accounting policies, were capitalized for \$21,123, \$24,390 and \$16,075 in 2022, 2021 and 2020, respectively.

ii. Outstanding balance

Balances due from and due to related parties as of December 31, 2022, 2021 and January 1, 2021, are as shown in the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

		<u>December 31,</u> <u>2022</u>	<u>2021</u>	<u>January 1,</u> <u>2021</u>
<u>Due from:</u>				
MRO	\$	434	470	506
Fideicomiso SEAT		-	-	4,253
Loyalty Servicios Profesionales Mundiales, S. A. de C. V.		-	24	25
Delta		<u>106</u>	<u>-</u>	<u>886</u>
	\$	<u>540</u>	494	5,670
		=====	=====	=====
<u>Due to:</u>				
PLM (1)	\$	-	21,270	17,726
Aeromexpress		436	7,037	6,545
Delta		-	21	-
AM BD		<u>9</u>	<u>9</u>	<u>9</u>
Total current		445	28,337	24,280
PLM – non-current (1)		<u>-</u>	<u>54,914</u>	<u>90,921</u>
	\$	<u>445</u>	83,251	115,201
		=====	=====	=====

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) Previously this related party was a non-consolidated joint-controlled entity. Within this balance as of December 31, 2021 and January 1, 2021, certain transactions stipulate an annual interest rate of 6% with maturity in 2023.

(8) Revenue recognition -

i. Passenger revenue-

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Passengers	\$ 3,073,462	1,827,313	1,039,804
Ancillaries	<u>328,947</u>	<u>133,286</u>	<u>97,817</u>
	<u>\$ 3,402,409</u>	<u>1,960,599</u>	<u>1,137,621</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 expired tickets and transportation services previously sold through Aeroméxico rendered by other airlines, in which the Group 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, 2021 and 2020, the Group recognized \$147,765, \$55,936 and \$193,323, respectively of passenger revenue for tickets that were included in the air traffic liability balance at the beginning of those periods. The balance of the air traffic liability in general is expected to be recognized in the next twelve months, but for the COVID-19 pandemic, the Group modified its ticket utilization policy, so the usual terms for a flight to be completed without breakage was extended during the years 2020, 2021 and until March 2022.

iii. Frequent flyer program-

Club Premier frequent flyer program allows passengers to accumulate Premier Points (mainly by flying on the Group's airlines or its alliance partners and by using services of the program partners for cobranded credit cards, hotel stays, car rentals and others) that entitle them to a choice of various awards. All the Premier Points earned by the Club Premier members are accounted as a liability (frequent flyer program) and are recognized as revenue when the awards are redeemed. The amount of revenue recognized by the Group is based on the number of Premier Points redeemed in a period in relation to the total number expected to be redeemed, which factors in the Group's estimate for breakage. Breakage represents the estimated Premier Points that are not expected to be redeemed by the program members. Breakage is estimated by Management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices.

(9) Operating segment-

The Group has one operating segment, air transportation. This is based on the Group'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).



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Geographical revenue segment information is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Domestic	\$ 1,529,434	1,023,230	581,779
International	<u>2,282,565</u>	<u>1,214,503</u>	<u>811,471</u>
	\$ <u>3,811,999</u>	<u>2,237,733</u>	<u>1,393,250</u>

Substantially all assets are located in Mexico.

(10) Cash and cash equivalents-

		<u>December 31,</u> <u>2022</u>	<u>2021</u>	<u>January 1,</u> <u>2021</u>
Bank balances	\$	538,780	940,635	370,131
Call deposits		216,385	6,268	653
Restricted cash		<u>87,017</u>	<u>32,175</u>	<u>41,160</u>
Cash and cash equivalents	\$	<u>842,182</u>	<u>979,078</u>	<u>411,944</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is described in Note 28.

As of December 31, 2022, 2021 and January 1, 2021, the Group has restricted cash amounting to \$87,017, \$32,175 and \$41,160, respectively. The main balance comprises the consolidated issuer trust to securitize cash flows from credit card ticket sales through offices and travel agencies in Mexico and in 2022 includes also a trust deposit to cover any shares payments to be settled in connection to the tender offer as explained in Note 26.

(11) Derivative financial instruments-

		<u>December 31,</u> <u>2022</u>	<u>2021</u>	<u>January 1,</u> <u>2021</u>
Financial assets	\$	-	-	1,889
Current derivatives (assets)		1,893	1,045	-
Non-current derivatives (liabilities)		<u>-</u>	<u>-</u>	<u>(27,711)</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

As of January 1, 2021, the Group held investments securities denominated in Mexican pesos, with initial maturity of more than 90 days, corporate fixed rate type, which have been classified as financial assets designated at fair value through profit or loss upon initial recognition.

As of December 31, 2022, 2021 and January 1, 2021, the Group had interest rate swaps in force in which the Group pays fixed rates and receives a floating rate indexed to TIIE 28 days. Through these instruments the Group 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 Group and exposure to credit, currency and interest rate risks are disclosed in Note 28.

(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>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Advances for fleet renewal (1)	\$ 7,448	59,562	259,654
Deposits:			
For the lease of aircraft and engines	35,525	40,694	79,557
With airport groups	30,819	25,175	23,817
Maintenance deposits	29,564	7,073	386,182
Other	<u>34,653</u>	<u>27,115</u>	<u>21,569</u>
	138,009	159,619	770,779
Impairment (2)	<u>-</u>	<u>(1,109)</u>	<u>(526,037)</u>
	\$ <u>138,009</u>	<u>158,510</u>	<u>244,742</u>

- (1) The Group 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 33), which will be applied in accordance with the incorporation of the new aircraft to the fleet.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- (2) For the year ended December 31, 2020, the Group recognized \$526,037 losses for impairment regarding certain advances for fleet renewal and maintenance deposits paid, in the meantime the financial restructuring negotiations with manufacturers and lessors continued in connection with the Group's Chapter 11 process. For the year ended December 31, 2021, \$55,045 impairment losses previously recorded were reversed, and \$1,180 for the year ended December 31, 2022.

Cash additions of deposits for maintenance and acquisition of properties and equipment amounted to \$50,726 for 2022, \$70,015 for 2021 and \$88,363 for 2020.

(13) Inventories-

Inventories as of December 31, 2022, 2021 and January 1, 2021, are comprised as follows:

		<u>December 31,</u>	<u>January 1,</u>
		<u>2022</u>	<u>2021</u>
Spare parts and accessories (1)	\$	98,878	82,335
Miscellaneous supplies		<u>11,634</u>	<u>8,858</u>
		110,512	91,193
Impairment (2)		<u>(13,545)</u>	<u>(13,545)</u>
	\$	<u>96,967</u>	<u>77,648</u>
		<u>=====</u>	<u>=====</u>

In 2022, inventories of \$39,104 (2021: \$29,485 and 2020: \$22,901) were recognized as an expense during the year and included, in different operating expenses lines.

The inventories are presented to net realizable value. Total write downs in 2022, 2021 and 2020 were of \$7,094, \$8,067 and \$7,864, respectively.

- (1) During 2022, 2021 and 2020 these inventories were guaranteeing a fuel supplying contract used in Mexico.
- (2) For the year ended December 31, 2020, the Company recognized \$13,545 losses for impairment regarding uncertainty of the future usage for spare parts associated to the adjustment of the fleet requirements under current market conditions.

(14) Trade and other receivables, net-

Trade and other receivables as of December 31, 2022, 2021 and January 1, 2021, consists as shown in the following page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Airlines and travel agencies	\$ 9,825	10,017	3,317
Credit cards and customers (1)	167,538	113,026	112,743
Recoverable taxes	212,603	70,289	73,735
Other	<u>10,388</u>	<u>11,995</u>	<u>14,138</u>
	400,354	205,327	203,933
Less allowance for doubtful accounts	<u>(9,082)</u>	<u>(9,098)</u>	<u>(20,312)</u>
Net current trade and other receivables	<u>391,272</u>	<u>196,229</u>	<u>183,621</u>
Long-term trade and other receivables (2)	-	-	121,000
Less impairment for long-term trade and other receivables (3)	<u>-</u>	<u>-</u>	<u>(120,967)</u>
Net non-current trade and other receivables	<u>-</u>	<u>-</u>	<u>33</u>
Total trade and other receivables	\$ <u>391,272</u>	<u>196,229</u>	<u>183,654</u>

For aging analysis of our trade and other receivables see Note 28.

- (1) Collection from sales related to certain Mexican credit cards are guaranteeing the Senior Trust Bonds (“CEBURES”) issued by the Group and also the collection related to certain credit cards in the United States (see Note 21).
- (2) Included accounts receivable in US with maturity in 2022. The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28.
- (3) For the year ended December 31, 2020, the Group recognized \$120,967 losses as an impairment reserve since there was a significant doubt of the recoverability of principal and interest. During 2021 the balance was written off as the probability of recovery faded during the Chapter 11 proceedings.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(15) Property and equipment-

Property and equipment, including right-of-use as of December 31, 2022, 2021 and January 1, 2021 comprise the following:

		Right-of-use (1)															
		Flight equipment under finance leases	Flight and other equipment under leases	Major maintenance	Flight equipment	Rotable spare parts and accessories	Improvements of flight equipment	Machinery and equipment	Lease-hold improvements	Furniture and computer equipment	Construction (4)	Ground and platform equipment	Transportation equipment	Other equipment	Work in progress	Land	Total
Cost or deemed cost																	
Balance as of January 1, 2022	\$	560,717	2,138,111	411,452	178,704	86,188	60,364	74,076	92,618	36,929	22,808	18,793	10,248	33,226	5,427	13,269	3,742,930
Additions (2)	-	878,967	158,058	12,000	8,512	12,164	2,994	2,994	-	980	-	9	859	340	3,950	-	1,078,833
Disposals (3)	-	(857,461)	(111,898)	(3,500)	(5,026)	(2,978)	(30,925)	(30,925)	(5,737)	(14,994)	(365)	(1,974)	(1,068)	(3,410)	-	-	(1,039,336)
PLM acquisition effect (see Note 6)	-	-	-	-	-	-	-	-	211	104	-	-	-	-	-	-	315
Balance as of December 31, 2022	\$	560,717	2,159,617	457,612	187,204	89,674	69,550	46,145	87,092	23,019	22,443	16,828	10,039	30,156	9,377	13,269	3,782,742
Balance as of January 1, 2021	\$	1,634,901	1,643,232	554,386	178,704	85,578	66,883	76,362	96,655	36,831	23,170	14,546	11,412	32,088	7,178	13,337	4,475,263
Additions (2)	26,890	1,205,664	60,881	36,441	5,937	6,163	809	809	122	477	-	4,554	182	1,164	-	-	1,349,284
Disposals (3)	(1,101,074)	(710,785)	(203,815)	(36,441)	(5,327)	(12,682)	(3,095)	(3,095)	(4,159)	(379)	(362)	(307)	(1,346)	(26)	(1,751)	(68)	(2,081,617)
Balance as of December 31, 2021	\$	560,717	2,138,111	411,452	178,704	86,188	60,364	74,076	92,618	36,929	22,808	18,793	10,248	33,226	5,427	13,269	3,742,930
Balance as of January 1, 2020	\$	1,593,188	1,701,566	731,628	218,704	84,395	93,388	76,072	115,013	36,438	26,450	14,356	10,822	32,404	9,634	13,337	4,757,395
Additions (2)	1,713	68,871	76,993	-	4,964	2,883	333	333	596	435	-	190	590	30	14	-	157,612
Disposals (3)	-	(127,205)	(254,235)	-	(3,781)	(29,388)	(43)	(43)	(18,954)	(115)	(3,280)	-	-	(273)	(2,470)	-	(439,744)
Transfers	40,000	-	-	(40,000)	-	-	-	-	-	73	-	-	-	(73)	-	-	-
Balance as of December 31, 2020	\$	1,634,901	1,643,232	554,386	178,704	85,578	66,883	76,362	96,655	36,831	23,170	14,546	11,412	32,088	7,178	13,337	4,475,263
Depreciation																	
Balance as of January 1, 2022	\$	156,463	532,844	239,450	90,059	40,715	36,908	64,189	63,303	32,707	13,087	10,486	7,579	28,561	-	-	1,316,351
Depreciation for the year	20,187	295,959	89,482	5,482	4,341	8,054	3,023	8,610	1,463	370	1,329	786	1,329	1,329	-	-	440,415
Disposals (3)	-	(449,082)	(102,005)	(3,500)	(1,632)	(2,978)	(30,723)	(30,723)	(5,765)	(15,228)	(362)	(1,943)	(802)	(3,410)	-	-	(617,430)
Balance as of December 31, 2022	\$	176,650	379,721	226,927	92,041	43,424	41,984	36,489	66,148	18,942	13,095	9,872	7,563	26,480	-	-	1,139,336
Balance as of January 1, 2021	\$	375,411	593,331	349,759	84,946	38,281	37,409	64,031	58,215	31,366	12,928	9,571	8,094	27,169	-	-	1,690,511
Depreciation for the year	50,526	288,194	86,534	6,390	4,330	9,367	3,041	9,247	1,687	390	1,100	825	1,418	1,418	-	-	463,049
Disposals (3)	(269,474)	(348,681)	(196,843)	(1,277)	(1,896)	(9,868)	(2,883)	(2,883)	(4,159)	(346)	(231)	(185)	(1,340)	(26)	-	-	(837,209)
Balance as of December 31, 2021	\$	156,463	532,844	239,450	90,059	40,715	36,908	64,189	63,303	32,707	13,087	10,486	7,579	28,561	-	-	1,316,351
Balance as of January 1, 2020	\$	299,835	363,429	307,534	93,472	35,081	48,904	61,038	67,168	29,719	15,846	8,788	7,256	25,686	-	-	1,363,756
Depreciation for the year	61,913	326,792	198,464	5,137	4,355	15,123	3,042	10,001	1,762	1,762	365	783	838	1,539	-	-	630,114
Transfers	13,663	-	-	(13,663)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals (3)	-	(96,890)	(156,239)	-	(1,155)	(26,618)	(49)	(49)	(18,954)	(115)	(3,283)	-	-	(56)	-	-	(303,359)
Balance as of December 31, 2020	\$	375,411	593,331	349,759	84,946	38,281	37,409	64,031	58,215	31,366	12,928	9,571	8,094	27,169	-	-	1,690,511
Carrying amounts																	
As of December 31, 2022	\$	384,067	1,779,896	230,685	95,163	46,250	27,566	9,656	20,944	4,077	9,348	6,956	2,476	3,676	9,377	13,269	2,643,406
As of December 31, 2021	\$	404,254	1,605,267	172,002	88,645	45,473	23,456	9,887	29,315	4,222	9,721	8,307	2,669	4,665	5,427	13,269	2,426,579
As of January 1, 2021	\$	1,259,490	1,049,901	204,627	93,758	47,297	29,474	12,331	38,440	5,465	10,242	4,975	3,318	4,919	7,178	13,337	2,784,752

(1) Total right-of-use net carrying amount for \$2,163,963, \$2,009,521 and \$2,309,391 in December 31, 2022, 2021 and January 1, 2021, respectively.

(2) Cash used in additions of property and equipment during 2022, 2021 and 2020 are \$199,867, \$123,625 and \$87,028, respectively.

(3) Cash proceeds from the sale of property and equipment during 2022, 2021 and 2020 are \$3,133, \$52,386 and \$152, respectively.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- (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 Group. 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 last maturing in 2029; nine Boeing B737 NG airplanes (same number in 2021), which last one 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 matures previously referred-to, are based on the terms agreed on with the lessors, as part of the negotiations under the Chapter 11 financial restructuring.

The leased equipment secures lease obligations. At 31 December 2022, the net carrying amount of leased equipment was \$384,067, (2021: \$404,254 and January 1, 2021: \$1,259,490). During the year 2022 the Group did not acquire leased equipment (acquisitions in 2021: \$26,890 and 2020: \$1,713). For our commitments with regards to future payments of finance leases see Note 21.

Property and equipment under construction-

As of December 31, 2022, 2021 and January 1, 2021, the estimated costs to conclude projects and work in progress amount to \$9,376, \$5,426 and \$7,177, respectively.

Impairment loss and subsequent reversal

As of December 31, 2022, 2021 and January 1, 2021, there are no losses from impairment in the value of these assets, evaluated in accordance with provisions of IAS 36 *Impairment of Assets*.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(16) Leases-

See accounting policy in Note 3(f).

A) Leases as lessee -

The Group 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 Group is restricted from entering into any sub-lease arrangements.

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

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

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

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

i. Right-of-use assets-

Right-of-use assets for \$1,779,896, \$1,605,267 and \$1,049,901 in December 31, 2022, 2021 and January 1, 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, 2021 and 2020, are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Aircraft leasing	\$ 143,482	170,046	77,549
Real estate	<u>5,158</u>	<u>3,361</u>	<u>2,153</u>
	<u>\$ 148,640</u>	<u>173,407</u>	<u>79,702</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

iii. Leases conditions-

Main operating leases are as follows:

- (a) In 2022, the Group maintained 133 aircraft and 39 engines (2021: 118 aircraft and 36 engines and 2020: 77 aircraft and 18 engines) with different terms, with the last expiring in 2034.

During 2022, 2021 and 2020, the Group renewed certain lease agreements, extending their original maturity dates, which are presented as a liability at the end of those years (see Note 33).

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 Group finalized negotiations with all its lessors under its voluntary financial restructuring process under Chapter 11 (see Note 21).

- (b) The Group entered into leasing contracts for airport facilities, a portion of which are in the process of being renewed.
- (c) Cash payments of principal of leases amounted to \$112,700, \$37,754 and \$182,626 in 2022, 2021 and 2020, respectively.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

B) Leases under Chapter 11-

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

i. Fleet rejection-

On July 3, 2020, the Group requested Bankruptcy Court authorization to reject certain lease agreements for 19 aircraft to their respective lessors in an orderly manner. These aircraft were not part of the Company's strategic fleet requirements under current market conditions (the "Equipment").

The Bankruptcy Court's hearing approved the termination of said contracts in agreement with the Group's request. Grupo Aeroméxico followed the guidelines authorized by the Bankruptcy Court and the logistical aspects agreed with the lessors for the orderly return of the Equipment (see Note 32).

ii. Power by the hour agreements-

On September 21, 2020, the Group received approval by the Bankruptcy Court to modify temporarily the majority of its existing aircraft equipment leases (as of such date) into power by the hour agreements ("PBH Agreements"). PBH Agreements allowed for Grupo Aeroméxico to reset monthly lease costs based on utilization of the equipment at actualized market rates, with significant monthly savings, when compared to Grupo Aeroméxico's original contracted rates. Such PBH Agreements were entered into between Grupo Aeroméxico and 27 different leasing companies covering 82 aircraft and 14 spare engines (see Note 32).

iii. Restructured lease agreements-

During 2021 and at the beginning of 2022 the Group 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 33, paragraph e).



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(17) Intangible assets and goodwill-

		<u>Intellectual Property (1)</u>	<u>Software</u>	<u>Fiduciary Rights (2) Indefinite Life</u>	<u>Partners' Contracts and Customer Relationships (3)</u>		<u>Trademark Indefinite Life</u>	<u>Goodwill</u>	<u>Total</u>
					<u>Indefinite Life</u>	<u>Finite Life</u>			
<u>Cost</u>									
Balance as of									
January 1, 2022	\$	9,769	53,842	63,280	-	-	-	-	126,891
Additions		-	13,700	-	-	-	-	-	13,700
PLM business									
combination (see									
Note 6)		-	5,032	-	375,512	47,294	61,895	503,573	993,306
Disposals		(9,769)	(19,026)	-	-	-	-	-	(28,795)
Balance as of									
December 31,	\$	-	53,548	63,280	375,512	47,294	61,895	503,573	1,105,102
2022		=====	=====	=====	=====	=====	=====	=====	=====
Balance as of									
January 1, 2021	\$	9,769	71,677	63,280	-	-	-	-	144,726
Additions		-	4,461	-	-	-	-	-	4,461
Disposals		-	(22,296)	-	-	-	-	-	(22,296)
Balance as of									
December 31,	\$	9,769	53,842	63,280	-	-	-	-	126,891
2021		=====	=====	=====	=====	=====	=====	=====	=====
Balance as of									
January 1, 2020	\$	9,769	81,477	63,280	-	-	-	-	154,526
Additions		-	3,212	-	-	-	-	-	3,212
Disposals		-	(13,012)	-	-	-	-	-	(13,012)
Balance as of									
December 31,	\$	9,769	71,677	63,280	-	-	-	-	144,726
2020		=====	=====	=====	=====	=====	=====	=====	=====



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

		Intellectual Property (1)	Software	Fiduciary Rights (2) Indefinite Life	Partners' Contracts and Customer Relationships (3)		Trademark Indefinite Life	Goodwill	Total
					Indefinite Life	Finite Life			
<u>Amortization</u>									
Balance as of January 1, 2022	\$	-	33,789	-	-	-	-	-	33,789
Amortization for the year		-	6,718	-	-	6,412	-	-	13,130
Disposals		-	(19,482)	-	-	-	-	-	(19,482)
Balance as of December 31, 2022	\$	-	21,025	-	-	6,412	-	-	27,437
		=====	=====	=====	=====	=====	=====	=====	=====
Balance as of January 1, 2021	\$	-	49,235	-	-	-	-	-	49,235
Amortization for the year		-	6,850	-	-	-	-	-	6,850
Disposals		-	(22,296)	-	-	-	-	-	(22,296)
Balance as of December 31, 2021	\$	-	33,789	-	-	-	-	-	33,789
		=====	=====	=====	=====	=====	=====	=====	=====
Balance as of January 1, 2020	\$	-	52,080	-	-	-	-	-	52,080
Amortization for the year		-	10,165	-	-	-	-	-	10,165
Disposals		-	(13,010)	-	-	-	-	-	(13,010)
Balance as of December 31, 2020	\$	-	49,235	-	-	-	-	-	49,235
		=====	=====	=====	=====	=====	=====	=====	=====
<u>Impairment</u>									
Balance as of January 1, 2022	\$	9,769	-	13,853	-	-	-	-	23,622
Impairment for the year (3)		-	-	-	-	-	-	-	-
Utilization		(9,769)	-	-	-	-	-	-	(9,769)
Balance as of December 31, 2022	\$	-	-	13,853	-	-	-	-	13,853
		=====	=====	=====	=====	=====	=====	=====	=====
Balance as of January 1, 2021	\$	9,769	-	9,466	-	-	-	-	19,235
Impairment for the year (3)		-	-	4,387	-	-	-	-	4,387
Balance as of December 31, 2021	\$	9,769	-	13,853	-	-	-	-	23,622
		=====	=====	=====	=====	=====	=====	=====	=====



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	Intellectual Property (1)	Software	Fiduciary Rights (2) Indefinite Life	Partners' Contracts and Customer Relationships (3)		Trademark Indefinite Life	Goodwill	Total
				Indefinite Life	Finite Life			
Balance as of January 1, 2020	\$ -	-	-	-	-	-	-	-
Impairment for the year (3)	9,769	-	9,466	-	-	-	-	19,235
Balance as of December 31, 2020	\$ 9,769	-	9,466	-	-	-	-	19,235
Carrying amounts								
As of December 31, 2022	\$ -	32,523	49,427	375,512	40,882	61,895	503,573	1,063,812
As of December 31, 2021	\$ -	20,053	49,427	-	-	-	-	69,480
As of January 1, 2021	\$ -	22,442	53,814	-	-	-	-	76,256

- (1) Intellectual property received as a partial payment on the disposal of shares of PLM.
- (2) Corresponds to the rights received for the former Group's corporate office building located in Mexico City, contributed to a trust, in a manner that it can be considered in the development of a new property, whereby other trustees will provide the necessary constructions to the development of the project called "Aeroméxico Tower", in which the Group will own 9,000 square meters of future space.
- (3) Includes contracts with third parties attached to our "Club Premier" frequent flyer program, including the program member base.
- (4) For the years ended December 31, 2021 and 2020, the Company recognized \$4,387 and \$19,235 losses for impairment, respectively, 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, 2021 and January 1, 2021, are comprised as follows:

		December 31,		January 1,
		2022	2021	2021
Interest in joint ventures	\$	30,181	10,773	15,451



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(a) Joint Ventures—

The Group classifies all interest in joint arrangements as joint ventures, as the Group has rights only to the net assets of such arrangements.

The Group has the following joint arrangements:

i. *Joint venture with Delta Airlines (“Delta”)-*

Grupo Aeroméxico and Delta have established a Joint Venture AM DL MRO JV, S. A. P. I de C. V. (“MRO”) to render maintenance, repair and major overhaul of aircraft services in Queretaro, Mexico. MRO is offering the aforementioned services to Grupo Aeroméxico, Delta and other third party airlines.

The following summarizes financial information to the carrying amount of the Group’s interest in MRO:

	<u>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Percentage ownership interest	50.0%	50.0%	50.0%
Current assets	\$ 103,544	70,120	34,549
Non-current assets	24,927	29,152	28,458
Current liabilities	(61,141)	(40,634)	(3,893)
Non-current liabilities	<u>(6,968)</u>	<u>(13,249)</u>	<u>(10,410)</u>
Net assets (100%)	\$ 60,362	45,389	48,704
Carrying amount of interest in joint venture	\$ 30,181	22,694	24,352
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues	\$ 147,001	120,521	86,209
Operating expenses	<u>128,407</u>	<u>125,171</u>	<u>79,793</u>
Profit (loss) (100%)	18,594	(4,650)	6,416
Group’s share of profit	9,297	(2,325)	3,208
Additional share of profit from prior years	<u>-</u>	<u>-</u>	<u>234</u>
Group’s share of profit	\$ 9,297	(2,325)	3,442



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

For the years ended December 31, 2022, 2021 and 2020, the Group recognized through other comprehensive income \$385, \$(766) and \$367 respectively, of effects regarding certain adjustments reported by the MRO joint venture in its equity structure, maintaining its current ownership interest.

On November 30, 2022 the MRO ceased its major maintenance operations transferring personnel and most of its assets to a third party during December 2022 and first quarter of 2023. Beginning December 1, 2022 the MRO leased its assets to third parties.

ii. **Joint venture “Club Premier”-**

The Group maintained until July 15, 2022 a joint venture with Aimia Inc., Montreal - Canada - (“Aimia”). Such joint venture (“PLM”) manages the Company’s frequent flyer loyalty program called “Club Premier”.

Grupo Aeroméxico and Aimia entered into several agreements to manage PLM jointly. Some of the most significant agreements included a commercial participation agreement, management services agreement, loan facility agreement and the pre-paid seat asset agreement.

During 2020 Grupo Aeroméxico and Aimia agreed to modify the Shareholders Agreement to grant Grupo Aeroméxico a 7 year option to purchase Aimia’s 48.86% equity interest in PLM at a minimum floor of US400 million or at an Adjusted EBITDA multiple of 7.5x, whichever is greater, plus Aimia’s pro-rata share of cash and net of third party financial debt.

The Group recognized PLM as a joint venture until July 15, 2022, even though it maintained 51.14% ownership interest, since all relevant activities required unanimous approval between the two parties.

On July 15, 2022 the Group equity interest in PLM increased from 51.14% to 100% and PLM became a fully owned subsidiary from that date (see Note 6).

The following table summarizes the financial information of PLM as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The profit and loss information for 2022 presented in the table includes the results of PLM for the period from January 1 to July 15, 2022, when PLM became a subsidiary on such date.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The table also reconciles the summarized financial information to the carrying amount of the Group's interest in PLM:

		<u>December 31,</u>	<u>January 1,</u>
		<u>2022</u>	<u>2021</u>
Percentage ownership interest		51.14%	51.14%
Current assets	\$	216,249	160,197
Non-current assets		396,428	347,761
Current liabilities		(339,694)	(494,048)
Non-current liabilities		(263,488)	(363)
Net assets (100%)	\$	9,495	13,547
Group's share of net assets (% ownership)	\$	4,856	6,929
Goodwill and other intangible assets, net of deferred taxes		(16,777)	(15,830)
Carrying amount of interest in joint venture	\$	-	(8,901)
		<u>2022</u>	<u>2021</u>
Revenues	\$	39,930	74,811
Operating expenses		16,690	29,546
Finance and other income (expense)		3,126	4,568
Income tax expense (benefit)		1,592	16,780
Profit (100%)		24,774	33,053
Group's share of profit		12,671	16,905
Share on gain for prior years equity distribution		-	3,321
Total (a)	\$	12,671	20,226
		<u>2020</u>	<u>2021</u>
Revenues	\$	63,401	74,811
Operating expenses		39,020	29,546
Finance and other income (expense)		(11,653)	4,568
Income tax expense (benefit)		(1,895)	16,780
Profit (100%)		14,623	33,053
Group's share of profit		7,479	16,905
Share on gain for prior years equity distribution		5,436	3,321
Total (a)	\$	12,915	20,226

(a) In addition for the year ended December 31, 2022, the Group recognized a gain of \$307,680 resulting of the remeasurement to fair value of the Group interest in PLM (see Note 6).



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

iii. Joint venture Gran Plan-

The Group and Viajes Beda, S. A. de C. V. established a joint venture to manage the program of vacation packages named “Gran Plan” through AM BD GP JV, S. A. P. I. de C. V. (“AM BD”).

The following summarizes financial information to the carrying amount of the Group’s interest in AM BD:

		<u>December 31,</u>	<u>January 1,</u>
		<u>2022</u>	<u>2021</u>
Percentage ownership interest		51.0%	51.0%
		=====	=====
Current assets	\$	-	1,866
Non-current assets		-	237
Current liabilities		-	(669)
		=====	=====
Net assets (100%)	\$	-	1,434
		=====	=====
Carrying amount of interest in joint venture		-	-
		-	11,138
Impairment (1)		-	(11,138)
Net carrying amount of interest in joint venture		-	-
	\$	-	-
		=====	=====
		<u>2022</u>	<u>2021</u>
Profit (loss) (100%)	\$	-	605
Group’s share of profit		-	-
Share on gain for prior years equity distribution		-	75
		=====	=====
Group’s share of profit	\$	-	(465)
		=====	=====



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- (1) For the year ended December 31, 2020, the Group recognized \$11,138 losses for impairment regarding the doubt on AM BD ability to continue as a going-concern. At the 2021 year-end, this joint venture ceased operations, and the former “Gran Plan” product is now offered through a different commercial channel.

(b) Associates—

Interests in associate as of December 31, 2022, 2021 and January 1, 2021, have included interests in Aeromexpress (ceased regular operations).

The following table analyses, in aggregate, the carrying amount of this associate (50%):

	<u>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Carrying amount of interest in associates at beginning of the year	\$ -	-	8,956
Share of gain	-	-	370
Impairment	<u>-</u>	<u>-</u>	<u>(9,326)</u>
Balance end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>

(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, 2021 and 2020, is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 12,896	3,359	2,986
Deferred tax expense (benefit)	<u>111,581</u>	<u>(116,708)</u>	<u>(25,950)</u>
Total income tax expense (benefit)	\$ <u>124,477</u>	<u>(113,349)</u>	<u>(22,964)</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(a) Reconciliation of effective tax rate:

	<u>2022</u>		<u>2021</u>		<u>2020</u>	
	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
Loss for the year		(64,225)		(1,019,423)		(1,996,983)
Total income tax expense (benefit)	(207%)	<u>124,477</u>	(10%)	<u>(113,349)</u>	(1%)	<u>(22,964)</u>
Income (loss), excluding income tax		60,252		(1,132,772)		(2,019,947)
Income tax using the Group's domestic tax rate	30%	18,076	(30%)	(339,832)	(30%)	(605,984)
Equity in the results of associated companies not subject to taxation	(164%)	(98,894)	-	(5,370)	-	(4,879)
Non-deductible expenses	45%	27,402	2%	18,617	1%	18,231
Tax effects of inflation	(25%)	(15,266)	-	(1,209)	-	6,183
De-recognition of deferred tax assets (previously recognized) (1)	278%	167,375	15%	166,069	27%	537,719
Effects of movements in foreign exchange rates	-	(128)	3%	32,569	-	5,767
Others, mainly differences in exchange rates for income taxes	43%	<u>25,912</u>	-	<u>15,807</u>	1%	<u>19,999</u>
	207%	<u>124,477</u>	(10%)	<u>(113,349)</u>	(1%)	<u>(22,964)</u>

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

(20) Deferred tax assets and liabilities-

(a) Recognized deferred tax assets and liabilities-

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities, as of December 31, 2022, 2021 and January 1, 2021, are presented in the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
<i>Deferred tax assets:</i>			
Allowance for doubtful accounts	\$ -	2,267	5,617
Accruals	88,198	53,827	83,918
Air traffic liability	158,153	143,837	95,952
Lease liabilities	484,507	538,131	562,065
Net operating losses carry forwards	-	-	67,994
Advances from customers	136,020	17,294	26,516
Employee benefits	47,253	47,664	56,313
Other provisions (mainly leased aircraft returns)	<u>130,880</u>	<u>126,472</u>	<u>91,351</u>
Deferred tax assets	<u>1,045,011</u>	<u>929,492</u>	<u>989,726</u>
<i>Deferred tax liabilities:</i>			
Inventories	33,301	27,290	24,525
Property and equipment, including right-of-use	565,803	526,713	567,907
Prepaid expenses	13,210	9,178	5,998
Amortizable expenses	89,478	47,730	85,530
Others	<u>157,849</u>	<u>17,177</u>	<u>112,836</u>
Deferred tax liabilities	<u>859,641</u>	<u>628,088</u>	<u>796,796</u>
Net deferred tax assets, recorded in the statements of financial position	\$ <u>185,370</u>	<u>301,404</u>	<u>192,930</u>

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 shown in the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

<u>Year</u>	<u>Adjusted for tax inflation through</u> <u>December 31, 2022</u>
2023	\$ 97,883
2024	144,721
2025	105,014
2026	139,111
2027	86,797
2028	186,905
2029	192,711
2030	629,964
2031	225,760
2032	878,147

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 Group can use the benefits therefrom:

	<u>2022</u>		<u>2021</u>		<u>2020</u>	
	<u>Gross</u>	<u>Tax Effect</u>	<u>Gross</u>	<u>Tax Effect</u>	<u>Gross</u>	<u>Tax Effect</u>
Tax losses	\$ 2,687,013	806,104	1,658,768	497,630	1,103,450	331,035
Other assets	<u>514,743</u>	<u>154,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 3,201,756	960,527	1,658,768	497,630	1,103,450	331,035

(b) Movement in temporary differences during the year-

	<u>January 1,</u> <u>2022</u>	<u>Recognized</u> <u>in income</u>	<u>Recognized</u> <u>in equity</u>	<u>PLM</u> <u>acquisition/</u> <u>business</u> <u>combination</u>	<u>December 31,</u> <u>2022</u>
Property and equipment (includes right-of-use)	\$ (547,001)	(9,060)	-	-	(556,061)
Intangible assets	(68,861)	(42,768)	-	(107,317)	(218,946)
Inventories	(28,176)	(4,477)	-	-	(32,653)
Air traffic liability	144,339	6,136	-	-	150,475
Lease liabilities	559,966	(84,827)	-	-	475,139
Provisions	45,755	(4,025)	-	-	41,730
Other items (including tax loss carry-forwards) (1)	<u>195,382</u>	<u>27,440</u>	<u>(6,253)</u>	<u>109,117</u>	<u>325,686</u>
	\$ <u>301,404</u>	<u>(111,581)</u>	<u>(6,253)</u>	<u>1,800</u>	<u>185,370</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

		<u>January 1, 2021</u>	<u>Recognized in income</u>	<u>Recognized in equity</u>	<u>December 31, 2021</u>
Property and equipment (includes right-of-use)	\$	(572,922)	25,921	-	(547,001)
Intangible assets		(101,264)	32,403	-	(68,861)
Inventories		(24,711)	(3,465)	-	(28,176)
Air traffic liability		93,395	50,944	-	144,339
Lease liabilities		568,638	(8,672)	-	559,966
Provisions		131,348	(85,593)	-	45,755
Other items (including tax loss carry- forwards) (1)		<u>98,446</u>	<u>105,170</u>	<u>(8,234)</u>	<u>195,382</u>
	\$	<u>192,930</u>	<u>116,708</u>	<u>(8,234)</u>	<u>301,404</u>
		=====	=====	=====	=====
		<u>January 1, 2020</u>	<u>Recognized in income</u>	<u>Recognized in equity</u>	<u>December 31, 2020</u>
Property and equipment (includes right-of-use)	\$	(634,581)	61,659	-	(572,922)
Intangible assets		(220,966)	119,702	-	(101,264)
Inventories		(26,995)	2,284	-	(24,711)
Air traffic liability		61,959	31,436	-	93,395
Lease liabilities		649,465	(80,827)	-	568,638
Provisions		60,864	70,484	-	131,348
Other items (including tax loss carry- forwards) (1)		<u>276,366</u>	<u>(178,788)</u>	<u>868</u>	<u>98,446</u>
	\$	<u>166,112</u>	<u>25,950</u>	<u>868</u>	<u>192,930</u>
		=====	=====	=====	=====

(21) Loans and borrowings-

The features of the loans and borrowings (including leases) comprising this caption and guarantees as of December 31, 2022, 2021 and January 1, 2021, are described as shown on the following page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Thousands of US	Currency	Nominal interest rate	Year of maturity	December 31, 2022	December 31, 2021	January 1, 2021
<i>Loan secured by the collection of credit card sales in the United States of America ("USA") (2)</i>	US	<i>LIBOR rate plus 325 basis points</i>	2024	\$147,176	\$225,490	\$225,490
<i>Senior Trust Bonds ("CEBURES") issued in Mexico, securitized by the collection of credit card sales in Mexico (2) (3)</i>	Ps.	<i>TIIE rate plus 138 to 168 basis points</i>	2025	215,222	251,921	259,191
<i>Prepayments on aircraft purchase rights</i>	US	<i>LIBOR rate plus 300 basis points</i>	2020	-	-	33,541
<i>Senior Trust Bonds ("CEBURES") issued in Mexico, non-securitized (6)</i>	Ps.	<i>TIIE rate plus 75 to 150 basis points and fixed annual rate 9%</i>	2021	-	-	58,366
<i>Loan (6)</i>	US	<i>Fixed annual rate 5.62%</i>	2022	-	-	4,348
<i>Loans secured by the Ex-Im Bank in the USA</i>	US	<i>Fixed annual rate between 0.97% and 1.03% (LIBOR rate plus 60 to 65 basis points in 2020)</i>	2023	549	4,815	4,815
<i>Loan (6)</i>	Ps.	<i>TIIE rate plus 253 basis points</i>	2020	-	-	9,041
<i>Loans secured by the Export Credit Agency in Germany (6)</i>	US	<i>LIBOR rate plus 150 basis points</i>	2024	-	-	25,532
<i>Loans secured by the Ex-Im Bank in the USA</i>	US	<i>Fixed annual rate 2.34% (Mexican pesos denominated loan and TIIE rate plus 50 basis points in 2020)</i>	2023	1,146	5,665	5,674
<i>Loans secured by the Ex-Im Bank in the USA</i>	US	<i>Fixed annual rate 2.33% (Mexican pesos denominated loan and TIIE rate plus 35 basis points in 2020)</i>	2024	10,390	18,487	19,307
<i>Prepayments on aircraft purchase rights (6)</i>	US	<i>LIBOR rate plus 450 basis points</i>	2021	-	-	61,881
<i>Senior unsecured notes, offered in the USA under Rule 144A of the Securities Act of 1933 of the USA and outside the USA under Regulation S of the Securities Act (4) (6)</i>	US	<i>Fixed annual rate 7.00%</i>	2025	-	-	400,000



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Thousands of US	Currency	Nominal interest rate	Year of maturity	December 31, 2022	December 31, 2021	January 1, 2021
<i>Line of credit secured by the collection of BSP and credit card sales in the USA (2)</i>	US	<i>LIBOR rate plus 350 basis points</i>	2023	-	68,300	6,124
<i>Debtor in possession loan agreement or DIP financing (5)</i>	US	<i>LIBOR rate plus 800 basis points for Tranche 1 and LIBOR rate plus 1450 basis points for Tranche 2</i>	2022	-	1,114,043	377,414
<i>Singapore market listed and secured notes (formerly Chapter 11 Exit Financing) (1) (4)</i>	US	<i>Fixed annual rate of 8.5%</i>	2027	762,500	-	-
Total Loans				1,136,983	1,688,721	1,490,724
<i>Financial leasing of flight and other equipments (JOLCO) (7)</i>	US	<i>Fixed annual rates between 3.78% to 4.75%</i>	2029	-	-	604,694
<i>Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)</i>	US	<i>Fixed annual rate of 2.33%</i>	2029	102,571	110,151	110,151
<i>Financial leasing of flight and other equipment, secured by the BNDES (Banco Nacional de Desenvolvimento Economico e Social) (1) (7)</i>	US	<i>Fixed annual rates ranging from 3.21% to 4.12% and / or annual variable rates at Libor plus 200 basis points</i>	2024	-	-	97,314
<i>Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)</i>	US	<i>Fixed annual rate of 2.54%</i>	2027	45,794	55,873	55,873
<i>Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1) (3)</i>	US	<i>Fixed annual rate 1.37% (Mexican pesos denominated loan and TIE rate plus 65 basis points in 2020)</i>	2026	27,680	35,745	35,283
<i>Finance leases of flight equipment</i>	US	<i>Fixed annual rates between 3.16% to 3.57%</i>	2024	10,378	18,650	18,375
<i>Financial lease of flight simulator</i>	US	<i>Fixed annual rate of 6.88%</i>	2029	7,949	9,986	9,986
Total Financial Leasing				194,372	230,405	931,676



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Thousands of US	Currency	Nominal interest rate	Year of maturity	December 31, 2022	December 31, 2021	January 1, 2021
Lease Liabilities (IFRS 16)				2,125,995	1,793,275	1,266,643
Total Lease Liabilities				2,320,367	2,023,679	2,198,319
Total Loans and Borrowings				3,457,350	3,712,401	3,689,043
Total Borrowing Costs				(6,413)	-	(59,624)
Total Net Loans and Borrowings				3,450,937	3,712,401	3,629,419
<i>Less current installments of financial debt</i>				(228,090)	(1,381,384)	(1,932,332)
<i>Less current installments of leases</i>				(285,886)	(525,779)	(1,266,643)
<i>Borrowing Costs</i>				-	-	39,254
Net current installments of Loans and Borrowings				513,976	1,907,163	3,159,721
Non-current debt				2,943,374	1,805,238	490,069
Borrowing Costs				(6,413)	-	(20,371)
Net non-current Loans and Borrowings				\$2,936,961	\$1,805,238	\$469,698

- (1) Some of the contracts establish certain commitments for the Group, 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 to payment of documented commitments; as well as restrictions for the Group for selling or transferring all or a significant portion of assets.

As of December 31, 2022, the Group 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, 2021 and January 1, 2021, the Group contracted interest rate Swaps, allowing to pay fixed rate (see Note 28).



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- (4) Senior Unsecured Notes issued by Aeroméxico and guaranteed by Grupo Aeroméxico.
- (5) On October 9, 2020, Grupo Aeroméxico received the final approval from the Bankruptcy Court to secure the commitment for \$1,000 million senior secured superpriority multi-tranche Debtor-in-Possession term loan facility (“DIP Financing”), with funds mainly 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 (see Note 2(b)).

Part of the Tranche 2 DIP Financing was converted, at the lenders’ option, into shares of reorganized Grupo Aeroméxico. As certain lenders exercised the option to convert the Tranche 2 DIP Financing, following the corresponding capital increase, the former shareholders were fully diluted (see Note 2 (b)).

- (6) For the year ended December 31, 2021, \$559,168 in total has been identified and reclassified as a current general unsecured claim liability, as part of actions taken under Chapter 11 financial restructure (see Note 24), which was recognized as of such date at amortized cost.
- (7) As part of the Chapter 11 financial restructuring in 2021, \$702,008 previously attached to finance leases of flight equipment were transformed and recognized as lease liabilities, as a result of the new negotiated contracts with the Group’s lessors.

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

As of January 1, 2021, the Group was working on its voluntary financial restructuring through Chapter 11, meaning was not in compliance with several of its financial covenants with its lenders. For this reason, the loans and borrowings figures were presented as a current liability as of January 1, 2021, with exception those balances for which the Group reached new conditions during that year.

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

<u>Year</u>		<u>Loans (a)</u>	<u>Financial leasing</u>	<u>Leases</u>	<u>Total</u>
Current – 2023	\$	<u>184,401</u>	<u>43,689</u>	<u>285,886</u>	<u>513,976</u>
Non-current:					
2024		135,420	37,209	269,880	442,509
2025		54,662	36,488	257,746	348,896
2026		-	31,628	238,219	269,847
2027		756,087	20,966	228,181	1,005,234
2028 and thereafter		<u>-</u>	<u>24,392</u>	<u>846,083</u>	<u>870,475</u>
Total non-current		<u>946,169</u>	<u>150,683</u>	<u>1,840,109</u>	<u>2,936,961</u>
Total loans and borrowings	\$	<u>1,130,570</u>	<u>194,372</u>	<u>2,125,995</u>	<u>3,450,937</u>

(a) Loans are presented net of borrowing costs of \$6.413.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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	\$	<u>1,919,126</u>	<u>1,793,275</u>	<u>3,712,401</u>
Proceeds for loans and borrowings		762,500	-	762,500
Repayments of borrowings		<u>(731,725)</u>	<u>(112,700)</u>	<u>(844,425)</u>
Total changes from financing cash flows		30,775	(112,700)	(81,925)
DIP Financing conversion to capital stock (see Note 2(b))		(671,476)	-	(671,476)
Interest and other fees capitalized		33,407	-	33,407
Effects of movements in foreign exchange rates		12,568	-	12,568
Other changes –				
New leases		-	445,420	445,420
Interest expense		139,672	145,845	285,517
Interest paid		(148,381)	(117,984)	(266,365)
Other interest accrued (reversed), net		<u>9,251</u>	<u>(27,861)</u>	<u>(18,610)</u>
Balance December 31, 2022	\$	<u><u>1,324,942</u></u>	<u><u>2,125,995</u></u>	<u><u>3,450,937</u></u>

There are established conditions to finance the renewal of the Company's fleet (see Note 33).



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(22) Employee benefits-

The Group 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 Group periodically makes contributions to trust funds based on actuarial calculations to finance part of the cost of these plans. The trust funds are mainly invested in fixed-income securities. Actuarial calculations for these plans result in accumulated benefit obligations in excess of the plan assets.

Seniority premiums are provided to all employees under the Mexican Labor Law. The Law provides that seniority premiums are payable, based on salary and years of service, to employees who resign or are terminated after at least fifteen years of service. Under the Law, benefits are also payable to employees who are dismissed. The Group has not funded its seniority premium obligation, which amounts to \$16,187, \$16,864 and \$12,870 as of December 31, 2022, 2021 and January 1, 2021, respectively, included in the total employee benefits balances as of the same dates.

(a) Composition of plan assets-

		<u>December 31,</u>	<u>January 1,</u>
		<u>2022</u>	<u>2021</u>
Equity securities	\$	51	38
Government bonds		<u>630</u>	<u>589</u>
	\$	681	603
		===	===



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Defined benefit obligations as of January 1	\$ 187,137	216,902	222,790
Benefits paid by the plan	(7,893)	(22,686)	(18,213)
Current service costs	3,175	12,047	5,093
Interest cost	14,097	13,645	13,215
Personnel transfer cost (1)	250	18	-
PLM defined obligations as of July 15, 2022	407	-	-
Foreign exchange variance	10,948	(5,386)	(8,918)
Other, including curtailment gain and seniority premium adjustment	<u>(1,198)</u>	<u>42</u>	<u>41</u>
	206,923	214,582	214,008
Remeasurement of defined benefit liability losses/(gains) recognized in other comprehensive income:			
Financial assumptions	(16,461)	(22,218)	9,881
Demographic assumptions	115	200	106
Experience adjustments	<u>(4,496)</u>	<u>(5,427)</u>	<u>(7,093)</u>
Defined benefit obligations as of December 31	\$ <u>186,081</u>	<u>187,137</u>	<u>216,902</u>

The Group expects to pay \$5,092 in contributions to its defined benefit plans in 2023.

(1) For the year ended 2022, the Group recognized \$49 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>	<u>2020</u>
Fair value of plan assets as of January 1	\$ 627	603	563
Actual return on plan assets	<u>54</u>	<u>24</u>	<u>40</u>
Fair value of plan assets as of December 31	\$ <u>681</u>	<u>627</u>	<u>603</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cumulative amount as of			
January 1	\$ 2,456	(25,126)	(22,232)
Personnel transfer cost	43	96	-
Recognized during the year	20,842	27,445	(2,894)
Effects of movements in			
foreign exchange rates	<u>18</u>	<u>41</u>	<u>-</u>
Cumulative amount as of			
December 31 (1)	\$ <u>23,359</u>	<u>2,456</u>	<u>(25,126)</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>	<u>2020</u>
Expected rate of return on plan assets	9.40%	7.20%	6.83%
Discount rate	9.40%	7.20%	6.83%
Rate of compensation increase	4.54%	4.54%	4.54%
Remaining average labor life (over benefit obligations)	14 years	13 years	13 years

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

(f) Sensitivity analysis-

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant would have affected the defined benefit obligation by the accounts shown below as of December 31, 2022:

	<u>Increase</u>	<u>Decrease</u>
Discount rate (0.5% movement)	\$ <u>(40,341)</u>	<u>5,965</u>
Rate of compensation (0.5% movement)	\$ <u>(5,529)</u>	<u>5,788</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(23) Share-based payment arrangements-

A. Description of share-based payment arrangements

As of December 31, 2022, the Group had the following share-based payment arrangements.

i. Restricted shares programs-

During 2020 the Group granted 981,420 free shares to certain key management personnel, subject to certain service conditions for which vesting periods are determined in a case-by-case basis (typically three year). The fair value of the free shares granted amounted to \$722 in 2020 (in 2021 the Company did not granted shares to its Management). Because of the Chapter 11 process, this plan was offset as part of the restructuring process. As of December 31, 2022 there are no outstanding shares from this plan.

On December 22, 2022, the Group granted 2,269,985 restricted shares to certain key management personnel and senior employees subject to certain service and non-market performance conditions with vesting periods from 6 months to 3 years.

The key terms and conditions related to the grants under this program is as follows; all awards are to be settled by the physical delivery of shares.

Grant date / employees entitled	Number of instruments	Vesting conditions
Shares granted to key management personnel and senior employees-		
December 22, 2022	907,994	6 months to 3 years' service form grant date.
December 22, 2022	1,361,991	2-3 years' service form grant date, subject to the achievement of certain non-market performance goals.
Total restricted shares	2,269,985	



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

B. Measurement of fair values –

The fair value of the above-mentioned restricted shares at grant date amounts to Ps184.78 pesos per share. The shares have been deposited and are part of a Mexican Trust (see Note 26).

C. Reconciliation of outstanding restricted shares –

The number of outstanding restricted shares under the program (see A i) were as follows:

	2022	
	Number of options	Ps. fair value per share at grant date
Outstanding at January 1	-	-
Granted during the year	2,269,985	184.78
Exercised during the year	-	-
Forfeited during the year	-	-
Outstanding at December 31	2,269,985	184.78
Exercisable at December 31	-	-

D. Expense recognized in profit or loss–

During 2022, the expense recognized in profit or loss amounts to \$0 (2021: \$0 and 2020: \$958).



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(24) Provisions-

		Leased aircraft returns (1)	Employees' restructure (2)	Litigations	Contingent consideration (a)	Total
Balance as of January 1, 2022	\$	171,690	11,923	7,154	-	190,767
Additions		67,967	-	-	24,000	91,967
Utilization		<u>(3,929)</u>	<u>(11,923)</u>	<u>(79)</u>	<u>-</u>	<u>(15,931)</u>
		235,728	-	7,075	24,000	266,803
Less non-current portion		<u>(210,522)</u>	<u>-</u>	<u>-</u>	<u>(24,000)</u>	<u>(234,522)</u>
Current balance as of December 31, 2022	\$	<u>25,206</u>	<u>-</u>	<u>7,075</u>	<u>-</u>	<u>32,281</u>
Balance as of January 1, 2021	\$	119,454	35,633	7,974	-	163,061
Additions (cancellations)		58,095	8,300	(820)	-	65,575
Utilization		<u>(5,859)</u>	<u>(32,010)</u>	<u>-</u>	<u>-</u>	<u>(37,869)</u>
Current balance as of December 31, 2021	\$	<u>171,690</u>	<u>11,923</u>	<u>7,154</u>	<u>-</u>	<u>190,767</u>
Balance as of January 1, 2020	\$	87,314	-	6,782	-	94,096
Additions		269,043	63,623	1,453	-	334,119
Utilization		<u>(236,903)</u>	<u>(27,990)</u>	<u>(261)</u>	<u>-</u>	<u>(265,154)</u>
Current balance as of December 31, 2020	\$	<u>119,454</u>	<u>35,633</u>	<u>7,974</u>	<u>-</u>	<u>163,061</u>

(a) See note 6A. regarding PLM acquisition.

In addition, for the year-end December 31, 2021, the Group presents \$1,228,377 as a general unsecured claim liability, as a result of reconciling claims against the Group's books and to solve claims disputes. This figure is associated to the PoR described in Note 2 (b) ii, and includes on the next page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Loans and borrowings, including leases and derivatives (4)	\$	561,710
Settlements regarding aircraft and engine lease agreements (3)		480,582
Accounts payable (4)		113,335
Settlement unions' CBA (3)		<u>72,750</u>
Balance as of December 31, 2021 (5)	\$	<u>1,228,377</u> =====

- (1) We expect the economic outflow of the current portion of our leased aircraft return provision over the next 12 months based on our fleet plan. On a yearly basis fleet plan is revised and new return terms might be negotiated with lessors which affect the classification of short and long term balance.
- (2) In 2021 and 2020 includes \$5,319 and \$53,091, respectively, of incremental Chapter 11 restructuring costs (see Note 32).
- (3) These financial liabilities have been recognized at expected 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.

(25) Trade and other payables-

Group trade and other payables are as follow:

	<u>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Suppliers	\$ 842,227	686,968	977,211
Value added tax and other taxes	174,815	123,767	97,953
Salaries and benefits payable	15,194	11,286	7,184
Deferred revenue (1)	<u>-</u>	<u>382</u>	<u>1,576</u>
Total current liabilities	<u>\$ 1,032,236</u> =====	<u>822,403</u> =====	<u>1,083,924</u> =====

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(26) Stockholders' equity-

(a) Structure of capital stock-

As of December 31, 2019, the Company's capital stock is represented by 741,766,520 ordinary shares, nominative, with no par value, 5,000 shares representing the fixed portion and 741,761,520 shares representing the variable portion.

For the year 2020, 981,420 shares were assigned to certain key management personnel, equivalent to \$722.

As of December 31, 2021 and January 1, 2021, the Company's capital stock is represented by 742,747,940 ordinary shares, nominative, with no par value, 5,000 shares representing the fixed portion and 742,742,940 shares representing the variable portion.

On March 17, 2022, the Company reported that it had concluded its PoR, successfully completed its financial restructuring process, and emerged from its Chapter 11 Restructuring Process. Consequently, and on March 17, 2022 (a) certain capital stock increases agreed during the process, which included new cash invested including commitment fees, DIP financing conversion debt to capital stock and recognized claims conversion to capital stock, (b) the dilution of the former shares representing the Company's capital stock to represent less than 0.01% of Grupo Aeromexico's new capital stock, and (c) the concentration (reverse split) of all the previous and new shares using a conversion factor of one new share for each 5,000,000 shares existing at that time issued by the Company, all became effective. Consequently, the new listed shares outstanding of the Company amounted to 136,423,959 (excluding 13,642,396 treasury shares pending subscription), resulting in a total authorized capital of 150,066,355 shares.

On April 28, 2022, the Shareholders of the Company resolved in favor of using shares held in treasury for purposes of supporting a Management Incentive Program ("MIP"), as further approved and allocated by the Compensation Committee.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

On October 10, 2022, the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) granted the Company authorization to launch a cash tender offer (“Offer”) for up to 11,535,328 shares representing approximately 8.46% of the Company’s total outstanding shares, with the purpose of delisting all of its shares from the Mexican Securities Exchange (*Bolsa Mexicana de Valores* or “BMV”) and subsequently cancelling the registration of its shares in the National Securities Registry (*Registro Nacional de Valores* or “RNV”). On November 16, 2022, the Company settled the Offer purchasing all 4,751,255 participating shares, representing approximately 3.48% of outstanding shares, at Ps.184.78 pesos per share (which was calculated pursuant to Article 108, Section I, paragraph (b), of the Securities Exchange Law (*Ley del Mercado de Valores*)).

On December 8, 2022, the Compensations Committee approved to use 4,751,255 treasury shares for purposes of the MIP. Such 4,751,255 shares were subscribed and paid through a Mexican Trust, and are going to be allocated among MIP beneficiaries as determined by the Compensations Committee. The use of 4,751,255 shares for such purposes neutralized any dilution effect from the 4,751,255 shares acquired via the Offer.

As of December 31, 2022, the capital stock of the Company is represented by 136,423,959 outstanding shares ordinary shares, nominative, with no par value, 5,000 shares representing the fixed portion and 136,418,959 shares representing the variable portion.

(b) Restrictions on stockholders’ equity-

Five percent of net income of 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 \$24,750 has not reached the required amount.

Stockholders 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(c) Capital management-

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices (see Note 3(c) last paragraph). Buy and sell decisions are made on a specific transaction basis and the Group does not have a defined share buy-back plan.

(d) Retained earnings-

For the year ended December 31, 2022, Grupo Aeroméxico has an equity deficit of \$3,187,405 (net of statutory reserve), meaning it has lost over two-thirds of its equity capital and, in accordance with Mexican law this may be cause for its dissolution, at the legal request of any interested party with outstanding claims.

(27) Earnings / losses per share-

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

The calculation of basic losses per share at December 31, 2022, was based on the income (loss) for the year of \$(64,225) (2021: \$(1,019,423) and 2020: \$(1,996,983)), and a weighted average number of ordinary shares outstanding (including option shares) of 136,423,959 (136,423,959 for both years 2021 and 2020). The Company has no dilutive potential ordinary shares.

(28) Financial instruments and risk management-

(a) Overview-

The Group 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 following:

- a) Credit risk
- b) Liquidity risk
- c) Market Risk
 - Foreign currency risk



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- Jet-fuel price fluctuations
- Interest rate risk

The Group'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 Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Grupo Aeroméxico contracts financial derivative instruments in Over the Counter ("OTC") markets to keep the exposure at levels acceptable to the Group's risk appetite. All financial derivative instruments in the Group'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 Group does not hold or issue derivative financial instruments for trading purposes.

Risk management framework-

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit and Finance Committees oversee how Management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(b) Credit risk-

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

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

Evaluation of the expected credit loss from individual clients is stated at January 1st, and December 31, 2021. The Group uses an allowance matrix to measure the ECLs of trade receivable from individual customers, which comprise a very large number of small balances.

i. Exposure to credit risk

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

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

	<u>Carrying amount</u>		
	<u>December 31,</u>		<u>January 1,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Cash and cash equivalents	\$ 842,182	979,078	411,944
Other financial instruments, including derivatives	1,893	1,045	1,889
Trade and other receivables	<u>391,272</u>	<u>196,229</u>	<u>183,654</u>
	<u>\$ 1,235,347</u>	<u>1,176,352</u>	<u>597,487</u>

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Trade and other receivables-

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The Group 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 Group 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, 2021 and January 1, 2021, by type of customer is shown in Note 14, including recoverable taxes over which the Company has so far not experienced impairment losses.

Impairment losses-

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

	December 31,						January 1,		
	2022			2021			2021		
	Gross	Impairment	%	Gross	Impairment	%	Gross	Impairment	%
Not past due (a)	\$ 148,536	1,182	(0.8)	105,864	758	(0.7)	99,221	9,655	(9.7)
Past due between									
0-30 days	18,395	400	(2.2)	6,558	412	(6.3)	3,830	712	(18.6)
Past due between									
31-120 days	6,007	3,075	(52)	3,234	676	(20.9)	3,752	688	(18.3)
Past due for more									
than one year	<u>4,425</u>	<u>4,425</u>	(100)	<u>7,387</u>	<u>7,252</u>	(98.2)	<u>9,257</u>	<u>9,257</u>	(100)
	<u>\$ 177,363</u>	<u>9,082</u>		<u>123,043</u>	<u>9,098</u>		<u>116,060</u>	<u>20,312</u>	

* Percentages reflect the weighted average loss rate.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- (a) During the year 2020 and as a consequence of the adverse economic effects of the COVID-19 pandemic, the airline industry was severely affected, reason why the Group 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 2020 and partially in 2021, Management considered risks related to the collection of some of its corporate customers and incremental credit cards charge-backs 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>	<u>2020</u>
Balance as of January 1	\$	9,098	20,312	13,829
Impairment (decrease) increase recognized, net		<u>—(16)</u>	<u>(11,214)</u>	<u>6,483</u>
Balance as of December 31	\$	<u>9,082</u>	<u>9,098</u>	<u>20,312</u>

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

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

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(c) Liquidity risk-

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

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

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

i. Exposure to liquidity risk-

The following are the remaining contractual maturities of financial liabilities at the balance sheet date on December 31, 2022, 2021 and January 1, 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) \$	147,176	178,143	19,513	89,522	69,108	-	-
<u>Loans in USD</u>							
(Fixed rate) \$	768,172	880,640	-	49,943	22,828	807,869	-
<u>Financial Leasing</u>							
In USD \$	194,371	207,920	17,891	38,915	40,936	89,659	20,519
<u>CEBURES –</u>							
Securitized in Ps. \$	215,223	242,913	19,745	92,665	73,025	57,448	-
<u>Leases –</u>							
<u>Liabilities</u> \$	2,125,995	2,766,733	84,498	348,458	399,852	974,724	959,201



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

<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>
<u>Loans in USD</u> (Libor - Spread)	\$ 1,407,834	1,507,117	29,279	1,326,099	87,774	63,965	-
<u>Loans in USD</u> (Fixed rate)	\$ 28,967	29,638	2,898	14,462	10,163	2,116	-
<u>Financial Leasing</u> In USD	\$ 230,405	248,847	16,670	34,764	39,037	111,420	46,957
<u>CEBURES –</u> Securitized in Ps.	\$ 251,921	285,424	2,823	61,512	95,605	125,475	-
<u>Leases –</u> <u>Liabilities</u>	\$ 1,793,274	2,158,576	54,000	230,091	331,479	826,492	716,514
<u>January 1, 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>
<u>Loans in USD</u> (Libor - Spread)	\$ 695,250	781,423	44,001	504,509	71,983	90,684	70,246
<u>Loans in Ps.</u> (TIIE - Spread)	\$ 33,504	34,945	15,769	19,176	-	-	-
<u>Loans in USD</u> (Fixed rate)	\$ 398,547	532,400	16,122	516,278	-	-	-
<u>Financial Leasing</u> In Ps.	\$ 33,182	38,763	3,998	34,765	-	-	-
<u>Financial Leasing</u> In USD	\$ 884,735	853,719	31,776	821,943	-	-	-
<u>CEBURES –</u> Securitized in Ps.	\$ 259,191	300,840	2,539	8,409	63,754	226,138	-
<u>CEBURES -</u> Non-Guaranteed in Ps.	\$ 58,366	59,592	18,062	41,530	-	-	-
<u>Leases –</u> <u>Liabilities</u>	\$ 1,266,643	1,310,879	61,277	1,249,602	-	-	-



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(d) Market risk-

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

i. Foreign currency risk-

Foreign exchange risk is originated when the Group performs transactions and maintains monetary assets and liabilities in currencies that are different from the functional currency of the Group. Most of the Group's exposure is associated to fluctuations in the US Dollar. In 2022, 2021 and 2020, approximately 29%, 30% and 28% of the Group's expenses and 5%, 6% and 8%, of its revenues are denominated in currencies different from the US, respectively. The Group 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 Group, which was informed to its Management is as follows:

		<u>December 31,</u> <u>2022</u>	<u>2021</u>	<u>January 1,</u> <u>2021</u>
Monetary assets	\$	616,574	197,618	156,840
Monetary liabilities		(770,546)	(848,198)	(1,206,022)
Net currency risk in the statement of financial position	\$	(153,972) =====	(650,580) =====	(1,049,182) =====



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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>2020</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Mexican Peso	20.14 =====	20.27 =====	21.53 =====	19.36 =====	20.47 =====	19.91 =====

Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the Mexican peso as of December 31, 2022, 2021 and January 1, 2021, would have affected profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group 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)	\$	13,997 =====
December 31, 2021		
US Dollar (10% strengthening)	\$	59,144 =====
January 1, 2021		
US Dollar (10% strengthening)	\$	95,380 =====

ii. *Jet-fuel price fluctuations-*

The main market risk associated with the industry is the variation in fuel prices. The Group mitigates this risk through derivative instrument contracts, usually options and combination of options. In addition, depending on market conditions, the Group 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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The Group 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 Group is not competitively disadvantaged in the event of a substantial decrease in the price of aviation fuel. Hedging is conducted in accordance with Grupo Aeromexico's "Jet-Fuel Hedging Policy", which is approved by the Board. Currently, the policy states that a target of minimum 40% and up to 60% of the estimated fuel consumption out to 12 – 18 months may be hedged, with any hedging outside these parameters requiring approval by the Finance Committee. The Finance Committee in its periodical meetings supervises the strict adherence to the Policy established by the Board and monitors the performance of the hedging portfolio.

As Grupo Aeroméxico'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 Group 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>	<u>2020</u>
Annual Consumption (Gal JF54)	390,818	297,367	221,616
Derivatives on JF54 (Gal JF54)	-	-	261,495
Amount Hedged (%)	-	-	118.0%

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

During 2022, 2021 and 2020, the Group had a consumption of 390.8, 297.4 and 221.6 million gallons of Jet-Fuel which bought at an average price of 3.65, 2.12 and 1.54 USD/Gal respectively. These prices include transportation and supply surcharges.

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Because of capacity cuts, the Group has paused its fuel hedging activity to cover between 40 to 60% of its annual projected fuel consumption for the fiscal years 2022 and 2021, given the uncertain pace of recovery.

Sensitivity analysis-

If the Jet-fuel price would have changed 50c or 75c USD/Gal upward or downward, the Group 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 Group 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 Group can save resources because its natural position is short in Jet-fuel.

In the year 2020 the Group recorded in other comprehensive income \$7,513 as valuation effects from derivatives (in 2022 and 2021 the Group did not have derivatives on JF54).

iii. Interest rate risk-

Management of benchmark interest rate reform and associated risks.

The Group has US dollar LIBOR and peso TIEE 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 TIEE benchmark interest rates, the Group will modify its existing LIBOR contracts by either:

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The Group 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.

As of the date of issuance of these consolidated financial statements, the Group has three loans referred to LIBOR (for an amount as of December 31, 2022, of \$147,176). The Group 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 Group mitigates interest risk by managing the proportion of floating and fixed rate debt. As of December 31, 2022, 2021 and January 1, 2021, 73%, 14% and 54%, respectively of the Group’s financial debt is under fixed-rate contracts.

Grupo Aeroméxico is exposed to changes in the LIBOR (USD denominated assets and liabilities) and TIE (MXN denominated assets and liabilities) interest rates.

As of December 31, 2022, 2021 and January 1, 2021, the Group has interest rate Swaps on force in which the Group pays fixed rate receiving a floating rate indexed to TIE 28 days (in 2020 an additional rate Swap indexed to LIBOR). Through these instruments the Group makes the risk management generated by the variability of flows to floating interest rate, within the Fideicomiso F/1748, whose Trustee is the Group, has outstanding at December 2022, 2021 and January 1, 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 \$1,893 came from the following derivatives:

Interest rate Swaps

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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

		<u>Assets</u>	<u>Liabilities</u>
Short Term			
Investments			
Investment US/Ps.	\$	228	-
Repo transactions		-	-
(Maturities over 3 months)			
Debt instruments		-	-
Debt			
US loans			
Libor + Spread	\$	-	84,101
Financial lease		-	43,689
Fixed rate		-	9,983
Ps. Loans			
TIIE + Spread		-	90,318
Fixed rate		-	-
Financial lease		-	-
	\$	228	228,091
		====	=====
		<u>Assets</u>	<u>Liabilities</u>
Long Term			
Debt			
US loans			
Libor + Spread	\$	-	63,076
Fixed rate		-	758,189
Financial lease		-	150,683
Ps. loans			
TIIE + Spread		-	124,905
Financial lease		-	-
	\$	-	1,096,853
		====	=====



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

The following table represents the risk position for the Group as of December 31, 2022, 2021 and January 1, 2021, corresponding to the derivative rate financial instruments (amounts in million of Ps.):

Derivative Financial Instruments	Notional Amount		
	December 31,		January 1,
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Fixed rate instruments			
Interest rate Swaps	(1,590)	(5,449)	(6,924)
	=====	=====	=====
Variable rate instruments			
Interest rate Swaps	1,590	5,449	6,924
	=====	=====	=====

Fuel hedge instruments-

As of January 1, 2021, the Group 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.

During 2020, the Group reclassified \$41,122 from OCI to jet-fuel.

Sensitivity Analysis-

Debt-

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

Banco de México's target interest rate increased by 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 they are described as shown on the following page.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

		<u>2022</u>		<u>2021</u>		<u>2020</u>	
		<u>+50 BP</u>	<u>-50 BP</u>	<u>+50 BP</u>	<u>-50 BP</u>	<u>+50 BP</u>	<u>-50 BP</u>
Loans in US							
LIBOR + Spread	\$	988	(988)	1,444	(1,444)	39,237	(39,237)
		=====	=====	=====	=====	=====	=====
		<u>+50 BP</u>	<u>-50 BP</u>	<u>+50 BP</u>	<u>-50 BP</u>	<u>+50 BP</u>	<u>-50 BP</u>
Loans in Ps.							
TIIE + Spread	\$	1,250	(1,250)	1,276	(1,276)	2,512	(2,512)
		=====	=====	=====	=====	=====	=====

Grupo Aeroméxico 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 Group 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 the Group 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>Carrying amount</u>	<u>Sensibility</u>	
			<u>+ 50 BP</u>	<u>- 50 BP</u>
TIIE	Interest rate			
Swaps		\$ 1,893	243	(245)
		<u> </u>	<u> </u>	<u> </u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(e) Fair value hierarchy-

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

The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- 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, 2021 and 2020, including their hierarchy levels based on the business model determined by the Group. The tables do not include information of the assets and liabilities not measured to their fair value, if their carrying amounts are a reasonable approximation to their fair value.

The tables below present fair value of financial assets/liabilities at their book value in the statements of financial position as of December 31, 2022, 2021 and 2020, respectively.

Financial assets at fair value

As of December 31, 2022

	<u>Note</u>	<u>Other interest rate swaps</u>
<u>Book value:</u>		
Fair value for hedging instruments	11	\$ 1,893 =====
<u>Fair value:</u>		
Level 1		\$ -
Level 2		1,893
Level 3		- -----
Total		\$ 1,893 =====



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

As of December 31, 2021

	<u>Note</u>	<u>Other interest rate swaps</u>
<u>Book value:</u>		
Fair value for hedging instruments	11	\$ 1,045 =====
<u>Fair value:</u>		
Level 1		\$ -
Level 2		1,045
Level 3		- -----
Total		\$ 1,045 =====

As of January 1, 2021

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



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Loans and borrowings not carried out at fair value

As of December 31, 2022

	<u>Note</u>		<u>Loans in US (Libor - Spread)</u>	<u>Loans in Ps. (TIIE - Spread)</u>	<u>Loans in US (Fixed rate)</u>	<u>Loans in Ps. (Fixed rate)</u>	<u>Financial leasing of flight equipment in Ps.</u>	<u>Financial leasing of flight equipment in US</u>
<u>Book value:</u>								
Loans and borrowings	21	\$	147,176	215,223	768,172	-	-	194,371
<u>Fair value:</u>								
Level 1			-	-	-	-	-	-
Level 2			145,007	169,808	908,501	-	-	197,654
Level 3			-	-	-	-	-	-
Total		\$	<u>145,007</u>	<u>169,808</u>	<u>908,501</u>	<u>-</u>	<u>-</u>	<u>197,654</u>

Loans and borrowings not carried out at fair value

As of December 31, 2021

	<u>Note</u>		<u>Loans in US (Libor - Spread)</u>	<u>Loans in Ps. (TIIE - Spread)</u>	<u>Loans in US (Fixed rate)</u>	<u>Loans in Ps. (Fixed rate)</u>	<u>Financial leasing of flight equipment in Ps.</u>	<u>Financial leasing of flight equipment in US</u>
<u>Book value:</u>								
Loans and borrowings	21	\$	1,407,834	251,921	28,967	-	-	230,405
<u>Fair value:</u>								
Level 1			-	-	-	-	-	-
Level 2			1,418,880	208,675	26,094	-	-	177,695
Level 3			-	-	-	-	-	-
Total		\$	<u>1,418,880</u>	<u>208,675</u>	<u>26,094</u>	<u>-</u>	<u>-</u>	<u>177,695</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Loans and borrowings not carried out at fair value As of January 1, 2021

	<u>Note</u>		<u>Loans in US (Libor - Spread)</u>	<u>Loans in Ps. (TIE - Spread)</u>	<u>Loans in US (Fixed rate)</u>	<u>Loans in Ps. (Fixed rate)</u>	<u>Financial leasing of flight equipment in Ps.</u>	<u>Financial leasing of flight equipment in US</u>
<u>Book value:</u>								
Loans and borrowings	21	\$	695,250	351,062	398,547	-	33,182	884,735
<u>Fair value:</u>								
Level 1			-	-	-	-	-	-
Level 2			716,205	360,343	398,547	-	33,182	884,735
Level 3			-	-	-	-	-	-
Total		\$	<u>716,205</u>	<u>360,343</u>	<u>398,547</u>	<u>-</u>	<u>33,182</u>	<u>884,735</u>

For 2020 the debt that was classified as short and long-term is determined at fair value, which are considered in loans in USD (LIBOR-Spread) and loans in pesos (TIE-Spread), therefore for short-term liabilities does not include fair value information. For financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(g) Measurement of fair values

i. Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value:

Type	Valuation technique
Corporate debt securities	Market comparison / discounted cash flow: The fair value is estimated considering present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

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 Group 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.

ii. 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 and 2020.

iii. Level 3 fair values

The Group did not present any of the fair values of its financial instruments as Level 3 during 2022, 2021 and 2020.

(h) Capital management-

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis and the Group does not have a defined share buy-back plan.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(29) Other loss (income), net-

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Other income:</i>			
Net gain from sale of property and equipment/obsolete material	\$ 9,880	4,932	-
Taxes recoveries	1,456	628	27
Leases recoveries	3,505	2,697	3,990
Credit notes from suppliers	-	3,596	-
Other	<u>4,890</u>	<u>1,556</u>	<u>5,460</u>
Total other income	<u>19,731</u>	<u>13,409</u>	<u>9,477</u>
<i>Other expenses:</i>			
Labor and other contingencies (cancellation)	-	(820)	1,453
Net loss from sale of property and equipment/obsolete material	-	-	1,975
Value added tax non-collectible	21,113	-	-
Other	<u>-</u>	<u>-</u>	<u>9,910</u>
Total other expenses	<u>21,113</u>	<u>(820)</u>	<u>13,338</u>
Other loss (income), net	\$ <u>1,382</u>	<u>(14,229)</u>	<u>3,861</u>

(30) Wages, salaries and benefits-

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Wages and salaries	\$ 567,459	414,269	410,410
Compulsory social security contributions	67,679	70,289	66,720
Expenses related to defined benefit plans	<u>3,175</u>	<u>12,047</u>	<u>5,093</u>
	<u>\$ 638,313</u>	<u>496,605</u>	<u>482,223</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(31) Finance income and finance costs-

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest income on bank deposits and other investments	\$ 15,334	4,046	4,413
Derivative financial income	-	15,315	-
Other financial income	-	2,117	-
Net foreign exchange gain	<u>-</u>	<u>-</u>	<u>16,936</u>
Finance income	<u>15,334</u>	<u>21,478</u>	<u>21,349</u>
Interest expense on financial liabilities	125,913	181,818	100,339
Letters of credit commissions	3,782	-	24,522
Credit card commissions (a)	85,237	53,936	28,200
Lease interest	145,764	23,659	47,213
Interest on employee obligation	14,097	13,645	13,215
Derivative financial loss	790	-	119,265
Net foreign exchange loss	58,433	113,928	-
Bank fees	5,863	26,173	13,638
Interest paid to related parties	1,624	3,553	2,660
Other financial costs, mainly DIP commissions	<u>24,408</u>	<u>102,532</u>	<u>21,995</u>
Finance costs	<u>465,911</u>	<u>519,244</u>	<u>371,047</u>
Net finance cost recognized in profit and loss	<u><u>\$(450,577)</u></u>	<u><u>(497,766)</u></u>	<u><u>(349,698)</u></u>
Derivative financial instruments reserve recognized in other comprehensive income, net of income taxes	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>42,487</u></u>

- (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.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

(32) Restructuring and other related expenses-

On March 20, 2020, the Group announced that as a response to the worldwide COVID-19 crisis it made certain decisions aimed to preserve cash and the sources of employment. On June 30, 2020, the 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 Group's financial performance.

Special items recorded within operating expenses for the year ended December 31, 2022, 2021 and 2020, consist of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Employees restructuring plan	\$ -	21,930	53,091
Leased aircraft incremental return cost	-	-	130,062
Accelerated depreciation and amortization expense for anticipated aircraft return	-	-	46,992
(Gain) loss for rejected flight equipment and other leased aircraft restructuring effects	(59,962)	(18,856)	21,900
Credit cards chargebacks	-	13,905	-
Professional fees associated to Chapter 11 advisors	65,365	179,371	58,880
General unsecured claim settlements	(107,924)	436,900	-
Credit due to lease liabilities cancellation	(11,567)	(214,058)	(130,066)
Net restructuring (income) expenses recognized in profit and loss as operating expenses	<u>\$(114,088)</u>	<u>419,192</u>	<u>180,859</u>



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Employees restructuring plan provisions

As a result of COVID-19, Grupo Aeroméxico 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 \$21,930 (2020: \$53,091) was recorded related to these measures. Payments of \$11,923 have been made to the end of the year 2022 (2021: \$32,010 and 2020: \$27,990). 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 \$17.2 million.

Leased aircraft incremental return cost

In response to declining operations related to the impact of the COVID-19 pandemic, the Group 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 of return is attached to the capitalized maintenance expenses that would be accelerated based on the anticipated dates of returns.

During 2020, a non-cash impairment charge of \$21.9 million was recorded reflecting the write-down of right-of-use assets for leased aircraft and engines. In 2021 after the corresponding negotiations with lessors took place, a credit of \$18.9 million 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 Group is facing additional administrative expenses regarding the fees to be paid to its external advisors.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

General unsecured claim settlements

As explained in Note 24, as part of the PoR the Group recognized \$(107.9) million and \$436.9 million 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 claim settlements based upon the anticipated distributions under the proposed PoR. This additional estimate is the result of the process of reconciling different claims received against the Group's books and to solve claims disputes, after such the Group 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 Group 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 \$11.6 million (2021: \$214.1 million and 2020: \$130.1 million), is recognized as a restructuring item within the operating results.

Other impairment charges

In addition, the Group recorded an impairment charge of \$700.2 million in the year ended December 31, 2020, related to different assets, which was partially reversed in the years 2021 and 2022 for \$50.7 million and \$1.2 million, respectively.

(33) 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 Group has the following significant contingencies and commitments:



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

Contingencies:

- a. There are labor lawsuits in process for approximately \$14.1 million. This amount represents the plaintiffs' expectation, without considering backdated salaries that might be accrued in the event that the court sentences do not favor the Group. The Group has reserved an amount of \$7.1 million, 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 Group has lawsuits and claims (filed by the Group and against it) arising during the normal course of its operations. The Group 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 Group 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 Group also has various service contracts with regards to maintenance service for its fleet.
- c. In view of the fact that the Group participates in the "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 trademark standards, access to frequent passenger rewards programs, etc;



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

- 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 Group 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 Group leading to withdrawal from the alliance would be subject to a conventional penalty payable by the Group 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 Group has entered into shared code and frequent flyer agreements with other airlines.



Grupo Aeroméxico, S. A. P. I. de C. V. and subsidiaries

Notes to the consolidated financial statements

(In thousands of US dollars)

e. Fleet renewal.

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

- (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 Group 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 Group 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.

(34) Subsequent events-

As of April 28, 2023, the 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 April 28, 2023, the price reached 2.86 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) On March 28, 2023, the change of the Company corporate structure to "*Sociedad Anónima Promotora de Inversión de Capital Variable*" (S.A.P.I. de C.V.) (formerly "*Sociedad Anónima de Capital Variable*" (S.A.B. de C.V.) was carried out.
- c) The Group has signed service agreements within the normal course of its operations.

