



AEROMEXICO REPORTS 4Q23 & FY23 RESULTS

Mexico City, Mexico, March 05, 2024 - Grupo Aeromexico S.A.P.I. de C.V. ("Aeromexico") today reported unaudited financial results for the fourth quarter (4Q23) and twelve months ended December 31, 2023.

The Company has used the US dollar as the presentation currency for these consolidated financial statements. The US dollar is also the Company's functional currency.

All figures are expressed in millions of US dollars unless otherwise indicated.

KEY FINANCIAL HIGHLIGHTS FOR THE FOURTH QUARTER 2023

- Aeromexico's capacity at the end of 4Q23, measured in available seat kilometers (ASKs), increased by 6.7% as compared to 4Q22.
- Aeromexico's 4Q23 total revenue reached \$1.4 billion, a 17.7% increase as compared to the same period of 2022. During the quarter, revenue per ASK (RASK) increased by 10.3% year over year.
- EBITDAR amounted to \$377.0 million with a 27.4% margin. In 4Q22 Aeromexico recognized a \$307.7 million gain as a result of the remeasurement to fair value of the Group interest in PLM. Excluding this effect, 4Q22 EBITDAR was \$266.5 million. Thus, on a comparable basis, this represents a \$110.5 million improvement as compared to 4Q22.
- Fourth quarter 2023 EBIT totaled \$204.0 million with a 14.8% margin. Excluding the PLM remeasurement effect, EBIT increased by \$91.1 million as compared to 4Q22.
- Cost per ASK (CASK) in dollars, excluding fuel, was 5.9¢. This is a 9.3% increase as compared to the same quarter of 2022, primarily driven by the Mexican peso appreciation against the US dollar and the impact of inflation.
- During the quarter, the Company amortized more than \$106.5 million of financial debt, including \$38.9 million of its senior secured notes due 2027 that were repurchased and cancelled.

KEY FINANCIAL HIGHLIGHTS FOR THE FULL YEAR 2023

- Aeromexico's capacity, measured in ASKs, increased by 11.0% year over year, primarily driven by the sequential recovery in domestic and international markets.
- Aeromexico generated a record full year revenue of \$4.9 billion, a 29.0% increase as compared to 2022. RASK increased by 16.2% year over year. This record-breaking RASK marks an extraordinary achievement for the company, showing its ability to continue growing capacity while strengthening unit revenues.
- EBITDAR amounted to \$1.3 billion with a 26.9% margin, both a record high for the Company. Excluding the benefit of the remeasurement of PLM fair value in 2022, EBITDAR in 2023 was \$523.8 million higher than in the previous year. The EBITDAR margin of 26.9% represented a 5.9 percentage point (p.p.) increase with respect to 2022.
- 2023 EBIT totaled \$715.8 million with a 14.6% margin, also the highest on record in Aeromexico's history. This represents a \$512.7 million increase when compared to the previous year, excluding the benefit of the accounting remeasurement from PLM.
- CASK in dollars, excluding fuel, was 5.4¢, a 10.1% increase as compared to 2022, primarily driven by the Mexican peso appreciation against the US dollar and the impact of inflation.
- During the year, the Company amortized more than \$340.1 million of financial debt, including the repurchase of \$100.0 million of its senior secured notes due 2027. As a result, the total adjusted net debt to EBITDAR ratio improved to 1.7x, as compared to 3.3x at the end of 2022. Aeromexico's cash position as of December 31, 2023, amounted to \$937.7 million.
- On December 13, 2023, the Shareholders of the Company approved to carry out a capital reimbursement, without canceling shares, equivalent to an amount of \$2.0 per share for a total distribution of \$272.8 million.

Financial Indicators

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	Three Months Ended December 31			Twelve Months Ended December 31		
	4Q23	4Q22	Var. %	2023	2022	Var. %
Total revenue	1,377	1,169	17.7	4,916	3,812	29.0
Adjusted EBITDAR* (Ex. PLM PPA)	377	266	41.5	1,323	799	65.6
Adjusted EBITDAR margin* (Ex. PLM PPA, % of Revenue)	27.4%	22.8%	4.6 p.p.	26.9%	21.0%	5.9 p.p.
Adjusted Operating Income (loss) (Ex. PLM PPA)	204	113	80.8	716	203	252.4
Adjusted Operating Margin (Ex. PLM PPA, % of Revenue)	14.8%	9.6%	5.2 p.p.	14.6%	5.3%	9.3 p.p.
Net Income (loss) (Ex. PLM PPA)	94	(137)	NA	273	(372)	NA
Net Income (loss) Margin (Ex. PLM PPA, % of Revenue)	6.8%	(11.7%)	18.5 p.p.	5.6%	(9.8%)	15.4 p.p.

Key Operating Indicators	4Q23	4Q22	Var. %	2023	2022	Var. %
Total ASKs (millions)	13,800	12,932	6.7	52,987	47,752	11.0
Total Itinerary RPKs (millions)	11,469	10,524	9.0	44,214	38,515	14.8
Load factor on scheduled flights (%)	84.0	82.2	1.8 p.p.	84.2	81.6	2.6 p.p.
Passengers ('000)	6,228	6,070	2.6	24,517	21,491	14.1
On-Time departure performance within 15 minutes (%)	82.8%	85.0%	(2.2) p.p.	81.6%	78.7%	2.9 p.p.
Total liters of fuel ('000)	424,721	397,067	7.0	1,641,892	1,479,457	11.0
Yield (USD cents)**	9.9	9.1	8.4	9.1	8.0	14.6
Total revenue / ASK (USD cents)	10.0	9.0	10.3	9.3	8.0	16.2
Passenger revenue / ASK (USD cents)	8.2	7.4	10.7	7.6	6.4	18.5
Total cost / ASK (USD cents)	8.4	8.2	2.1	7.8	7.8	0
Total cost excluding fuel / ASK (USD cents)	5.9	5.4	9.3	5.4	4.9	10.1

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. EBITDA is defined as profit or loss for the period before income tax expense (benefit), depreciation and amortization, net finance cost and impairment (reversal), and EBITDAR is defined as EBITDA before aircraft leasing expense, in light of the non-recurring nature of this item.

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

Market Conditions

- **Post pandemic recovery.** During the fourth quarter of 2023, Aeromexico's ASKs increased 6.7% with respect to the fourth quarter of 2022. For the full year, ASKs increased by 11.0% as compared to 2022. Aeromexico's corporate passengers for 2023 were 16.7% above pre-pandemic levels, while leisure passengers were above by 20.4%.
- **Exchange rate.** During the fourth quarter, the Mexican peso recorded a 10.8% appreciation year over year, from a \$19.73 pesos per dollar average exchange rate in 4Q22 to an average exchange rate of \$17.61 pesos per dollar in 4Q23. The quarter-end exchange rate was \$16.89 pesos per dollar as compared to \$19.36 pesos per dollar at the end of 4Q22, a 12.7% appreciation. Full year average exchange rate recorded an 11.7% appreciation, from 20.14 pesos per dollar in 2022 to 17.79 pesos per dollar in 2023.
- **Fuel price.** During 4Q23, fuel cost per liter in dollars decreased by 11.9%, from an average of 92¢ per liter during 4Q22 to an average of 81¢ per liter during 4Q23. For the full year, fuel cost per liter in dollars decreased by 16.6%, from an average of \$1.0 per liter in 2022 to 80¢ per liter in 2023.
- **Inflation.** Annual inflation as of December 2023 was 4.7%, a 3.2 pp decrease when compared to 2022 ¹.
- **Economic activity.** The Mexican economy continued to show signs of recovery during the second half of 2023. On a year over year basis, the Global Economic Activity Indicator grew 2.1% in December 2023, with respect to the same month of the previous year.

¹ Source: Banxico

4Q 2023 Revenue

Fourth quarter total revenue increased by 17.7% as compared to the same period of 2022, reaching \$1.4 billion. Total revenue per ASK (RASK) in dollars was 10.0¢. This is a 10.3% increase as compared to 4Q22.

In 4Q23, total passenger revenue reached \$1.3 billion; a 19.8% year over year increase. Aeromexico transported 6 million 228 thousand passengers during the quarter, a 2.6% increase as compared to 4Q22. Domestic passenger revenue was \$533.8 million and international passenger revenue amounted to \$725.1 million.

During 4Q23, the number of passengers on international routes increased by 8.1% with respect to 4Q22, while domestic passengers remained stable at 4.4 million.

Fourth quarter air cargo revenue totaled \$73.9 million, a 2.0% increase versus the same quarter of 2022.

Full Year 2023 Revenue

Revenue initiatives continued to deliver positive results. Total revenue increased by 29.0%, as compared to 2022, reaching a record full year amount of \$4.9 billion. Domestic revenue increased by 36.0% and international revenue increased by 30.0%, when compared to 2022. RASK in dollars was 9.3¢. This represents a double-digit growth (+16%) as compared to 2022. This record-breaking RASK marks an extraordinary achievement for the Company, showing its capability to continue growing capacity while strengthening unit revenues.

Total passenger revenue reached \$4.5 billion; a 32.4% year over year increase. Aeromexico transported 24 million 517 thousand passengers during the year, a 14.1% increase with respect to 2022. Domestic passenger revenue was \$1.9 billion and international passenger revenue amounted to \$2.6 billion.

Passenger Revenue (USD million)	Three Months Ended December 31			Twelve Months Ended December 31		
	4Q23	4Q22	Var. %	2023	2022	Var. %
Domestic	533.8	422.4	26.4	1,866.9	1,373.0	36.0
International	725.1	628.7	15.3	2,637.3	2,029.4	30.0
Total passenger revenue	1,258.9	1,051.1	19.8	4,504.2	3,402.4	32.4

Total ASKs for the full year 2023 increased by 11.0% as compared to 2022, with international ASKs increasing by 13.0% and domestic ASKs by 7.4%. The 3.9 million International ASK increase boosted capacity and represented 74.9% of total ASK growth during the year. International ASKs accounted for 64.1% of Aeromexico's total ASKs, a 1.1 pp increase when compared to 2022.

For the full year, passengers increased by 10.4% on international routes and 15.4% on domestic routes, respectively.

Air cargo revenue decreased by 7.3%, from \$291.3 million in 2022 to \$269.9 million in 2023, reflecting a softness in cargo fares as fuel prices decreased on global markets.

4Q 2023 Operating Expenses

During 4Q23, total operating expenses including aircraft leases, depreciation and amortization totaled \$1.2 billion. This represents a 9.1% increase as compared to the same period of 2022. This rise was mainly explained by volume increase, global inflationary pressures, and the foreign exchange rate appreciation of 10.8%. Peso denominated expenses, including wages and salaries, as well as airport and passenger services, translated into higher US dollar figures due to the strength of the Mexican Peso.

Fuel expenses amounted to \$342.6 million in 4Q23, a 5.8% decrease as compared to the same quarter of 2022. Fuel cost per liter decreased by 11.9% as compared to 4Q22. Average fuel price in 4Q23 was 81¢ per liter as compared to 92¢ per liter during 4Q22. Fuel consumption increased by 7.0% as compared to 4Q22 while fuel burn per ASK remained stable when compared to the same period of 2022, mainly due to a more efficient fleet mix.

Other operating costs, including selling and administrative expenses, increased by 15.3% as compared to 4Q22. This increase was mainly driven by higher passenger volume and higher passenger revenues, which generated higher sales commissions.

Aircraft rent, depreciation and amortization expenses totaled \$171.3 million in 4Q23, 11.5% higher than the fourth quarter of 2022, mainly due to (i) increased depreciation because of new aircraft being incorporated into the fleet, and (ii) increased amortization driven by increased maintenance performed in line with the maintenance plan.

Cost per ASK (CASK) in dollars, excluding fuel was 5.9¢. This is a 9.3% increase as compared to the same quarter of 2022, primarily driven by the Mexican peso appreciation against the US dollar and the impact of inflation.

Full Year 2023 Operating Expenses

During 2023, total operating expenses including aircraft leases, depreciation and amortization totaled \$4.2 billion. This represents an 11.1% increase as compared to the previous year. This was mainly explained by volume increase, global inflationary pressures, and foreign exchange rate movements. Peso denominated expenses, including wages, salaries, and benefits, among others, translated into higher US dollar figures due to the strength of the Mexican Peso.

Fuel expenses amounted to \$1.3 billion in 4Q23, a 7.4% decrease as compared to 2022. Average fuel price was 19.8% lower than the average price recorded in 2022. Average fuel price in 2023 was 80¢ per liter as compared to \$1.0 per liter during 2022. Fuel consumption increased by 11.0% year over year, while fuel burn per ASK remained stable as compared to 2022.

Other operating costs, including passenger services, selling and administrative expenses increased by 26.3% as compared to 2022. This increase was mainly driven by higher passenger volume, PLM consolidation in 2H23 as compared to equity method in 2H22, higher revenues that drove higher commissions, and the Mexican peso appreciation against the US dollar.

Aircraft rent, depreciation and amortization expenses totaled \$603.6 million in 2023, 1.1% higher than 2022. During 2023, we received five 737 MAX-9 aircraft, adding up to 51 total MAX aircraft in our 146 aircraft fleet.

CASK in dollars, excluding fuel was 5.4¢, a 10.1% increase as compared to 2022, primarily driven by the Mexican peso appreciation against the US dollar and the impact of inflation.

4Q 2023 & Full Year 2023 EBITDAR

Excluding the \$307.7 million gain recognized as a result of the remeasurement to fair value of the Company's interest in PLM during 2022, EBITDAR for the full year 2023 increased by \$523.8 million on a year over year basis, and the EBITDAR margin improved by 5.9 p.p.

EBITDAR in 4Q23 amounted to \$377.0 million, with a 27.4% margin. For the full year, EBITDAR was \$1.3 billion, with a 26.9% margin.

4Q 2023 & Full Year 2023 Operating Income

Fourth quarter 2023 operating income totaled \$204.0 million, with a 14.8% margin. For the full year, operating income was \$715.8 million, with a 14.6% margin. Without the effect of PLM in 2022, full year operating income for 2023 increased by \$512.7 million, and the operating margin improved by 9.3 p.p.

4Q 2023 & Full Year 2023 Net Financing Cost

During 4Q23, net financing cost remained stable at \$104.8 million as compared to the same period of 2022. For the full year, net financing cost decreased by 5.0%, mainly driven by increased cash levels and related interest income, and lower interest expense due to debt repayments over the year.

4Q 2023 & Full Year 2023 Net Income (loss)

Net income in 4Q23 totaled \$94.2 million compared to a \$137.3 million net loss in 4Q22, excluding the effect of PLM. Net income for the full year was \$273.4 million, compared to a \$372.0 million net loss in 2022, excluding PLM's effect. This is a \$645.3 million year over year improvement.

Comments to the Consolidated Statements of Financial Position and Cash Flow

Aeromexico's cash, cash equivalents and financial assets as of December 31, 2023, amounted to \$937.7 million, equivalent to 19.1% of last twelve-month revenues. During 2023, the Company generated \$1.3 billion in net cash from operating activities, which allowed the Company to continue with its investment and deleveraging programs.

Strong cash flow generation has enabled the Company to reduce leverage, reinvest in product improvements and strengthen its financial position. During the fourth quarter, the Company amortized more than \$106.5 million of financial debt, including \$38.9 million of its senior secured notes due 2027 that were repurchased and cancelled, taking advantage of the strategic opportunity given the favorable market conditions. Over the full year, Aeromexico amortized more than \$340.1 million of financial debt, including the repurchase and cancelation of \$100.0 million of the 2027 notes.

On December 13, 2023, the Shareholders of the Company approved to carry out a capital reimbursement, without canceling shares, equivalent to an amount of \$2.0 per share for a total distribution of \$272.8 million.

At the end of 2023, the Company's leverage, measured as adjusted net debt to EBITDAR stood at 1.7x, compared to 3.3x at year-end 2022, both figures include loans, borrowings and leases. Amortization of financial debt since emergence from Chapter 11 in March, 2022, totaled \$585.6 million as of December 31, 2023.

Fleet

Grupo Aeromexico's operating fleet was comprised of 146 aircraft as of December 31, 2023, with an average age of 8.4 years.

Operating Fleet

Fleet	4Q20	4Q21	4Q22	4Q23
B-787	19	18	19	20
B-737-700	5	5	1	0
B-737-800	30	36	36	35
B-737 MAX 8	6	21	33	33
B-737 MAX 9	-	6	13	18
Aeromexico	60	86	102	106
E-190	47	47	42	40
Aeromexico Connect	47	47	42	40
Grupo Aeromexico	107	133	144	146

Grupo Aeroméxico S.A.B. de C.V. and Subsidiaries						
Consolidated Statements of Profit or Loss and other Comprehensive Income (Unaudited)						
	Three months ended December 31			Twelve months ended December 31		
	(USD Millions)			(USD Millions)		
	2023	2022	Var %	2023	2022	Var %
Revenues:						
Passenger	1,259	1,051	19.8%	4,504	3,402	32.4%
Air cargo	74	73	2.0%	270	291	-7.3%
Other	44	46	-4.1%	142	118	20.1%
Total revenue	1,377	1,169	17.7%	4,916	3,812	29.0%
Operating expenses:						
Jet-fuel	343	364	-5.8%	1,310	1,415	-7.4%
Wages, salaries and benefits	250	202	24.0%	896	638	40.4%
Maintenance	85	85	-0.2%	232	203	14.6%
Aircraft, communication and traffic services	142	121	17.4%	532	446	19.3%
Passenger services	31	23	34.6%	114	86	32.6%
Travel agent commissions	33	21	54.7%	112	73	53.2%
Selling and administrative	100	91	10.4%	358	287	24.4%
Aircraft leasing	5	26	-80%	24	143	-83.4%
Depreciation and amortization	166	127	30.4%	580	454	27.8%
Impairment (reversal)	2	0	NA	3	(1)	NA
Restructuring income, net	-	-	-	-	(114)	NA
Other (income) loss, net	17	8	104.2%	36	1	2538.7%
Share of gain on equity accounted investees, net of tax	(1)	(320)	NA	3	(330)	NA
Total operating expenses	1,173	749	56.6%	4,200	3,301	27.2%
Total operating income (loss)	204	421	-51.5%	716	511	40.1%
Finance income (cost):						
Net finance Cost	(105)	(105)	0.0%	(428)	(451)	-5.0%
Income (loss) before income tax	99	316	-68.6%			NA
Income tax	5	145	-96.6%	14	124	NA
Net Income (loss) for the year	94	170	NA	273	(64)	NA

The Company has used the US dollar as the presentation currency for these consolidated financial statements, which is also its functional currency.

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

	(USD Millions)	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	938	842
Financial assets	-	-
Derivative financial instruments	0	2
Trade and other receivables	618	391
Due from related parties	1	1
Prepayments and deposits	49	45
Inventories	108	97
Total current assets	1,715	1,377
Non-current assets:		
Property and equipment, including right-of-use	2,788	2,643
Other non-current assets	1,590	1,525
Total non-current assets	4,377	4,169
Total assets	6,092	5,546
Liabilities		
Current liabilities:		
Loans and borrowings, including leases	499	514
Others	2,746	2,089
Total current liabilities	3,245	2,603
Non-current liabilities:		
Loans and borrowings, including leases	2,736	2,937
Others	844	737
Total non-current liabilities	3,580	3,674
Total liabilities	6,825	6,277
Total equity (deficit)	(733)	(731)
Total equity and liabilities	6,092	5,546

The Company has used the US dollar as the presentation currency for these consolidated financial statements, which is also its functional currency.

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

Twelve months ended December 31

(USD Millions)

	<u>2023</u>	<u>2022</u>	<u>Var \$</u>
Operating cash	1,248	529	719
Working capital	389	-440	830
Cash generated from (required by) operating activities	1,638	89	1,549
Employees' statutory profit sharing and income tax paid	-16	-33	17
Interest paid	-276	-266	(10)
Net cash from (used in) operating activities	1,345	-211	1,556
Net cash used in investing activities	-406	-522	115
Net cash from (used in) financing activities	-910	596	(1,506)
Net increase (decrease) in cash and cash equivalents	29	-137	166
Effect of exchange rate fluctuations on cash held	66	0	66
Cash and cash equivalents:			
At beginning of the period	842	979	(137)
At end of the period	938	842	96

The Company has used the US dollar as the presentation currency for these consolidated financial statements, which is also its functional currency.

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

Consolidated financial statements

December 31, 2023, 2022 and 2021

Consolidated statements of financial position

As of December 31, 2023, 2022 and 2021

(In thousands of US dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets				
Current assets:				
Cash and cash equivalents	10	\$ 937,698	842,182	979,078
Derivative financial instruments	11	334	1,893	1,045
Trade and other receivables	14	618,212	391,272	196,229
Due from related parties	7	1,146	540	494
Prepayments and deposits	12	48,721	44,568	34,191
Inventories	13	108,458	96,967	77,648
Total current assets		<u>1,714,569</u>	<u>1,377,422</u>	<u>1,288,685</u>
Non-current assets:				
Property and equipment, including right-of-use	15	2,787,595	2,643,406	2,426,579
Intangible assets and goodwill	17	1,071,824	1,063,812	69,480
Prepayments and deposits	12	148,929	138,009	158,510
Investments in equity accounted investees	18	27,120	30,181	10,773
Other non-current assets		6,705	2,272	8,578
Deferred tax assets	20	335,020	291,064	301,609
Total non-current assets		<u>4,377,193</u>	<u>4,168,744</u>	<u>2,975,529</u>
Total assets		\$ <u><u>6,091,762</u></u>	<u><u>5,546,166</u></u>	<u><u>4,264,214</u></u>

The notes on pages 12 to 110 are an integral part of the consolidated financial statements.

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

Consolidated statements of financial position (continued)

As of December 31, 2023, 2022 and 2021

(In thousands of US dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Liabilities				
Current liabilities:				
Loans and borrowings, including leases	21	\$ 498,659	513,976	1,907,163
Trade and other payables	25	1,533,586	1,032,236	822,403
Due to related parties	7	14,420	445	28,337
Provisions	24	85,850	32,281	190,767
Air traffic liability	8	836,433	784,248	681,542
Frequent flyer program	8	247,226	234,568	-
General unsecured claims liability	24	-	-	1,228,377
Income taxes payable and employee's statutory profit sharing		28,751	5,224	4,092
Total current liabilities		3,244,925	2,602,978	4,862,681
Non-current liabilities:				
Loans and borrowings, including leases	21	2,735,647	2,936,961	1,805,238
Due to related parties	7	-	-	54,914
Frequent flyer program	8	268,247	211,443	-
Provisions	24	218,890	234,522	-
Employee benefits	22	235,841	185,400	186,510
Deferred tax liabilities	20	121,137	105,694	205
Total non-current liabilities		3,579,762	3,674,020	2,046,867
Total liabilities		6,824,687	6,276,998	6,909,548
Equity (deficit)				
Capital stock	26	4,326,906	4,598,016	373,578
Share premium		(2,182,889)	(2,182,889)	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)	(6,577)	(6,962)
Remeasurement of defined benefit liability		13,100	16,351	1,719
Accumulated deficit		(2,939,921)	(3,212,155)	(3,147,608)
Total equity (deficit) attributable to equity holders of the Company		(734,928)	(732,801)	(2,647,280)
Non-controlling interest		2,003	1,969	1,946
Total equity (deficit)		(732,925)	(730,832)	(2,645,334)
Total equity (deficit) and liabilities	\$	6,091,762	5,546,166	4,264,214

The notes on pages 12 to 110 are an integral part of the consolidated financial statements.

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

Consolidated statements of profit or loss and other comprehensive income

For the years ended December 31, 2023, 2022 and 2021

(In thousands of US dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:				
Passenger	8	\$ 4,504,157	3,402,409	1,960,599
Air cargo		269,948	291,340	242,947
Other		<u>141,992</u>	<u>118,250</u>	<u>34,187</u>
Total revenue	9	<u>4,916,097</u>	<u>3,811,999</u>	<u>2,237,733</u>
Operating expenses:				
Jet-fuel		1,310,242	1,414,763	634,475
Wages, salaries and benefits	30	896,128	638,313	496,605
Maintenance		232,246	202,688	163,311
Aircraft, communication and traffic services		532,068	445,819	308,561
Passenger services		113,576	85,645	49,091
Travel agent commissions		111,954	73,086	44,718
Selling and administrative		357,551	287,365	199,629
Aircraft leasing	16	23,779	143,482	170,046
Depreciation and amortization		579,780	453,543	469,899
Impairment (reversal)		3,427	(1,180)	(50,658)
Restructuring (income) expenses, net	32	-	(114,088)	419,192
Other loss (income), net	29	36,467	1,382	(14,229)
Share of loss (gain) on equity accounted investees, net of tax	18	<u>3,061</u>	<u>(329,648)</u>	<u>(17,901)</u>
Total operating expenses		<u>4,200,279</u>	<u>3,301,170</u>	<u>2,872,739</u>
Total operating income (loss)		<u>715,818</u>	<u>510,829</u>	<u>(635,006)</u>
Finance income (cost)				
Finance income	31	70,833	15,334	21,478
Finance cost	31	<u>(498,972)</u>	<u>(465,911)</u>	<u>(519,244)</u>
Net finance cost		<u>(428,139)</u>	<u>(450,577)</u>	<u>(497,766)</u>
Income (loss) before income tax		287,679	60,252	(1,132,772)
Income tax expense (benefit)	19	<u>14,311</u>	<u>124,477</u>	<u>(113,349)</u>
Income (loss) for the year		<u>\$ 273,368</u>	<u>(64,225)</u>	<u>(1,019,423)</u>

The notes on pages 12 to 110 are an integral part of the consolidated financial statements.

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

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

For the years ended December 31, 2023, 2022 and 2021

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

	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Income (loss) for the year		\$ <u>273,368</u>	<u>(64,225)</u>	<u>(1,019,423)</u>
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	(4,858)	20,885	27,541
Income taxes		1,607	(6,253)	(8,234)
Items that are or may be reclassified to profit or loss				
Equity accounted investees share of OCI	18	-	385	(766)
Employee benefits remeasurement due to personnel transfers		<u>(1,100)</u>	<u>(299)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income taxes		<u>(4,351)</u>	<u>14,718</u>	<u>18,541</u>
Total comprehensive income (loss) for the year		\$ <u>269,017</u>	<u>(49,507)</u>	<u>(1,000,882)</u>
Income (loss) attributable to:				
Owners of the Company		\$ 273,334	(64,248)	(1,019,446)
Non-controlling interest		<u>34</u>	<u>23</u>	<u>23</u>
Income (loss) for the year		\$ <u>273,368</u>	<u>(64,225)</u>	<u>(1,019,423)</u>
Total comprehensive income (loss) attributable to:				
Owners of the Company		\$ 268,983	(49,530)	(1,000,905)
Non-controlling interest		<u>34</u>	<u>23</u>	<u>23</u>
Total comprehensive income (loss) for the year		\$ <u>269,017</u>	<u>(49,507)</u>	<u>(1,000,882)</u>
Income (loss) per share from continuing operations				
Basic and diluted income (loss) per share (US dollars)	27	\$ <u>2.00</u>	<u>(0.47)</u>	<u>(7.47)</u>

The notes on pages 12 to 110 are an integral part of the consolidated financial statements.

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

Consolidated statements of changes in equity

For the years ended December 31, 2023, 2022 and 2021

(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	Accumulated deficit	Total	Non-controlling interest	Total equity (deficit)
Balance as of January 1, 2023	\$ 4,598,016	(2,182,889)	24,750	29,703	(6,577)	16,351	(3,212,155)	(732,801)	1,969	(730,832)
Capital stock increase (Note 26(a))	4,057	-	-	-	-	-	-	4,057	-	4,057
Capital stock decrease (Note 26(a))	(275,167)	-	-	-	-	-	-	(275,167)	-	(275,167)
Total comprehensive income for the year:										
Income for the year	-	-	-	-	-	-	273,334	273,334	34	273,368
Other comprehensive loss	-	-	-	-	-	(3,251)	(1,100)	(4,351)	-	(4,351)
Balance as of December 31, 2023	\$ <u>4,326,906</u>	<u>(2,182,889)</u>	<u>24,750</u>	<u>29,703</u>	<u>(6,577)</u>	<u>13,100</u>	<u>(2,939,921)</u>	<u>(734,928)</u>	<u>2,003</u>	<u>(732,925)</u>

The notes on pages 12 to 110 are an integral part of the consolidated financial statements.

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

Consolidated statements of changes in equity (continued)

For the years ended December 31, 2023, 2022 and 2021

(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>Accumulated deficit</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity (deficit)</u>
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 - Cash (Note 2(b))	720,000	-	-	-	-	-	-	720,000	-	720,000
DIP Financing commitment premium conversion to capital stock (Note 2(b))	744,393	(72,917)	-	-	-	-	-	671,476	-	671,476
Equity commitment premium (Note 2(b))	108,000	(108,000)	-	-	-	-	-	-	-	-
General unsecured claims conversion to capital stock (Note 2(b))	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 110 are an integral part of the consolidated financial statements.

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

Consolidated statements of changes in equity (continued)

For the years ended December 31, 2023, 2022 and 2021

(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	Accumulated deficit	Total	Non-controlling interest	Total equity (deficit)
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 110 are an integral part of the consolidated financial statements.

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

Consolidated statements of cash flows

For the years ended December 31, 2023, 2022 and 2021

(In thousands of US dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities				
Income (loss) before income tax		\$ 287,679	60,252	(1,132,772)
Adjustments for:				
Depreciation and amortization	15 and 17	579,780	453,543	469,899
Impairment (reversal)		3,427	(1,180)	(50,658)
Lease liability reversal		-	(11,567)	(214,058)
Share of loss (gain) on equity accounted investees, net of tax		3,061	(329,648)	(17,901)
Loss (gain) on sale property and equipment		5,067	(5,140)	(32,620)
Other restructuring expenses provisions, net		-	(102,521)	633,250
Provisions, net		127,888	140,276	60,728
Derivative financial loss (gain)		1,758	790	(15,315)
Employee benefits		17,167	8,307	3,762
Inventory adjustments to net realizable value		18	204	116
Allowance for doubtful accounts		4,180	4,162	4,046
Interest expense, net		214,379	269,852	304,489
Unrealized exchange (loss) gain		(12,528)	22,595	110,903
Employees' statutory profit sharing		<u>16,425</u>	<u>(200)</u>	<u>(200)</u>
		1,248,301	509,556	124,071
Trade and other receivables		(106,394)	(167,363)	(16,493)
Due from related parties		(933)	(46)	(70)
Inventories		(9,931)	(19,520)	(9,472)
Prepayments and deposits		2,147	32,788	(15,467)
Trade and other payables		312,968	38,376	(87,224)
Due to related parties		302	(3,142)	(30,873)
General unsecured claims liability		-	(464,004)	-
Air traffic liability		57,636	102,683	249,523
Frequent flyer program		69,464	24,592	-
Interest received		<u>64,180</u>	<u>(1,000)</u>	<u>(1,000)</u>
Cash generated from operating activities		1,637,740	69,254	218,041
Employees' statutory profit sharing and income tax paid		(16,281)	(33,197)	(5,288)
Interest paid	21	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>
Net cash from (used in) operating activities		<u>1,345,117</u>	<u>(230,308)</u>	<u>47,149</u>
Cash flows from investing activities				
Acquisition of properties and equipment (including major maintenance)	15	(333,208)	(199,867)	(123,625)
Proceeds from sale of properties and equipment	15	159	3,133	52,386
Dividends from equity accounted investees	18	-	2,455	21,890
Investment in equity accounted investees, net		-	-	(619)
Acquisition of subsidiaries net of cash received	6	-	(262,949)	-
Due to related parties		14,000	-	-
Intangible assets additions	17	(33,237)	(13,700)	(4,461)
Proceeds received due to settlement of derivative financial instruments		-	-	1,889
Prepayments and deposits for maintenance and acquisition of properties and equipment	12	<u>(53,921)</u>	<u>(50,726)</u>	<u>(70,015)</u>
Net cash used in investing activities		<u>(406,207)</u>	<u>(521,654)</u>	<u>(122,555)</u>
Cash flows from financing activities				
Proceeds from capital stock issuance	2(b) and 26(a)	4,057	720,000	-
Cash paid for capital stock	26 (a)	(275,167)	(42,405)	-
Proceeds from loans		-	762,500	687,175
Repayments of loans	21	(335,865)	(731,725)	(3,664)
Payments of lease liabilities	21	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Net cash (used in) from financing activities		<u>(909,834)</u>	<u>595,670</u>	<u>645,757</u>
Increase (decrease) in cash and cash equivalents		29,076	(156,292)	570,351
Effect of exchange rate fluctuations on cash held		<u>66,440</u>	<u>19,396</u>	<u>(3,217)</u>
Net increase (decrease) in cash and cash equivalents		95,516	(136,896)	567,134
Cash and cash equivalents:				
At beginning of year		<u>842,182</u>	<u>979,078</u>	<u>411,944</u>
At end of year		<u>\$ 937,698</u>	<u>842,182</u>	<u>979,078</u>

The notes on pages 12 to 110 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, 2023, 2022 and 2021

(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, 2023, 2022 and 2021, 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-

(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”).

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-

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. (together referred as “Debtors”), voluntary Chapter 11 proceedings (“Chapter 11”) before the United States of America Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) to implement a financial restructuring, while continuing to serve customers.

The 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 faced unprecedented challenges due to significant declines in demand for air transportation globally because of the deep effects of the COVID-19 pandemic observed in 2020.

Fleet adjustments -

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 Aeromexico’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”.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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.

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 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 number 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 Air Lines, Inc. ("Delta"). 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 ⁽³⁾	<u>2,694,450</u>	<u>(2,079,512)</u>
Total capital stock increase in 2022	\$ 4,266,843 =====	(2,260,429) =====

(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.

(3) Corresponds to the equity conversion of different unsecured claims liability settlement.

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).

(c) Basis of measurement-

These consolidated financial statements are presented in US Dollar (“\$”, “dollar” or “US”), which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless 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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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

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

Note 3(i) - impairment

Note 3(l) – revenue recognition: determination if the revenues coming from the services rendered by the 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

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

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(e) Scope of consolidation

The consolidated financial statements include Grupo Aeroméxico, S. A. P. I. 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, 2023, there were no changes in the number of entities included in the consolidated financial statements (see Note 6), 26 entities in total at the beginning and year-end.

(3) Material 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.

In addition, the Group adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted in certain instances the accounting policy information disclosed in this same Note 3 (see Note 4 B. for further information).

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 in 2022.

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, 2023 comprise interests, in one joint venture (AM DL MRO JV, S. A. P. I. de C. V. or "MRO").

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.

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 in 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 on the Mexican Stock Exchange, for the overall authorized program amounts of Ps.7,000 million, through different series with an original maturity of 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. During 2023, 2022 and 2021 the Group had no DFI on JF54.

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. 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.

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.

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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.

Hedges directly affected by interest rate benchmark reform-

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 also 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;
- the chosen approach 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. The Group adopted the Secured Overnight Financing Rate (“SOFR”) since June 2023 to update its actual finance obligations referred to a USD variable rate due to the benchmark reform.

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 shares recognized as equity are 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 presented within share premium. As of December 31, 2023, 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% to 8%	7-15
Rotable spare parts and accessories	5% to 10%	-
Constructions	10%	-
Ground equipment	10% to 16%	-
Transportation equipment	10% to 25%	-
Furniture	10%	-
Machinery and equipment	10% to 33%	-
Computer equipment	25%	-
Major maintenance	8% to 57%	-

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.

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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-

Partners’ contracts and customer relationships are considered long-lived assets, some of them with finite lived and others indefinite lived.

Finite lived intangible assets (such as “Aeroméxico Rewards” member base and certain “Partner Contracts”) are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, typically 10 years. The average remaining amortization period of individually significant partners’ contracts is 3.5 years. Aeroméxico Rewards member base’s useful life is based on the historical rotation of members and certain Partner Contracts are based on contractual terms.

Indefinite lived intangible assets (such as certain Partners Contracts 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.

Based on the Group’s analysis of the provisions of IAS 38 *Intangible Assets* on the determination of the useful life of an intangible asset with a defined or indefinite life, the Group’s Management has determined that for certain Partners’ Contracts with certain cobranded cards, other airlines and other commercial partners, the useful life is indefinite considering that the risk of non-renewal of these commercial agreements is low, derived from the lack of cost of renewal, automatic renewal conditions, the years of permanence that they have maintained as strategic partners and the economic and commercial benefits that have been obtained from these commercial relationships. These assets were recognized in July 2022 as part of the PLM Premier, S. A. P. I. de C. V. (“PLM”) acquisition (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)

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.

v. 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 deposits made to the lessors of flight equipment and airport groups; and in accordance with their expiration dates are disclosed as current or non-current assets.

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 of advertising, IT software licenses 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”)

ECL 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, 2023 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 represent 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 an 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 are 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 “Aeroméxico Rewards”, 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.

Commissions on ticket sales are expensed when the related revenues are recognized within the travel agent commissions expense line. The amount of travel agent commissions through indirect distribution channels for the year ended December 31, 2023, were \$56,932 (2022: \$44,025 and 2021: \$23,040).

ii. *Cargo revenue-*

Cargo revenue is recognized when the service is rendered.

iii. *Other revenues-*

Other revenues include mainly revenue from training, charter services, “Aeroméxico Rewards” 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 “Aeroméxico Rewards Points” (formerly named “Club Premier Points”)-*

Aeroméxico Rewards frequent flyer program allows passengers to accumulate Aeroméxico Rewards Points or “AR 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 AR Points earned by the Aeroméxico Rewards 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 AR 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 AR 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.

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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 and the limits established in the applicable legislation 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.

(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.

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 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 material accounting policies and new standards and interpretations not yet adopted-

Changes in material accounting policies-

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12) from January 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities 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, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the ‘integrally linked’ approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as of January 1, 2022 as a result of the change.

B. Material Accounting Policy Information

The Group also adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 “*Material Accounting Policies*” (2022 and 2021: “*Significant Accounting Policies*”) in certain instances in line with the amendments.

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, 2023, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after January 1, 2024.

B. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after January 1, 2024.

As of the date of issuance of these consolidated financial statements, the Group does not participate in this type of supply chain financing arrangements for which the new disclosures will apply.

C. Other standards

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

- *Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Lack of Exchangeability* (Amendments to IAS 21)

(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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(a) Property-

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

(b) Derivative securities-

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

(c) Non-derivative financial liabilities-

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

(d) Debt securities-

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

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

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(6) Group entities-

Significant subsidiaries-

The significant consolidated subsidiaries as of December 31, 2023, 2022 and 2021 are shown as follows:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership interest %</u>		
			<u>2023</u>	<u>2022</u>	<u>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>2023</u>	<u>2022</u>	<u>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 charitable 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	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>2023</u>	<u>2022</u>	<u>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 in 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	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

(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 operates the frequent flyer program named "Aeroméxico Rewards", that allows frequent passengers to accumulate Aeroméxico Rewards Points or "AR Points" that entitle them to a choice of various awards. In addition, AR Points are sold by PLM to commercial partners to use in promotional activity. The fair value attributed to all the AR Points earned by the members, is accounted for by PLM as a liability and recognized as revenue on redemption of the AR 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 determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group concluded that the acquired set is a business.

Taking control of PLM enables the Group to convert PLM's coalition program to a modern frequent flyer program with a higher engagement of its members. The acquisition promotes an increased activity of the "Aeroméxico Rewards" program members.

Since the date of acquisition, PLM contributed net 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 estimated 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 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 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, the <i>Relief from Royalty</i> ("RfR") methodology commonly used to estimate the fair value of this type of intangible assets was used. 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 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.

C. Goodwill-

Goodwill arising from the acquisition has been recognized as 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, a revenue approach was used 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, and 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, including board members and principal executives (chief officers, vice presidents and senior directors) 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>2023</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$	17,573	13,504	9,648
Variable compensation		8,258	38,535	671
Share-based payments		<u>16,742</u>	<u>-</u>	<u>-</u>
	\$	42,573	52,039	10,319
		=====	=====	=====

Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2023, 2022 and 2021, are disclosed below:

i. Operations

		<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Income:</u>				
Tickets reward (2)	\$	-	29,193	45,389
Leases (4)		75	-	-
Administrative services (2)		12	50	100
Marketing, net (2)		-	455	889
Interline (4)		2,472	-	-
Premier lounges (2) and (4)		1,292	1,170	889
Other services (1), (2), (3), (4) and (5)		<u>13</u>	<u>1,974</u>	<u>788</u>
	\$	3,864	32,842	48,055
		=====	=====	=====

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

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u><i>Expenses:</i></u>			
Purchase of Aeroméxico			
Rewards Points and Sky			
Miles (2) and (4)	\$ 6,686	32,464	51,245
Fuel (4)	84,204	84,854	19,009
Interline (4)	-	39,353	30,278
Ramp services, net (4)	32,143	26,959	10,778
Maintenance (3) and (4) (a)	1,345	717	2
Frequent passenger redemption			
costs (2)	-	771	867
Personnel services (4)	381	382	373
Freight handling (2) and (4)	1,353	1,296	903
Interest expenses, net (1) and			
(2)	22	1,636	3,573
Other services (1)	<u>174</u>	<u>-</u>	<u>177</u>
	\$ 126,308	188,432	117,205
	=====	=====	=====

(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 Air Lines, Inc. (“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 \$294, \$21,123 and \$24,390 in 2023, 2022 and 2021, respectively.

ii. Outstanding balance

Balances due from and due to related parties as of December 31, 2023, 2022 and 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>2023</u>	<u>2022</u>	<u>2021</u>
<u>Due from:</u>			
MRO	\$ -	434	470
Loyalty Servicios Profesionales			
Mundiales, S. A. de C. V.	-	-	24
Delta	<u>1,146</u>	<u>106</u>	<u>-</u>
	\$ 1,146	540	494
	=====	===	=====
 <u>Due to:</u>			
PLM (1)	\$ -	-	21,270
MRO (2)	13,695	-	-
Aeromexpress	714	436	7,037
Delta	-	-	21
AM BD	<u>11</u>	<u>9</u>	<u>9</u>
Total current	14,420	445	28,337
PLM – non-current (1)	<u>-</u>	<u>-</u>	<u>54,914</u>
	\$ 14,420	445	83,251
	=====	===	=====

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, certain transactions stipulated an annual interest rate of 6% with maturity in 2023.
- (2) Within this balance one transaction stipulates an annual interest of 5.82%.

(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 with 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 "Aeroméxico Rewards".

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

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Passengers	\$ 4,042,806	3,073,462	1,827,313
Ancillaries	<u>461,351</u>	<u>328,947</u>	<u>133,286</u>
	\$ 4,504,157	3,402,409	1,960,599
	=====	=====	=====

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, 2023, 2022 and 2021, the Group recognized \$256,167, \$147,765, and \$55,936, respectively of passenger revenue for tickets that were included in the air traffic liability balance at the beginning of those periods. The balance of the air traffic liability in general is expected to be recognized in the next twelve months, but due to the COVID-19 pandemic, the Group modified its ticket utilization policy, so the usual terms for a flight to be completed without breakage was extended in the year 2021.

iii. Frequent flyer program-

Aeroméxico Rewards frequent flyer program allows passengers to accumulate AR 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 AR Points earned by the Aeroméxico Rewards 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 AR 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 AR 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.

Since the date of acquisition of PLM on July 15, 2022, the subsidiary contributed revenue of \$106,365 (including \$19,701 of breakage) to the Group's results for the period ended December 31, 2022.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(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).

Geographical revenue segment information is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Domestic	\$ 2,036,773	1,529,434	1,023,230
International	<u>2,879,324</u>	<u>2,282,565</u>	<u>1,214,503</u>
	\$ 4,916,097	3,811,999	2,237,733
	=====	=====	=====

Substantially all assets are located in Mexico.

(10) Cash and cash equivalents-

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Bank balances	\$ 557,228	538,780	940,635
Call deposits	355,642	216,385	6,268
Restricted cash	<u>24,828</u>	<u>87,017</u>	<u>32,175</u>
Cash and cash equivalents	\$ 937,698	842,182	979,078
	=====	=====	=====

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, 2023, 2022 and 2021, the Group has restricted cash amounting to \$24,828, \$87,017 and \$32,175, 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>2023</u>	<u>2022</u>	<u>2021</u>
Current derivatives (assets)	\$ 334	1,893	1,045
	====	=====	=====

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, 2023, 2022 and 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 manages risk generated by the volatility of cash flows due to floating interest rate, including those associated with 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, IT software licenses and fuel prepayments.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Advances for fleet renewal, including engines and interiors' standardization (1)	\$ 9,108	7,448	59,562
Deposits:			
For the lease of aircraft and engines	40,229	35,525	40,694
With airport groups	43,073	30,819	25,175
Maintenance deposits	32,416	29,564	7,073
Other	<u>24,103</u>	<u>34,653</u>	<u>27,115</u>
	148,929	138,009	159,619
Impairment (2)	<u>-</u>	<u>-</u>	<u>(1,109)</u>
	\$ <u>148,929</u>	<u>138,009</u>	<u>158,510</u>
	=====	=====	=====

- (1) Until December 31, 2021 the Group entered into agreements to continue the renewal of the fleet; for such purposes, it made a number of advance payments to the manufacturer, which were applied in accordance with the incorporation of the new aircraft to the fleet.
- (2) 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 \$53,921 for 2023, \$50,726 for 2022 and \$70,015 for 2021.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(13) Inventories-

Inventories as of December 31, 2023, 2022 and 2021, are comprised as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Spare parts and accessories (1)	\$ 109,964	98,878	82,335
Miscellaneous supplies	<u>12,039</u>	<u>11,634</u>	<u>8,858</u>
	122,003	110,512	91,193
Impairment	<u>(13,545)</u>	<u>(13,545)</u>	<u>(13,545)</u>
	\$ 108,458	96,967	77,648
	=====	=====	=====

In 2023, inventories of \$47,070 (2022: \$39,104 and 2021: \$29,485) were recognized as an expense during the year which was included in different operating expenses lines.

The inventories are presented to net realizable value. Total write downs in 2023, 2022 and 2021 were of \$6,498, \$7,094 and \$8,067, respectively.

(1) During 2023, 2022 and 2021 these inventories were guaranteeing a fuel supply contract used in Mexico.

(14) Trade and other receivables, net-

Trade and other receivables as of December 31, 2023, 2022 and 2021, consists of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Airlines and travel agencies	\$ 7,272	9,825	10,017
Credit cards and customers (1)	271,005	167,538	113,026
Recoverable taxes	333,032	212,603	70,289
Other	<u>14,871</u>	<u>10,388</u>	<u>11,995</u>
	626,180	400,354	205,327
Less allowance for doubtful accounts	<u>(7,968)</u>	<u>(9,082)</u>	<u>(9,098)</u>
Net trade and other receivables	\$ 618,212	391,272	196,229
	=====	=====	=====

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).

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, 2023, 2022 and 2021 comprise the following:

	Right-of-use (1)		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	
	Flight equipment under finance leases	Flight and other equipment under leases															
Cost or deemed cost																	
Balance as of January 1, 2023	\$	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
Additions (2)		-	409,887	278,152	-	18,283	18,859	1,040	6,377	2,627	-	729	692	2,638	3,813	-	743,097
Disposals (3)		-	(4,680)	(6,660)	-	(6,575)	-	(400)	(24,811)	-	-	(68)	(83)	(13)	-	-	(32,169)
Balance as of December 31, 2023	\$	560,717	2,526,618	735,114	187,204	101,382	71,903	46,785	68,658	24,668	22,404	17,393	10,648	32,781	13,190	13,269	4,432,734
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	-	980	-	9	859	340	3,950	-	1,078,833
Disposals (3)		-	(857,461)	(111,898)	(3,500)	(5,026)	(2,978)	(30,925)	(5,737)	(14,994)	(365)	(1,974)	(1,068)	(3,410)	-	-	(1,039,336)
PLM acquisition effect (see Note 6)		-	-	-	-	-	-	-	-	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	122	477	-	4,554	182	1,164	-	-	1,349,284
Disposals (3)		(1,101,074)	(710,785)	(203,815)	(36,441)	(5,327)	-	(3,095)	(4,159)	(379)	-	(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
Depreciation																	
Balance as of January 1, 2023	\$	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
Depreciation for the year		19,523	353,623	154,216	5,527	4,607	6,066	2,383	6,764	1,131	515	1,106	746	1,775	-	-	557,982
Disposals (3)		-	(4,680)	(6,660)	-	(1,625)	-	(400)	(23,573)	362	-	-	(71)	(13)	-	-	-
Balance as of December 31, 2023	\$	196,173	717,761	380,940	97,568	46,406	37,149	38,491	49,339	20,435	13,571	10,826	8,238	28,242	-	-	1,645,139
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	-	-	440,415
Disposals (3)		-	(449,082)	(102,005)	(3,500)	(1,632)	-	(30,723)	(5,765)	(15,228)	-	(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	-	-	463,049
Disposals (3)		(269,474)	(348,681)	(196,843)	(1,277)	(1,896)	-	(2,883)	(4,159)	(346)	-	(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
Carrying amounts																	
As of December 31, 2023	\$	364,544	1,808,857	354,174	89,636	54,976	34,754	8,294	19,319	4,233	8,833	6,567	2,410	4,539	13,190	13,269	2,787,595
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

(1) Total right-of-use net carrying amount for \$2,173,401, \$2,163,963 and \$2,009,521 in December 31, 2023, 2022 and 2021, respectively.

(2) Cash used in additions of property and equipment during 2023, 2022 and 2021 are \$333,208, \$199,867 and \$123,625, respectively.

(3) Cash proceeds from the sale of property and equipment during 2023, 2022 and 2021 are \$159, \$3,133 and \$52,386, respectively.

kGrupo 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 2023 include two Boeing B787-8 airplanes (same number in 2022 and 2021), with last maturing in 2029; eight Boeing B737 NG airplanes (nine in 2022 and 2021), the last of which will mature in 2027, and one flight simulator for the Boeing B-737 MAX maturing in 2029 (same number in 2022 and 2021). Additionally, as of December 31, 2021, five Boeing B787-9 under JOLCO (Japanese Operating Lease with Call Option) financing and ten Embraer E-190 airplanes, all of them previously included as finance leases, modified their conditions to now be considered as operating leases. The finance lease maturities previously referred to are based on the terms agreed on with the lessors, as part of the negotiations under the Chapter 11 financial restructuring.

The equipment leased under finance leases, secures the lease obligations. As of December 31, 2023, the net carrying amount of leased equipment was \$364,544, (2022: \$384,067 and 2021: \$404,254). During the years 2023 and 2022 the Group did not acquire leased equipment (acquisitions in 2021: \$26,890). For our commitments with regard to future payments of finance leases see Note 21.

Property and equipment under construction-

As of December 31, 2023, 2022 and 2021, the estimated costs to conclude projects and work in progress amount to \$11,340, \$9,376 and \$5,426, respectively.

Impairment loss and subsequent reversal

As of December 31, 2023, 2022 and 2021, there are no losses from impairment in the value of these assets, evaluated in accordance with provisions of IAS 36 *Impairment of Assets*.

(16) Leases-

See accounting policy in Note 3(f).

A) Leases as lessee -

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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 lease 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 \$1,808,857, \$1,779,896 and \$1,605,267 in December 31, 2023, 2022 and 2021, respectively related to leased property and flight equipment that do not meet the definition of investment property are presented as property and equipment (see Note 15).

ii. Amounts recognized in profit of loss-

Total rental expenses related to short-term leases or low-value assets (including also Power by the Hour ("PBH") leases for flight equipment – see Note 16 B ii) during the years ended December 31, 2023, 2022 and 2021, are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Aircraft leasing	\$ 23,779	143,482	170,046
Real estate	<u>6,424</u>	<u>5,158</u>	<u>3,361</u>
	\$ 30,203	148,640	173,407
	=====	=====	=====

iii. Leases conditions-

Main operating leases are as follows:

- (a) In 2023, the Group maintained 139 aircraft and 40 engines (2022: 133 aircraft and 39 engines and 2021: 118 aircraft and 36 engines) with different terms, with the last expiring in 2035.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

During 2023, 2022 and 2021, 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 \$302,859, \$112,700 and \$37,754 in 2023, 2022 and 2021, respectively.

B) Leases under Chapter 11-

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

i. 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 current 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, with the last one expiring in December 2023 (see Note 32).

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

Notes to the consolidated financial statements

(In thousands of US dollars)

ii. 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).

(17) Intangible assets and goodwill-

		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>Cost</u>									
Balance as of January 1, 2023	\$	-	53,548	63,280	375,512	47,294	61,895	503,573	1,105,102
Additions		-	33,237	-	-	-	-	-	33,237
Disposals		-	(191)	-	-	-	-	-	(191)
Balance as of December 31, 2023	\$	-	86,594	63,280	375,512	47,294	61,895	503,573	1,138,148
		=====	=====	=====	=====	=====	=====	=====	=====
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, 2022	\$	-	53,548	63,280	375,512	47,294	61,895	503,573	1,105,102
		=====	=====	=====	=====	=====	=====	=====	=====
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, 2021	\$	9,769	53,842	63,280	-	-	-	-	126,891
		=====	=====	=====	=====	=====	=====	=====	=====

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 In Finite Life	Fiduciary Rights (2)	Partners' Contracts and Customer Relationships (3)	Trademark	Goodwill	Total
				Indefinite Life	Finite Life	Indefinite Lif	
<u>Amortization</u>							
Balance as of January 1, 2023	\$ -	21,025	-	-	6,412	-	27,437
Amortization for the year	-	8,974	-	-	12,824	-	21,798
Disposals	-	(191)	-	-	-	-	(191)
Balance as of December 31, 2023	\$ - =====	29,808 =====	- =====	- =====	19,236 =====	- =====	49,044 =====
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 =====
<u>Impairment</u>							
Balance as of January 1, 2023	\$ -	-	13,853	-	-	-	13,853
Impairment for the year (4)	-	-	3,427	-	-	-	3,427
Balance as of December 31, 2023	\$ - =====	- =====	17,280 =====	- =====	- =====	- =====	17,280 =====
Balance as of January 1, 2022	\$ 9,769	-	13,853	-	-	-	23,622
Impairment for the year	-	-	-	-	-	-	-
Utilization	(9,769)	-	-	-	-	-	(9,769)
Balance as of December 31, 2022	\$ - =====	- =====	13,853 =====	- =====	- =====	- =====	13,853 =====

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, 2021	\$ 9,769	-	9,466	-	-	-	-	19,235
Impairment for the year (4)	-	-	4,387	-	-	-	-	4,387
Balance as of December 31, 2021	\$ 9,769	-	13,853	-	-	-	-	23,622
	=====	=====	=====	=====	=====	=====	=====	=====
Carrying amounts								
As of December 31, 2023	\$ -	56,786	46,000	375,512	28,058	61,895	503,573	1,071,824
	=====	=====	=====	=====	=====	=====	=====	=====
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
	=====	=====	=====	=====	=====	=====	=====	=====

- (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 "Aeroméxico Rewards" frequent flyer program, including the program member base.
- (4) For the years ended December 31, 2023 and 2021, the Group recognized \$3,427 and \$4,387 losses for impairment, respectively, related to 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, 2023, 2022 and 2021, are comprised as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Interest in joint ventures	\$ 27,120	30,181	10,773
	=====	=====	=====

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-

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.

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.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Percentage ownership interest	50.0%	50.0%	50.0%
	=====	=====	=====
Current assets	\$ 79,220	103,544	70,120
Non-current assets	16,723	24,927	29,152
Current liabilities	-	(61,141)	(40,634)
Non-current liabilities	(41,703)	(6,968)	(13,249)
Net assets (100%)	\$ 54,240	60,362	45,389
	=====	=====	=====
Carrying amount of interest in joint venture	\$ 27,120	30,181	22,694
	=====	=====	=====
Revenues	\$ 16,456	147,001	120,521
Operating expenses	5,393	128,407	125,171
Profit (loss) (100%)	11,063	18,594	(4,650)
Group’s share of profit	5,532	9,297	(2,325)
Additional share of profit from prior years	(8,593)	-	-
Group’s share of profit	\$ (3,061)	9,297	(2,325)
	=====	=====	=====

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

ii. Joint venture “Aeroméxico Rewards”-

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 “Aeroméxico Rewards”.

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.

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.

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

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

Notes to the consolidated financial statements

(In thousands of US dollars)

	<u>2021</u>
Percentage ownership interest	51.14% =====
Current assets	\$ 216,249
Non-current assets	396,428
Current liabilities	(339,694)
Non-current liabilities	<u>(263,488)</u>
Net assets (100%)	\$ 9,495 =====
Group's share of net assets (% ownership)	\$ 4,856
Goodwill and other intangible assets, net of deferred taxes	<u>(16,777)</u>
Carrying amount of interest in joint venture	\$ (11,921) =====

	<u>2022</u>	<u>2021</u>
Revenues	\$ 39,930	74,811
Operating expenses	16,690	29,546
Finance and other income	3,126	4,568
Income tax expense	<u>1,592</u>	<u>16,780</u>
Profit (100%)	<u>24,774</u>	<u>33,053</u>
Group's share of profit	12,671	16,905
Share on gain for prior years equity distribution	<u>-</u>	<u>3,321</u>
Total (a)	\$ 12,671 =====	20,226 =====

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

(19) Income tax ("IT")-

The IT law imposes an IT rate of 30%.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

The total income tax expense (benefit) for the years ended December 31, 2023, 2022 and 2021, is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 41,217	12,896	3,359
Deferred tax expense (benefit)	(26,906)	<u>111,581</u>	(116,708)
Total income tax expense (benefit)	\$ 14,311 =====	124,477 =====	(113,349) =====

(a) Reconciliation of effective tax rate:

	<u>2023</u>		<u>2022</u>		<u>2021</u>	
	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
Income (loss) for the year		273,368		(64,225)		(1,019,423)
Total income tax expense (benefit)	5%	<u>14,311</u>	(207%)	<u>124,477</u>	(10%)	<u>(113,349)</u>
Income (loss), excluding income tax		287,679		60,252		(1,132,772)
Income tax using the Group's domestic tax rate	30%	86,304	30%	18,076	(30%)	(339,832)
Equity in the results of associated companies not subject to taxation	-	918	(164%)	(98,894)	-	(5,370)
Non-deductible expenses	7%	21,167	45%	27,402	2%	18,617
Tax effects of inflation	(7%)	(21,709)	(25%)	(15,266)	-	(1,209)
De-recognition of deferred tax assets (previously recognized) (1)	8%	21,754	278%	167,375	15%	166,069
Effects of movements in foreign exchange rates	(27%)	(77,433)	-	(128)	3%	32,569
Others, mainly differences in exchange rates for income taxes	(6%)	(16,690)	43%	<u>25,912</u>	-	<u>15,807</u>
	5%	<u>14,311</u> =====	207%	<u>124,477</u> =====	(10%)	<u>(113,349)</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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(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, 2023, 2022 and 2021, are presented on below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred tax assets:			
Allowance for doubtful accounts	\$ -	-	2,267
Accruals	126,810	88,198	53,827
Air traffic liability	96,832	158,153	143,837
Lease liabilities	499,655	484,507	538,131
Net operating losses carry forwards	19,924	-	-
Advances from customers	179,132	136,020	17,294
Employee benefits	59,633	47,253	47,664
Other provisions (mainly leased aircraft returns)	<u>132,353</u>	<u>130,880</u>	<u>126,472</u>
Deferred tax assets	<u>1,114,339</u>	<u>1,045,011</u>	<u>929,492</u>
Deferred tax liabilities:			
Inventories	37,266	33,301	27,290
Property and equipment, including right-of-use	557,793	565,803	526,713
Prepaid expenses	11,094	13,210	9,178
Amortizable expenses	127,750	89,478	47,730
Others	<u>166,553</u>	<u>157,849</u>	<u>17,177</u>
Deferred tax liabilities	<u>900,456</u>	<u>859,641</u>	<u>628,088</u>
Net deferred tax assets, recorded in the statements of financial position	\$ <u>213,883</u> =====	<u>185,370</u> =====	<u>301,404</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, 2023, 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 December 31, 2023</u>
2024	\$ 102,142
2025	126,437
2026	167,471
2027	104,087
2028	224,253
2029	231,857
2030	709,807
2031	209,468
2032	960,028
2033	47,512
	=====

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>2023</u>		<u>2022</u>		<u>2021</u>	
		<u>Gross</u>	<u>Tax Effect</u>	<u>Gross</u>	<u>Tax Effect</u>	<u>Gross</u>	<u>Tax Effect</u>
Tax losses	\$	2,816,651	844,995	2,687,013	806,104	1,658,768	497,630
Other assets		<u>514,743</u>	<u>154,423</u>	<u>514,743</u>	<u>154,423</u>	-	-
	\$	3,331,394	999,418	3,201,756	960,527	1,658,768	497,630
		=====	=====	=====	=====	=====	=====

(b) Movement in temporary differences during the year-

		<u>January 1, 2023</u>	<u>Recognized in income</u>	<u>Recognized in equity</u>	<u>December 31, 2023</u>
Property and equipment (includes right-of-use)	\$	(556,061)	(1,732)	-	(557,793)
Intangible assets		(218,946)	(40,689)	-	(259,635)
Inventories		(32,653)	(4,613)	-	(37,266)
Air traffic liability		150,475	(53,643)	-	96,832
Lease liabilities		475,139	24,516	-	499,655
Provisions		41,730	17,903	-	59,633
Other items (including tax loss carry- forwards)		<u>325,686</u>	<u>85,164</u>	<u>1,607</u>	<u>412,457</u>
	\$	185,370	26,906	1,607	213,883
		=====	=====	=====	=====

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

Notes to the consolidated financial statements

(In thousands of US dollars)

	January 1, <u>2022</u>	Recognized <u>in income</u>	Recognized <u>in equity</u>	PLM acquisition/ business December 31, <u>combination</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)	<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>
	=====	=====	=====	=====	=====

	January 1, <u>2021</u>	Recognized <u>in income</u>	Recognized <u>in equity</u>	December 31, <u>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)	<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>	
	=====	=====	=====	=====	

(21) Loans and borrowings, including leases-

The features of the loans and borrowings, including leases comprising this caption and guarantees as of December 31, 2023, 2022 and 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)

Description	Currency	Nominal interest rate	Year of maturity	2023	2022	2021
Loan secured by the collection of credit card sales in the United States of America ("USA") (2)	US	SOFR rate plus 325 basis points	2024	\$63,076	\$147,176	\$225,490
Senior Trust Bonds ("CEBURES") issued in Mexico, securitized by the collection of credit card sales in Mexico (2) (3)	Ps.	TIEE rate plus 138 to 168 basis points	2025	143,930	215,222	251,921
Loans secured by the Ex-Im Bank in the USA	US	Fixed annual rate between 0.97% and 1.03%	2023	-	549	4,815
Loans secured by the Ex-Im Bank in the USA	US	Fixed annual rate 2.34%	2023	-	1,146	5,665
Loans secured by the Ex-Im Bank in the USA	US	Fixed annual rate 2.33% (Mexican pesos denominated loan and TIEE rate plus 35 basis points in 2020)	2024	2,102	10,390	18,487
Line of credit secured by the collection of BSP and credit card sales in the USA (2)	US	LIBOR rate plus 350 basis points	2023	-	-	68,300
Debtor in possession loan agreement or DIP financing (5)	US	LIBOR rate plus 800 basis points for Tranche 1 and LIBOR rate plus 1450 basis points for Tranche 2	2022	-	-	1,114,043
Singapore market listed and secured notes (formerly Chapter 11 Exit Financing) (1) (4)	US	Fixed annual rate of 8.5%	2027	662,530	762,500	-
Total Loans				871,638	1,136,983	1,688,721
Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)	US	Fixed annual rate of 2.33%	2029	87,143	102,571	110,151
Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1)	US	Fixed annual rate of 2.54%	2027	35,458	45,794	55,873
Financial leasing of flight and other equipments, secured by the Ex-Im Bank in the United States of America (1) (3)	US	Fixed annual rate 1.37%	2026	19,503	27,680	35,745
Finance leases of flight equipment	US	Fixed annual rates between 3.16% to 3.57%	2024	1,547	10,378	18,650
Financial lease of flight simulator	US	Fixed annual rate of 6.88%	2029	7,032	7,949	9,986
Total Financial Leasing				150,683	194,372	230,405

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

Notes to the consolidated financial statements

(In thousands of US dollars)

Description	Currency	Nominal interest rate	Year of maturity	2023	2022	2021
Lease Liabilities (IFRS 16)				2,216,859	2,125,995	1,793,275
Total Lease Liabilities				2,367,542	2,320,367	2,023,679
Total Loans and Borrowings, including Leases				3,239,180	3,457,350	3,712,401
Total Borrowing Costs				(4,874)	(6,413)	-
Total Net Loans and Borrowings, including Leases				3,234,306	3,450,937	3,712,401
<i>Less current installments of financial debt</i>				(183,572)	(228,090)	(1,381,384)
<i>Less current installments of leases</i>				(315,087)	(285,886)	(525,779)
Net current installments of Loans and Borrowings, including Leases				498,659	513,976	1,907,163
Non-current debt				2,740,521	2,943,374	1,805,238
Borrowing Costs				(4,874)	(6,413)	-
Net non-current Loans and Borrowings, including Leases				\$2,735,647	\$2,936,961	\$1,805,238

- (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, 2023, 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, 2023, 2022 and 2021, the Group contracted interest rate Swaps, allowing to pay fixed rate (see Note 28).
- (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. 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)).

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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)).

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

All the loans had installments throughout the year. As of December 31, 2023, 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 – 2024	\$	<u>146,363</u>	<u>37,209</u>	<u>315,087</u>	<u>498,659</u>
Non-current:					
2025		62,745	36,488	291,173	390,406
2026		-	31,628	272,028	303,656
2027		657,656	20,966	266,895	945,517
2028		-	18,616	255,851	274,467
2029 and thereafter		<u>-</u>	<u>5,776</u>	<u>815,825</u>	<u>821,601</u>
Total non-current		<u>720,401</u>	<u>113,474</u>	<u>1,901,772</u>	<u>2,735,647</u>
Total loans and borrowings	\$	<u>866,764</u> =====	<u>150,683</u> =====	<u>2,216,859</u> =====	<u>3,234,306</u> =====

(a) Loans are presented net of borrowing costs of \$4,874.

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, 2023	\$	1,324,942	2,125,995	3,450,937
Repayments of borrowings		<u>(335,865)</u>	<u>(302,859)</u>	<u>(638,724)</u>
Total changes from financing cash flows		(335,865)	(302,859)	(638,724)
Effects of movements in foreign exchange rates		27,155	-	27,155
Other changes –				
New leases		-	393,723	393,723
Interest expense		101,039	177,520	278,559
Interest paid		(104,591)	(171,751)	(276,342)
Other interest accrued (reversed), net		<u>4,767</u>	<u>(5,769)</u>	<u>(1,002)</u>
Balance December 31, 2023	\$	1,017,447 =====	2,216,859 =====	3,234,306 =====

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

(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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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 \$21,924, \$16,187 and \$16,864 as of December 31, 2023, 2022 and 2021, respectively, included in the total employee benefits balances as of the same dates.

(a) Composition of plan assets-

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Equity securities	\$ 52	51	38
Government bonds	<u>844</u>	<u>630</u>	<u>589</u>
	\$ 896	681	627
	===	===	===

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Defined benefit obligations as of January 1	\$ 186,081	187,137	216,902
Benefits paid by the plan	(7,753)	(7,893)	(22,686)
Current service costs	7,555	3,175	12,047
Interest cost	18,061	14,097	13,645
Personnel transfer cost (1)	331	250	18
PLM defined obligations as of July 15, 2022	-	407	-
Foreign exchange variance	27,028	10,948	(5,386)
Other, including curtailment gain and seniority premium adjustment	<u>76</u>	<u>(1,198)</u>	<u>42</u>
	231,379	206,923	214,582
Remeasurement of defined benefit liability losses/(gains) recognized in other comprehensive income:			
Financial assumptions	6,477	(16,461)	(22,218)
Demographic assumptions	777	115	200
Experience adjustments	<u>(1,896)</u>	<u>(4,496)</u>	<u>(5,427)</u>
Defined benefit obligations as of December 31	\$ 236,737	186,081	187,137
	=====	=====	=====

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

Notes to the consolidated financial statements

(In thousands of US dollars)

The Group expects to pay \$3,268 in contributions to its defined benefit plans in 2024.

(1) For the years ended December 31, 2023 and 2022, the Group recognized \$769 and \$49, respectively, additional prior years costs for personnel transfers through retained earnings.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Fair value of plan assets as of January 1	\$ 681	627	603
Actual return on plan assets	<u>215</u>	<u>54</u>	<u>24</u>
Fair value of plan assets as of December 31	\$ 896 ===	681 ===	627 ===

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cumulative amount as of January 1	\$ 23,359	2,456	(25,126)
Personnel transfer cost	769	43	96
Recognized during the year	(5,358)	20,842	27,445
Effects of movements in foreign exchange rates	<u>(270)</u>	<u>18</u>	<u>41</u>
Cumulative amount as of December 31 (1)	\$ 18,500 =====	23,359 =====	2,456 =====

(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>2023</u>	<u>2022</u>	<u>2021</u>
Expected rate of return on plan assets	9.00%	9.40%	7.20%
Discount rate	9.00%	9.40%	7.20%
Rate of compensation increase	4.54%	4.54%	4.54%
Remaining average labor life (over benefit obligations)	14 years	14 years	13 years

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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, 2023:

		<u>Increase</u>	<u>Decrease</u>
Discount rate (0.5% movement)	\$	(7,442) =====	7,861 =====
Rate of compensation (0.5% movement)	\$	7,449 =====	(7,104) =====

(23) Share-based payment arrangements-

A. Description of share-based payment arrangements

As of December 31, 2023, the Group had the following share-based payment arrangements.

i. Restricted shares programs-

In 2021 the Group did not grant shares to its Management.

On December 22, 2022, the Group granted 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.

As of December 31, 2022 Management expected that for 2,269,985 shares, the service and non-market performance conditions would ultimately be satisfied. During 2023 Management revised its estimate and increased the number of shares for which the non-market performance conditions would ultimately be satisfied by 1,360,895 shares to 3,680,880 shares. The cost increase due to the change in estimate was recognized in 2023.

On February 20, 2023, the Group established a new plan and granted further 354,850 restricted shares to certain key management personnel and senior employees subject to certain service conditions with vesting periods up to 4 years.

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

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

Notes to the consolidated financial statements

(In thousands of US dollars)

Grant date / employees entitled	Number of instruments	Vesting conditions
Shares granted to key management personnel and senior employees-		
December 22, 2022	909,090	6 months to 3 years' service from grant date.
December 22, 2022	From 0 to 2,721,790 (initial estimate of shares which conditions will ultimately be satisfied: 1,360,895; revised estimate: 2,721,290)	2-3 years' service from grant date, subject to the achievement of certain non-market performance goals.
February 28, 2023	354,850	6 months to 4 years' service from grant date.
	(495,522)	Accumulated number of exercised or forfeited restricted shares.
Total restricted shares	3,490,208	

B. Measurement of fair values –

The fair value of the above-mentioned restricted shares of the first plan granted in 2022 at grant date was Ps.184.78 pesos per share. The shares have been deposited and are part of a Mexican Trust (see Note 26).

Regarding the second plan granted in February 28, 2023, the fair value of restricted shares at grant date was Ps.184.78 pesos per share.

C. Reconciliation of outstanding restricted shares –

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

	2023	
	Number of options	Ps. weighted fair value per share at grant date
Outstanding at January 1	2,269,985	184.78
Increase due the change in estimate	1,360,895	184.78
Granted during the year	354,850	184.78
Exercised during the year	(345,502)	184.78
Forfeited during the year	(150,020)	184.78
Outstanding at December 31	3,490,208	184.78
	=====	=====
Exercisable at December 31	-	-
	=====	=====

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>Number of options</u>	<u>Ps. weighted fair value per share at grant date</u>
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 2023, the expense recognized in profit or loss amounts to \$19,304 (2022:\$0 and 2021:\$0).

(24) Provisions-

		<u>Leased aircraft returns (1)</u>	<u>Employees' restructure (2)</u>	<u>Litigations</u>	<u>Contingent consideration (a)</u>	<u>Total</u>
Balance as of January 1, 2023	\$	235,728	-	7,075	24,000	266,803
Additions		50,000	-	3,090	-	53,090
Utilization		(14,739)	-	(414)	-	(15,153)
		270,989	-	9,751	24,000	304,740
Less non-current portion		(218,890)	-	-	-	(218,890)
Current balance as of December 31, 2023	\$	52,099	-	9,751	24,000	85,850
		=====	=====	=====	=====	=====
Balance as of January 1, 2022	\$	171,690	11,923	7,154	-	190,767
Additions		67,967	-	-	24,000	91,967
Utilization		(3,929)	(11,923)	(79)	-	(15,931)
		235,728	-	7,075	24,000	266,803
Less non-current portion		(210,522)	-	-	(24,000)	(234,522)
Current balance as of December 31, 2022	\$	25,206	-	7,075	-	32,281
		=====	=====	=====	=====	=====
Balance as of January 1, 2021	\$	119,454	35,633	7,974	-	163,061
Additions (cancellations)		58,095	8,300	(820)	-	65,575
Utilization		(5,859)	(32,010)	-	-	(37,869)
Current balance as of December 31, 2021	\$	171,690	11,923	7,154	-	190,767
		=====	=====	=====	=====	=====

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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

In addition, as of 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), and includes the following items shown below.

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 includes \$5,319 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 additionally 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>2023</u>	<u>2022</u>	<u>2021</u>
Suppliers	\$ 1,262,092	842,227	686,968
Other taxes	244,680	174,815	123,767
Salaries and benefits payable	26,814	15,194	11,286
Deferred revenue (1)	<u>-</u>	<u>-</u>	<u>382</u>
Total current liabilities	<u>\$ 1,533,586</u> =====	<u>1,032,236</u> =====	<u>822,403</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, 2021, the Company's capital stock was represented by 742,747,940 ordinary shares, nominative, with no par value, 5,000 shares represented the fixed portion and 742,742,940 shares represented 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.

As part of its obligations under that certain Registration Rights Agreement dated March 17, 2022, the Company had to cancel the registration of shares before the National Securities Registry ("*Registro Nacional de Valores*" or "RNV") and their corresponding listing on the Mexican Stock Exchange ("BMV"). As such, and in accordance with Section II of Article 108 of the Mexican Securities Exchange Law ("LMV"), on October 11, 2022, the Company launched a public cash tender offer of shares (the "Offer") which expired on November 8, 2022, at a purchase price per share of Ps.184.78 pesos ("Price per Share").

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 LMV).

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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 established in the LMV, the Company incorporated an irrevocable management trust (the “Delisting Trust”) to acquire at the Price per Share any shares that were not initially acquired by the Company during the initial Offer period. The period during which shareholders that did not participate in the Offer could sell their shares to the Delisting Trust at the Price per Share expired on July 14, 2023. Upon expiration of said period, the Company acquired, via the Delisting Trust, an additional 243,352 shares at the Price per Share (\$2,319 in total). Said acquisition resulted in a neutral effect, since (i) such 243,352 shares acquired by the Delisting Trust were transferred to the Company and subsequently placed as treasury shares and (ii) an equivalent number of 243,352 shares were immediately subscribed and paid by a separate Mexican Trust managing the stock compensation plan of the Company, resulting in such 243,352 newly subscribed and paid shares being added into such Trust.

On December 13, 2023, the Shareholders of the Company resolved in favor of **(i)** carrying out a capital refund, without canceling shares, in favor of the shareholders for an amount of \$2.00 dollars per share representing the Company’s share capital (\$272,848 in total); and **(ii)** not cancelling the 13,642,396 treasury shares and to use them – in addition to support a MIP – in a potential primary offering of shares.

Also, on December 13, 2023, the shareholders approved an amendment and restatement of the Company’s bylaws to adopt a public corporation variable capital regime and implement certain requirements pursuant to the Mexican Foreign Investment Law (“*Ley de Inversión Extranjera*”). The amendments included the split of the Company’s shares into Series A shares and Series B shares. Series A shares are common shares with full voting rights that must represent at least 10% of the Company’s aggregate outstanding shares and can only be held by Mexican investors. Series B shares, which must represent up to 90% of the aggregate outstanding shares, consist of neutral investment in the Company’s capital stock. Series B shares are special shares with limited corporate rights and may be owned by Mexican or non-Mexican investors. The amended bylaws are subject to the authorizations of the Mexican Banking and Securities Commission (“*Comisión Nacional Bancaria y de Valores*”) and the Mexican Foreign Investment Commission (“*Comisión Nacional de Inversión Extranjera*”).

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

Notes to the consolidated financial statements

(In thousands of US dollars)

For the year 2023, 425,721 shares were assigned to certain key management personnel (including 80,289 to certain Board members), equivalent to \$4,057.

As of December 31, 2023 and 2022, the capital stock of the Company is represented by 136,423,959 ordinary shares, nominative, with no par value, out of which 5,000 shares represented the fixed portion and 136,418,959 shares represented 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, 2023, 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.

(c) Capital management-

During the period the Group was publicly traded, and from time to time the Group purchased its own shares on the market; the timing of these purchases depended on market prices (see Note 3(c) last paragraph). Buy and sell decisions were made on a specific transaction basis and the Group did not have a defined share buy-back plan.

(d) Retained earnings-

For the year ended December 31, 2023, Grupo Aeroméxico has an equity deficit of \$2,915,171 (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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

(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, 2023, was based on the income (loss) for the year of \$273,368 (2022: \$(64,225) and 2021: \$(1,019,423)), and a weighted average number of ordinary shares outstanding of 136,423,959 (same number in 2022 and 2021). 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
 - 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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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.

(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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

Evaluation of the expected credit loss from individual clients is stated at January 1st, and December 31, 2023. 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 is:

	Carrying amount		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 937,698	842,182	979,078
Other financial instruments, including derivatives	334	1,893	1,045
Trade and other receivables	<u>618,212</u>	<u>391,272</u>	<u>196,229</u>
	\$ 1,556,244	1,235,347	1,176,352
	=====	=====	=====

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.

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

The maximum exposure to credit risk for trade receivables as of December 31, 2023, 2022 and 2021, by type of customer is shown in Note 14, including recoverable taxes over which the Group has so far not experienced impairment losses.

Impairment losses-

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

	<u>2023</u>			<u>2022</u>			<u>2021</u>		
	<u>Gross</u>	<u>Impairment</u>	<u>%</u>	<u>Gross</u>	<u>Impairment</u>	<u>%</u>	<u>Gross</u>	<u>Impairment</u>	<u>%</u>
Not past due	\$ 243,858	259	(0.1)	148,536	1,182	(0.8)	105,864	758	(0.7)
Past due between 0-30 days	24,807	293	(1.2)	18,395	400	(2.2)	6,558	412	(6.3)
Past due between 31-120 days	4,579	2,383	(52)	6,007	3,075	(52)	3,234	676	(20.9)
Past due for more than one year	<u>5,033</u>	<u>5,033</u>	(100)	<u>4,425</u>	<u>4,425</u>	(100)	<u>7,387</u>	<u>7,252</u>	(98.2)
	\$ 278,277	7,968		177,363	9,082		123,043	9,098	
	=====	=====		=====	=====		=====	=====	

* Percentages reflect the weighted average loss rate.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance as of January 1	\$ 9,082	9,098	20,312
Impairment decrease recognized	<u>(1,114)</u>	<u>(16)</u>	<u>(11,214)</u>
Balance as of December 31	\$ 7,968	9,082	9,098
	=====	=====	=====

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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.

(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, 2023, 2022 and 2021. Carrying amounts are presented net of prepaid expenses and not discounted and include estimated interest payments.

<u>December 31, 2023</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>							
(SOFR - Spread) \$	63,076	65,398	7,482	57,916	-	-	-
	=====	=====	=====	=====	=====	=====	=====
<u>Loans in USD</u>							
(Fixed rate) \$	666,791	856,193	2,471	57,383	57,738	737,184	1,41
	=====	=====	=====	=====	=====	=====	=====
<u>Financial Leasing</u>							
In USD \$	143,650	151,323	9,444	29,728	35,397	72,333	4,421
	=====	=====	=====	=====	=====	=====	=====
<u>CEBURES –</u>							
Securitized in Ps. \$	143,930	155,558	24,423	65,261	65,874	-	-
	=====	=====	=====	=====	=====	=====	=====
<u>Leases –</u>							
Liabilities \$	2,216,859	2,864,793	96,137	385,100	413,316	1,061,416	908,82
	=====	=====	=====	=====	=====	=====	=====

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, 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
	=====	=====	=====	=====	=====	=====	=====
<u>December 31, 2021</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
	=====	=====	=====	=====	=====	=====	=====

(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 other currencies, mainly Mexican pesos. In 2023, 2022 and 2021, approximately 36%, 29% and 30% of the Group's expenses and 2%, 5% and 6%, of its revenues, respectively, are denominated to other currencies.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

Currency risk

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Monetary assets	\$ 1,020,451	616,574	197,618
Monetary liabilities	<u>(999,418)</u>	<u>(770,546)</u>	<u>(848,198)</u>
Net currency risk in the statement of financial position	\$ 21,033 =====	(153,972) =====	(650,580) =====

The following significant exchange rates with respect to the US Dollar were applied during the year:

	<u>Average rate</u>			<u>Reporting date spot rate</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Mexican Peso	16.89 =====	20.14 =====	20.27 =====	17.29 =====	19.36 =====	20.47 =====

Sensitivity analysis-

A strengthening of the US Dollar, as indicated below, against the Mexican peso as of December 31, 2023, 2022 and 2021, would have affected profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the 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, 2023	
US Dollar (10% strengthening)	\$ (1,912) =====
December 31, 2022	
US Dollar (10% strengthening)	\$ 13,997 =====
December 31, 2021	
US Dollar (10% strengthening)	\$ 59,144 =====

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

Notes to the consolidated financial statements

(In thousands of US dollars)

i. 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.

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>2023</u>	<u>2022</u>	<u>2021</u>
Annual Consumption (Gal JF54)	433,727	390,818	297,367
Derivatives on JF54 (Gal JF54)	-	-	-
Amount Hedged (%)	-	-	-

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 2023, 2022 and 2021, the Group had a consumption of 433.7, 390.8 and 297.4 million gallons of Jet-Fuel which bought at an average price of 3.05, 3.65 and 2.12 USD/Gal respectively. These prices include transportation and supply surcharges.

The Group has paused its fuel hedging activity to cover between 40% to 60% of its annual projected fuel consumption for the fiscal years 2023, 2022 and 2021.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

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>	<u>0.5(+)</u>	<u>0.5(-)</u>	<u>0.75(+)</u>	<u>0.75(-)</u>
Direct Purchase of JF54	216,864	(216,864)	325,295	(325,295)
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.

ii. *Interest rate risk-*

Managing interest rate benchmark reform and associated risks.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some Interbank Offered Rates (“IBOR”) with alternative nearly risk-free rates (referred to as “IBOR Reform”). In 2021, the Group undertook amendments to most financial instruments with contractual terms indexed to IBOR such that they incorporate new benchmark rates. As of December 31, 2023, the Group’s remaining unreformed IBOR exposure is indexed to USD LIBOR (London Interbank Offered Rate). The alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (“SOFR”). The Group finished the process of implementing appropriate fallback clauses for all USD LIBOR indexed exposures in 2022. These clauses automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases. As announced by the Financial Conduct Authority (“FCA”) in early 2022, the panel bank submissions for the overnight and 12-month USD LIBOR ceased on June 30, 2023. In addition, the FCA announced in early 2023 that the one-, three- and six-month synthetic USD LIBOR settings will cease on 30 September 2024.

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, 2023, the Group has one loan referred to SOFR, for an amount of \$63,076.

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, 2023, 2022 and 2021, 80%, 73% and 14%, respectively of the Group's financial debt is under fixed-rate contracts.

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

As of December 31, 2023, 2022 and 2021, the Group has interest rate Swaps in force in which the Group pays fixed rate receiving a floating rate indexed to TIIE 28 days. 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 2023, 2022 and 2021, interest rate Swap type strategies for its two actual series (AERMxCB 19 and AERMxCB 17).

The fair value amount of the portfolio of interest rate derivatives as of December 31, 2023, amounted to \$334 and came from the following derivatives:

Interest rate Swaps

<u>Counterparty</u>		<u>Notional (Ps.)</u>	<u>Rate</u>	<u>Maturity date</u>
Citibanamex	Ps.	530 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, 2023.

	<u>Assets</u>	<u>Liabilities</u>
Short Term		
Investments		
Investment US/Ps.	\$ 355,642	-
Repo transactions	-	-
(Maturities over 3 months)		
Debt instruments	-	-
Debt		
US Loans		
SOFR + Spread	\$ -	63,076
Financial lease	-	36,227
Fixed rate	-	3,084
Ps. Loans		
TIIE + Spread	-	81,185
Fixed rate	-	-
Financial lease	-	-
	\$ 355,642	183,572
	=====	=====
Long Term		
Debt		
US Loans		
SOFR + Spread	\$ -	657,656
Fixed rate	-	6,051
Financial lease	-	107,423
Ps. Loans		
TIIE + Spread	-	62,745
Financial lease	-	-
	\$ -	833,875
	=====	=====

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, 2023, 2022 and 2021, corresponding to the derivative rate financial instruments (amounts in million of Ps.):

Derivative Financial Instruments	<u>Notional Amount</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Fixed rate instruments			
Interest rate Swaps	(530)	(1,590)	(5,449)
	=====	=====	=====
Variable rate instruments			
Interest rate Swaps	530	1,590	5,449
	=====	=====	=====

Fuel hedge instruments-

For the years ended December 31, 2023, 2022 and 2021 the Group temporarily cancelled its call spread options to cover the exposure for its fuel purchases. For more information in connection with these instruments, see Note 3(c) and point (ii) *Jet-fuel price fluctuations* within this Note.

Sensitivity Analysis-

Debt-

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

Banco de México's target interest rate increased by 75 BP in 2023, going from 10.50 to 11.25%. Along the same lines, the FED increased the rate of reference by 100 BP. In addition to the above-mentioned changes, if average annual interest rates had changed to the degree shown, the impact on results would have been the following:

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

Notes to the consolidated financial statements

(In thousands of US dollars)

		<u>2023</u>		<u>2022</u>		<u>2021</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							
SOFR (LIBOR in 2021 and 2021) + Spread	\$	550	(550)	988	(988)	1,444	(1,444)
		=====	=====	=====	=====	=====	=====
Loans in Ps.							
TIIE + Spread	\$	1,052	(1,052)	1,250	(1,250)	1,276	(1,276)
		=====	=====	=====	=====	=====	=====

Grupo Aeroméxico does not account for 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>Sensibility</u>	
		<u>Carrying amount</u>	<u>+ 50 BP</u>	<u>- 50 BP</u>
TIIE	Interest rate			
Swaps		\$ 334	31	(31)
		=====	=====	=====

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, 2023, 2022 and 2021, 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 at their fair value, if their carrying amounts are a reasonable approximation of 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, 2023, 2022 and 2021, respectively.

Financial assets at fair value

As of December 31, 2023

	<u>Note</u>	<u>Other interest rate swaps</u>
<u>Book value:</u>		
Fair value for hedging instruments	11	\$ 334 =====
<u>Fair value:</u>		
Level 1		\$ -
Level 2		334
Level 3		=
Total		\$ 334 =====

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, 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		<u>-</u>
Total		\$ 1,893 =====

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		<u>-</u>
Total		\$ 1,045 =====

Loans and borrowings not carried out at fair value

As of December 31, 2023

	<u>Note</u>		<u>Loans in US (SOFR - 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	\$	63,076	143,930	666,791	-	-	143,650
<u>Fair value:</u>								
Level 1			-	-	-	-	-	-
Level 2			61,748	130,674	597,059	-	-	132,575
Level 3			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		\$	61,748 =====	130,674 =====	597,059 =====	- =====	- =====	132,575 =====

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>		Loans in US (LIBOR - Spread)	Loans in Ps. (TIIE - Spread)	Loans in US (Fixed rate)	Loans in Ps. (Fixed rate)	Financial leasing of flight equipment in Ps.	Financial leasing of flight equipment in US
<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		\$	145,007	169,808	908,501	-	-	197,654
			=====	=====	=====	=====	=====	=====

Loans and borrowings not carried out at fair value

As of December 31, 2021

	<u>Note</u>		Loans in US (LIBOR - Spread)	Loans in Ps. (TIIE - Spread)	Loans in US (Fixed rate)	Loans in Ps. (Fixed rate)	Financial leasing of flight equipment in Ps.	Financial leasing of flight equipment in US
<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		\$	1,418,880	208,675	26,094	-	-	177,695
			=====	=====	=====	=====	=====	=====

(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 2023 and no transfers in either direction in 2022 and 2021.

iii. Level 3 fair values

The Group did not present any of the fair values of its financial instruments as Level 3 during 2023, 2022 and 2021.

(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>2023</u>	<u>2022</u>	<u>2021</u>
<i>Other income:</i>			
Net gain from sale of property and equipment/obsolete material	\$ -	9,880	4,932
Taxes recoveries	934	1,456	628
Leases recoveries	3,634	3,505	2,697
Credit notes from suppliers	-	-	3,596
Other	<u>-</u>	<u>4,890</u>	<u>1,556</u>
Total other income	<u>4,568</u>	<u>19,731</u>	<u>13,409</u>
<i>Other expenses:</i>			
Labor and other contingencies (cancellation)	1,040	-	(820)
Net loss from sale of property and equipment/obsolete material	4,508	-	-
Value added tax non-collectible	27,390	21,113	-
Contingent Value Rights expense (1)	7,500	-	-
Other	<u>597</u>	<u>-</u>	<u>-</u>
Total other expenses	<u>41,035</u>	<u>21,113</u>	<u>(820)</u>
Other loss (income), net	\$ <u>36,467</u>	<u>1,382</u>	<u>(14,229)</u>

(1) Consideration offered to general unsecured creditors that hold one or more claims classified in Class 3(c) and/or Class 3(d) under in connection with Group's PoR.

(30) Wages, salaries and benefits-

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 793,824	567,459	414,269
Compulsory social security contributions	94,749	67,679	70,289
Expenses related to defined benefit plans	<u>7,555</u>	<u>3,175</u>	<u>12,047</u>
	\$ <u>896,128</u>	<u>638,313</u>	<u>496,605</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>2023</u>	<u>2022</u>	<u>2021</u>
Interest income on bank deposits and other investments	\$ 64,180	15,334	4,046
Derivative financial income	-	-	15,315
Other financial income	<u>6,653</u>	<u>-</u>	<u>2,117</u>
Finance income	<u>70,833</u>	<u>15,334</u>	<u>21,478</u>
Interest expense on financial liabilities	99,433	125,913	181,818
Letters of credit commissions	66	3,782	-
Credit card commissions (a)	98,969	85,237	53,936
Lease interest	177,520	145,764	23,659
Interest on employee obligation	18,061	14,097	13,645
Derivative financial loss	1,758	790	-
Net foreign exchange loss	88,385	58,433	113,928
Bank fees	6,390	5,863	26,173
Interest paid to related parties	23	1,624	3,553
Other financial costs, mainly DIP commissions in 2021 and 2022	<u>8,367</u>	<u>24,408</u>	<u>102,532</u>
Finance costs	<u>498,972</u>	<u>465,911</u>	<u>519,244</u>
Net finance cost recognized in profit and loss	\$ (428,139) =====	(450,577) =====	(497,766) =====

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

(32) Restructuring and other related expenses-

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

Special items recorded within operating expenses for the year ended December 31, 2023, 2022 and 2021, regarding the Group's financial restructuring under Chapter 11, consist of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Employees restructuring plan	\$ -	-	21,930
Gain for rejected flight equipment and other leased aircraft restructuring effects	-	(59,962)	(18,856)
Credit cards chargebacks	-	-	13,905
Professional fees associated with Chapter 11 advisors	-	65,365	179,371
General unsecured claim settlements	-	(107,924)	436,900
Credit due to lease liabilities cancellation	=	(11,567)	(214,058)
Net restructuring (income) expenses recognized in profit and loss as operating expenses	\$ - =====	(114,088) =====	419,192 =====

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 was recorded related to these measures. Payments of \$11,923 have been made to the end of the year 2022 (2021: \$32,010). The provision includes the estimated severance costs under the Mexican Labour Code, the amount of which 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.

Flight equipment and other leased aircraft restructuring effects

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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

Credit cards chargebacks

Incremental costs regarding additional chargebacks through credit card transactions.

Chapter 11 professional fees

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

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 was 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), is recognized as a restructuring item within the operating results.

Other impairment charges

In addition, the Group partially reversed prior years impairment charges during 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.

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, 2023, the Group has the following significant contingencies and commitments:

Contingencies:

- a. There are labor lawsuits in process for approximately \$20.7 million. This amount represents the plaintiffs' expectation, without considering backdated salaries that might be accrued in the event that the court sentences do not favor the Group. The Group has reserved an amount of \$9.8 million, which is considered sufficient to cover possible outflows.
- b. In June 2023, the Aviation Pilots Union of Mexico (*Asociación Sindical de Pilotos Aviadores de México* or "ASPA") filed a claim against Aeroméxico arguing that certain provisions in the corresponding collective bargaining agreements ("CBA") executed with them for the period between 2020 and 2024 should be null and void, because they establish a differentiated treatment with respect to certain labor conditions applicable to Aeroméxico's pilots according to their hiring date, which could be deemed as discriminatory. The CBA provides two regimes, one applicable to pilots hired prior to 2010 and the other one, applicable to pilots hired after 2010. As such, ASPA argued that having two regimes based on the pilots' hiring date is discriminatory. In October 2023, the labor court rejected ASPA's claim and declared that the provisions of the CBA challenged by ASPA are applicable and not arbitrary. The court also declared that the provisions in the CBA are reasonable and follow the terms agreed at the time of their negotiations. As of the date of the issuance of these consolidated financial statements, ASPA has appealed this decision, and the case remains pending. We did not establish a contingency reserve in connection with this case.
- c. 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 April 11, 2022, COFECE presented an appeal (*recurso de revisión*) challenging the district court's decision. On March 7, 2023, COFECE requested that the Mexican Supreme Court ("SCJN") exercise jurisdiction under the argument that it was necessary for the SCJN to establish conclusive case law on the matter. On April 3, 2023, the SCJN agreed to exercise jurisdiction over the case and, on May 18, 2023, the SCJN acknowledged receipt of the case files. As of the date of the issuance of these consolidated financial statements, the case is pending before the SCJN.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

- d. 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 regard 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;
 - 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.

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

Notes to the consolidated financial statements

(In thousands of US dollars)

- 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, among other commercial activities, 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.

- e. Fleet renewal.

The Group has the following agreements as of December 31, 2023:

- (i) During 2023, six Boeing B737 MAX and one B787-9 were incorporated to the fleet.
- (ii) During the year-end 2023 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 2023, the Group extended twenty-two Embraer E190, one Boeing 737 NG and three Boeing B787-8 aircraft. Additionally, we signed incremental operational lease commitments for six B737 MAX and two B787-9 to be received during 2024-2025.
- (iii) Part of the extended Embraer E190 will be structured as financial leases.

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

Notes to the consolidated financial statements

(In thousands of US dollars)