Earnings Release

4Q & Full Year 2023

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AXO 4Q AND FULL YEAR 2023 RESULTS

The following discussion and analysis should be read in conjunction with our consolidated interim financial statements, which have been prepared in accordance with IFRS, which in certain cases can differ significantly from U.S. GAAP. As of March 1st, 2023, Axo's financial figures include the Komax acquisition in South America.

Note: in March 2023, Axo acquired Komax in South America ("the Acquisition"), which had a positive impact in the Company's annual sales and helped establish a stronger presence in the region.

Highlights | 4Q23 vs. 4Q22

- The Company posted strong **Net Sales** for the fourth quarter, reaching Ps. 8,231.3 million, a 20.7% growth compared to 4Q22. Without considering the Acquisition, our net sales growth was of 7.6%.
    - **Lifestyle** net sales increased 20.6% during the quarter. This was primarily due to the Acquisition, alongside Axo's brands' positive performance. Organic net sales growth was 4.6%, with a strategic emphasis on margin expansion.
    - **Off-Price** net sales increased 12.9% for the period. This segment continues to trend positively, with significant growth mainly driven by sales in the offline channel. Excluding the impact of the Acquisition, the net sales growth stood at 7.2%.
    - **Athletics & Outdoors** net sales increased 33.0% compared to 4Q22, driven by both the Acquisition and a strong performance across all brands. Organically we continued to have a strong performance showcasing a net sales growth of 16.9%.
- **Gross Margin** was strong, reaching 51.7% compared to 47.4% in 4Q22, mainly supported by a pricing strategy and inventory optimization, which reduces our sales promotional activity.
- **Adj. EBITDA**[1] reached Ps. 2,101.4 million, an increase of 45.5%[1] vs 24Q22. **Adj. EBITDA margin** was 25.5% compared to 21.2%[1] in the previous quarter from 2022.
- **Operating margin** reached 16.2% compared to 15.8% in 4Q22.

Note: The Company carried out an analysis of the brands in which a reclassification was applied. [1]Adjusted stands for (+/-) non-recurring items. During 2022 the Company had an income derived from a business acquisition recognized as profit at a bargain price. During 2023 the company had a non-recurring item without cash flow derived from an impairment of a subsidiary's goodwill.

Highlights | Full Year 2023 vs 2022

- The Company posted annual **Net Sales** of Ps. 24,708.6 million, showcasing a 29.7% growth compared to 2022. Organically, we continue to have a stable performance, with Net Sales growing by 14.4% vs. 2022.
  - **Lifestyle** net sales increased 32.9%, driven by the Acquisition as well as Axo's brands' positive performance. Excluding the Acquisition, Lifestyle net sales increased 14.9% vs. 2022.
  - **Off-Price** net sales increased 15.5% in the year. This segment continues to trend positively, with significant growth mainly driven by the physical store sales due to an increase in traffic and inventory turnover. Excluding the Acquisition, grew by 8.7% compared to last year.
  - **Athletics & Outdoors** net sales for the year increased 43.1% compared to 2022. This growth was mainly driven by both the Acquisition and the full deployment in stores opened in 2022. This segment shows a solid organic growth of 21.9%.
- **Gross Margin** for 2023 was 50.6%, up from 48.2% in 2022, reflecting 235 bps increase, mainly supported by a pricing strategy and inventory optimization, which reduces our sales promotional activity.
- **Adj. EBITDA[1]** reached Ps. 5,302.0 million, an increase of 37.9%[1] vs 2022. **Adj. EBITDA margin** was 21.5% compared to 20.2%[1] in the previous quarter from 2022.
- **Operating margin** reached 12.0% compared to 12.8% in 2022.
- **Direct-to-consumer online penetration** during 2023 was 18.3%.
- 47 **Store Openings** in 2023.

Note: The Company carried out an analysis of the brands in which a reclassification was applied. [1]Adjusted stands for (+/-) non-recurring items. During 2022 the Company had an income derived from a business acquisition recognized as profit at a bargain price. During 2023 the company had a non-recurring item without cash flow derived from an impairment of a subsidiary's goodwill.

Conference Call Details:

Friday, February 23rd, 2024, at 10:00 AM Mexico Time I 11:00 AM EST
Please register in advance for this call:
https://us02web.zoom.us/webinar/register/WN_dUTZop-JRrmTT3WtCvhgew#/registration
Upon registering, you will receive a confirmation email that includes the necessary details to join the webinar.

Relevant Figures:

Financial Figures MXN$mm	4Q23	4Q22	Var %	FY 2023	FY 2022	Var %
Income Statement						
Net Sales	8,231.3	6,818.2	20.7%	24,708.6	19,047.6	29.7%
Adj. EBITDA[1]	2,101.4	1,444.0	45.5%	5,302.0	3,843.4	37.9%
Adj. EBITDA Margin[1]	25.5%	21.2%	435 bps	21.5%	20.2%	128 bps
Operating Income	1,334.3	1,077.7	23.8%	2,971.9	2,429.5	22.3%
Net Income	562.7	620.5	(9.3%)	1,045.5	979.8	6.7%
Net Income Margin	6.8%	9.1%	(226) bps	4.2%	5.1%	(91) bps

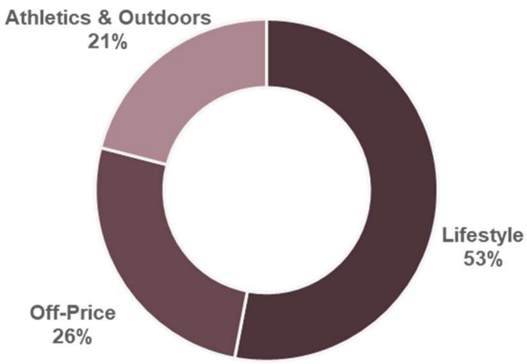
Balance Sheet	2023	2022	Var %
Cash and Cash Equivalents	4,353.9	4,827.7	(9.8%)
Inventories	5,040.2	3,641.0	38.4%
Accounts Receivable	2,026.3	1,204.8	68.2%
Financial Debt	9,390.1	7,853.2	19.6%
Lease Liabilities	3,320.3	2,584.5	28.5%
PP&E	2,491.4	1,921.4	29.7%

Financial Ratios[2]	2023	2022[1]
Net Debt/ EBITDA	1.77x	1.46x
Debt/ EBITDA	2.61x	2.66x

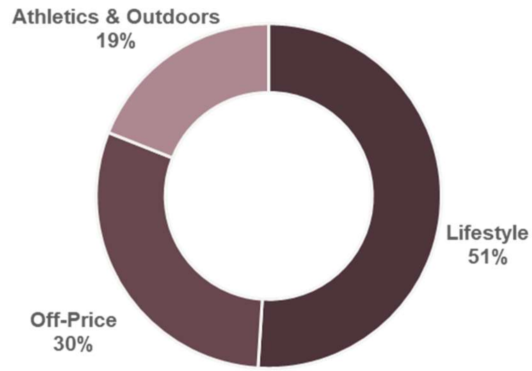
Operating Results	2023	2022
Points of Sale	7,870	5,836
Digital Platforms	37	16

Note: We have made rounding adjustments to certain numbers presented in this report. As a result, numerical figures presented as totals may not always be the exact arithmetic results of their components. Percentage figures included in this report have not, in all cases, been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this report may vary from those obtained by performing the same calculations using the figures in our Financial Statements included elsewhere in this report. Note: [1]Adjusted stands for (+/-) non-recurring items. During 2022 the Company had an income derived from a business acquisition recognized as profit at a bargain price. During 2023 the company had a non-recurring item without cash flow derived from an impairment of a subsidiary's goodwill. [2]Ratios are proforma including the South American acquisition for the past twelve months.

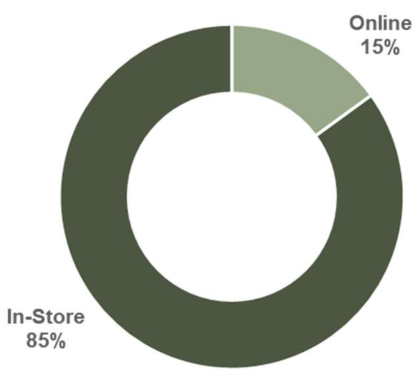
Sales by Segment FY 2023



Sales by Segment FY 2022

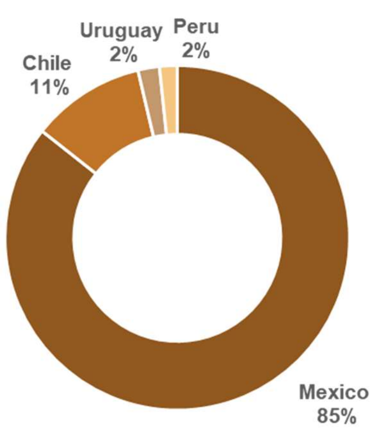


Sales by Channel FY 2023

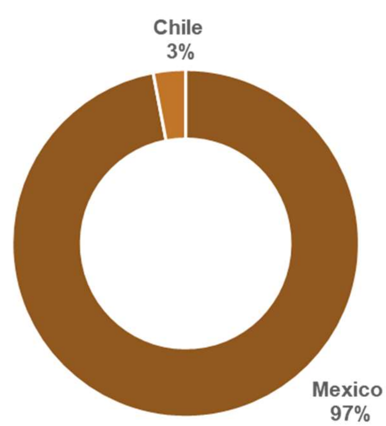


Sales by Channel FY 2022

Sales by Country FY 2023



Sales by Country FY 2022



Message from the CEO

I am pleased to report that despite the challenges faced in 2023, AXO has once again demonstrated its resilience and agility, achieving robust results that underscore our commitment to sustained growth and lasting value. We navigated through macroeconomic headwinds with determination and expertise, resulting in a double-digit growth of 20.7% for the quarter and 29.7% for the year, well above our guidance.

Our focus on operational efficiency and disciplined cost management strategies yielded a strong EBITDA margin Aj. of 25.5% for the quarter and 21.5% for the year, in line with guidance. By the end of 2023, our ROE stood at 13.78% and ROIC at 13.77%, these figures underscore our ability to generate significant returns for our shareholders. Additionally, the opening of 47 new stores further solidified our market presence and extended our reach to new customers while diversifying our footprint. These results are a testament to the dedication and expertise of our entire team.

Looking ahead to 2024, we anticipate this momentum to continue, with sales expected to achieve mid to high single-digit growth. We remain steadfast in our commitment to maintaining an EBITDA margin at levels of 20%, indicative of our unwavering operational discipline and strategic planning. Our CapEx remains consistent, projected to remain between 4.5% to 5% of net sales, aligning with our prudent investment approach aimed at maximizing shareholder value while ensuring sustainable growth.

Our commitment stands firm to maintain a leverage profile within our internal target of around 2.5x, ensuring a balanced approach to capital allocation and risk management. As we explore opportunities for refinancing bonds, we remain vigilant, carefully assessing market conditions to identify the optimal timing for such initiatives.

I extend my sincere gratitude to all our bondholders, stakeholders, customers, and dedicated AXO team for their unwavering support and commitment. Together, we will continue to navigate challenges, seize opportunities, and deliver sustainable growth and value creation in the years ahead.

Andrés Gómez, CEO

Operating Results by Segment

Lifestyle Sales

This segment operates 429 direct-to-consumer retail stores, 73 Shop-in-Shops, 6,171 corners, 26 digital stores and 3 Apps across Mexico, Chile, Peru, and Uruguay. This segment is composed of a portfolio of internationally recognized brands managed through JVs and exclusive partnerships, such as Tommy Hilfiger, Brooks Brothers, Victoria Secret, Gap, Calvin Klein, Old Navy, among others.

Off-Price Sales

This segment operates 232 direct-to-consumer retail stores, 2 digital platforms and 1 App under the following store formats: Promoda (Mexico), Urban Store (Mexico), Reduced (Mexico), Privalia (Mexico), and Surprice (Chile and Peru). These banners offer hundreds of well-known brands at significant discounts.

Athletics & Outdoors Sales

The Athletics & Outdoors segment has 214 direct-to-consumer retail stores, 8 Shop-in-Shops, 743 corners, 9 e-commerce websites and 3 Apps. This segment is composed of a portfolio of license agreements with international brands as well as owned multi-brand store concepts, including: The North Face, TAF, Nike, Andesgear, Lust, among others.

FINANCIAL ANALYSIS

Income Statement Analysis

MXN&mm	4Q23	4Q22	Var %	2023	2022	Var %
Net Sales and Service Revenue	8,231.3	6,818.2	20.7%	24,708.6	19,047.6	29.7%
Cost of Goods Sold	(3.978.4)	(3,584.1)	11.0%	(12,213.0)	(9,862.8)	23.8%
Gross Margin	51.7%	47.4%	423 bps	50.6%	48.2%	235 bps
Total Expenses	2,918.6	2,156.4	35.3%	(9,523.7)	(6,755.3)	41.0%
Adj. EBITDA[1]	2,101.4	1,444.0	45.5%	5,302.0	3,843.4	37.9%
Net Financial Cost	183.8	215.0	(14.5%)	(1,124.8)	(1,039.5)	8.2%
Income Taxes	(587.8)	(242.2)	N/M	(801.7)	(410.2)	95.4%
Net Income	562.7	620.5	(9.3%)	1,045.5	979.8	6.7%

Note: [1]Adjusted stands for (+/-) non-recurring items. During 2022 the Company had an income derived from a business acquisition recognized as profit at a bargain price. During 2023 the company had a non-recurring item without cash flow derived from an impairment of a subsidiary's goodwill.

Net Sales and Service Revenue

Net Sales and Service Revenue for the fourth quarter increased 20.7% to Ps. 8,231.3 million, compared to Ps. 6,818.2 million for the same period of 2022. This growth was due to a strong performance across all three segments.

For the full year, Net Sales and Service Revenue grew 29.7% to Ps. 24,708.6 million, compared to Ps. 19,047.6 million for 2022. This growth was due to a strong performance across all three segments.

- Total sales Lifestyle segment, including merchandise sold through retail, wholesale, e-commerce channels, and other service revenue, increased 20.6% vs 4Q22, reaching Ps. 4,293.8 million, mainly driven by the Acquisition as well as a very solid performance across channels and brands. Excluding the Acquisition, there was a 4.6% increase in net sales, with a strategic focus on quality sales and gross margin improvement.

  Throughout the full year, the segment saw a 32.9% growth compared to the previous year, and excluding the Acquisition, the yearly net sales increase was 14.9%.

- Total sales Off-Price segment, including the retail and e-commerce channels, increased 12.9% during the fourth quarter of 2023 vs the fourth quarter of 2022, reaching Ps. 2,226.7 million. As previously mentioned, this segment continues to trend positively. The main driver of this growth was a significant increase in sales in the offline channel, competitive pricing strategies, and increased inventory turnover. Excluding the Acquisition, stood at a 7.2% growth compared to the same period last year.

  For the full year, Off-Price segment had a growth of 15.5% vs the previous year. For the full year excluding Acquisition, the increase in net sales stood at 8.7% compared to the same period last year.

- Total sales Athletics & Outdoors segment which includes merchandise, sold through retail, wholesale and ecommerce channels, increased 33.0% to Ps. 1,710.8 million for 4Q23, compared to Ps. 1,286.5 million in 4Q22. This growth was mainly driven by both the Acquisition and the successful rollout in stores, alongside continued strong organic performance, resulting in 16.9% increase in net sales.

  For the full year, the segment enjoyed a 43.1% increase compared to 2022, with net sales growth standing at 21.9% when excluding the Acquisition.

Total digital sales for the fourth quarter of 2023 reached Ps. 1,085.5 million, representing a 13.2% of total sales. These sales include e-commerce platforms of our Lifestyle, Off-Price and Athletics & Outdoors segments.

Total digital sales for the full year 2023 represented 14.8% of total sales. These sales include e-commerce platforms of our Lifestyle, Off-Price and Athletics & Outdoors segments.

Cost of Goods Sold

Cost of Goods Sold increased 11.0% to Ps. 3,978.4 million from Ps. 3,584.1 million in the fourth quarter of 2022, driven by higher sales from existing brands with attractive margins and the South American acquisition.

Cost of Goods Sold increased 23.8% to Ps. 12,213.0 million from Ps. 9,862.8 million in the full year 2022, driven by higher sales from existing brands with attractive margins and the South American acquisition.

Gross Margin

Following our business plan of margin construction, Gross Margin increased by 423 bps, reaching 51.7%, compared to 47.4% in 4Q22, mainly supported by a pricing strategy and inventory optimization, which reduces our sales promotional activity.

For the full year, Gross Margin reached 50.6% during 2023 compared to 48.2% a 235 bps expansion vs 2022.

Total Expenses

Expenses for the fourth quarter of 2023 increased 35.3% to Ps. 2,918.6 million, compared to Ps. 2,156.4 million in the same period of 2022, mainly driven by:

- Administrative Expenses increased 43.2% to Ps. 1,498.8 million in the fourth quarter of 2023, compared to Ps. 1,046.9 million in 4Q22, mainly due to an increase in payroll, consultant's fees, utilities and right of use assets depreciation due to the Acquisition. Total depreciation and amortization for the quarter increased from Ps. 435.1 million in 2022 to Ps. 548.4 million in 2023. Right of use assets depreciation, included in total depreciation and amortization, during 4Q23 was Ps. 320.9 million compared to Ps. 248.1 million in 2022.

- Selling Expenses increased 23.1%, to Ps. 1,545.7 million in the fourth quarter of 2023. The upward trend, in line with sales, was mainly due to an increase, logistics expenses, in-store maintenance expenses and marketing expenses.

- Other Income and Other Expenses Other income (including profit sharing and net income of associates) for the three months ended December 31st, 2023, decreased to Ps.125.9 million, compared to Ps. 146.1 million in the fourth quarter of 2022 mainly due to the business acquisition income.

Expenses for the full year, increased 41.0%, to Ps. 9,523.7 million of 2023 vs Ps. 6,755.3 million of 2022, mainly driven by the integration of operations in South America.

Net Financial Cost

Net Financial Cost for the fourth quarter of 2023 decreased 14.5% to Ps. 183.8 million, from Ps. 215.0 million in the same period of last year. This effect was the result of:

- Interest Expense for 4Q23 increased to Ps. 392.3 million from Ps. 313.3 million in 4Q22, driven by a combination of factors: the growth in financial debt, higher interest rates, and the growth in interest expenses related to lease liabilities. Lease liabilities interest expenses represented Ps. 93.1 million compared to Ps. 61.0 million for 4Q22.

- Interest Income increased 23.1% to Ps. 61.6 million in 4Q23, from Ps. 50.0 million in 4Q22. This growth was mainly driven by the issuance of overnight investments at higher interest rates.

- Foreign exchange income, net and other expenses, was Ps. 146.8 million compared to Ps. 48.2 million in the same period of 2022 due to the fluctuation of the Mexican peso against the U.S. dollar and its impact on our U.S. currency denominated obligations.

Net Financial Cost for 2023 increased 8.2% to Ps. 1,124.8 million, from Ps. 1,039.5 million in 2022.

Income Taxes

The effective tax rate for the annual financial statements as of December 31st, 2023 was 43.4%. Income tax expense is recognized at an amount determined by multiplying the profit before tax for the interim reporting period by management's representing annual income tax rate for the full financial year, adjusted for the tax effect of certain items recognized in full period.

Balance Sheet Analysis

Cash and Cash Equivalents

Cash and Cash Equivalents was Ps. 4,353.9 million at the end of the fourth quarter of 2023, compared to Ps. 4,827.7 million in 2022. This decrease was partly driven by investments in working capital as sales continue to grow, as well as the following events:

- An increase in trade accounts receivables as the wholesale channel expands organically and through new brands.

- Throughout the year, the provisional incremental income tax paid had an impact in results; we expect it to be offset in the annual statement.

Additionally, as of December 31st, 2023, CapEx amounted to Ps. 919.1 million. This was mostly offset by Komax's closing cash balance and financing flows which include a new financial loan disbursement of Ps. 1,611.4 million, a net capital increase of Ps. 213.3 million and dividends of Ps. 536.3 million following its acquisition.

Inventories, Net

Inventories as of December 31st, 2023, were Ps. 5,040.2 million, a 38.4% expansion compared to Ps. 3,641.0 million in 2022. This increase in inventories was mainly due to Komax's integration and Axo's business expansion, new store openings and digital growth. Excluding Komax's acquisition, inventory growth was 9.7% in the year.

Debt

Axo's debt balance as of December 31st, 2023, including lease liabilities, was Ps. 13,508.8 million compared to Ps. 10,701.4 million in December 31st, 2022. This represents a new bank loan disbursement due to the South American acquisition financing, as well as Komax's debt addition.

Our proforma Debt / EBITDA (as required in our local Debt leverage definition) ratio was 2.61x on December 31st, 2023, in line with our covenants.

	December 31st, 2023				December 31st, 2022			
	Gross Debt	Amortized Cost	Hedge Impact	Total Debt	Gross Debt	Amortized Cost	Hedge Impact	Total Debt
Short Term Bank Debt	352.0	(6.9)	-	**345.0**	-	-	-	**-**
Short Term Public Debt	-	-	-	**-**	-	-	-	**-**
Short Term right of Use (Lease) Liabilities	1,175.1	-	-	**1,175.1**	936.8	-	-	**936.8**
Long Term right of Use (Lease) Liabilities	2,145.1	-	-	**2,145.1**	1,647.7	-	-	**1,647.7**
Working Capital Debt	310.7	-	-	**310.7**	-	-	-	**-**
Long Term Public Debt	1,651.6	(8.1)	-	**1,643.5**	1,651.6	(11.5)	-	**1,640.1**
Long Term Bank Debt	1,665.6	(8.9)	11.2	**1,667.9**	-	-	-	**-**
International Bond	5,490.4	(56.2)	787.3	**6,221.5**	6,292.5	(79.4)	263.8	**6,476.8**
Total Debt	**12,790.5**	**(80.2)**	**798.5**	**13,508.8**	**10,528.6**	**(90.9)**	**263.8**	**10,701.4**

Cash Flow Statement Analysis

Net Cash Flow from Operating Activities

Net cash flow from operating activities reached Ps. 4,202.8 million compared to Ps. 3,783.6 million in the same period in 2022. This was mainly related to an increase in profit for the full year 2023.

Net Cash Flow from Investing Activities

Net cash flow from investing activities was negative Ps. 2,937.0 compared to negative Ps. 637.1 million in the same period of 2022. The cash outflow was mainly related to Komax's acquisition and other investments made during 2023, reaching Ps. 919.1 million in furniture, equipment, and leasehold improvements.

Net Cash Flow from Financing Activities

Net cash flow from financing activities resulted in negative Ps. 1,734.2 million, compared to negative Ps. 2,849.6 in 2022. This was a result of net equity issuance, which amounted to Ps. 213.3 million, a new bank loan disbursement of Ps. 1,611.4 million associated with the South American Acquisition, and an increase in bank debt related to letters of credit.

Analyst Coverage

As of December 31st, 2023, analyst coverage was provided by:

- Bank of America

About Axo

Axo is a Mexican multi-brand, fashion platform with 29 years of experience distributing and operating a portfolio of national and international recognized brands. Axo has operations in Mexico, Chile, Peru, and Uruguay and has a curated brand portfolio at diverse price points that caters to a broad spectrum of socioeconomic segments. Some of the brands in Mexico include Abercrombie & Fitch, Bath & Body Works, Brooks Brothers, Calvin Klein, Coach, Guess, Hollister, Laces, Lust, Nike, Old Navy, Olga, Rapsodia, Speedo, Taf, Taf Kids, Tommy Hilfiger, Victoria´s Secret, Warner´s, Privalia and Promoda; in Chile Abercrombie & Fitch, Andesgear, Bath & Body Works, Banana Republic, Brooks Brothers, DC, GAP, Kipling, Kivul, Mammut, Marmot, Old Navy, Surprice, The North Face, UGG and Victoria's Secret; in Perú, Banana Republic, GAP, Old Navy, Kipling, The North Face, SiSi, Surprice and Hydroflask; and in Uruguay Caffarena and SiSi.

Disclaimer

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This report is a summary by nature and, unless otherwise noted, is based on matters as they exist as of the date of preparation and not as of any future date. The information may be subject to updating, completion, revision and amendment and such information may change materially. The Company assumes no obligation to update any information provided herein, and any opinions expressed in it are subject to change without notice. No representation or warranty, express or implied, is made and no responsibility or liability is accepted by the Company, its advisors, parent or subsidiary undertakings of any of the foregoing or any such person's affiliates, directors, officers or employees, or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation and any reliance you place on them will be at your sole risk. Neither the CNBV nor any other governmental authority has reviewed, approved, or disapproved the information contained in this report, its sufficiency, or its truthfulness.

Forward-looking Statements

This report contains certain forward-looking statements relating to the business, financial performance, and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts. The forward-looking statements contained in this report, including assumptions, opinions, and views of the Company, or cited from third party sources are solely opinions and forecasts which are uncertain and subject to risks. A multitude of factors can cause actual events to differ significantly from any anticipated development and trends described herein could differ materially from those described by forward-looking statements due to various factors, including those beyond our ability to control or predict and you should not place reliance on the forward-looking statements.

Financial Statements

Financial statements include Komax acquisition starting March 2023.

Income Statement

Grupo AXO S.A.P.I. de C.V. and Subsidiaries

Consolidated Income Statements

	Twelve Months			Three Months		
(million MXN)	December 31st, 2023	December 31st, 2022	%△	December 31st, 2023	December 31st, 2022	%△
Net sales and service revenue	24,708.6	19,047.6	29.7%	8,231.3	6,818.2	20.7%
Cost of goods sold	12,213.0	9,862.8	23.8%	3,978.4	3,584.1	11.0%
Gross profit	12,495.6	9,184.8	36.0%	4,252.9	3,234.2	31.5%
% Gross profit margin	50.6%	48.2%	235 bps	51.7%	47.4%	423 pbs
Administration expenses	5,071.8	3,524.0	43.9%	1,498.8	1,046.9	43.2%
Selling expenses	4,716.3	3,587.9	31.5%	1,545.7	1,255.6	23.1%
Other (income) and expenses, net	(264.4)	(356.6)	(25.9%)	(125.9)	(146.1)	(13.8%)
Total Expenses	9,523.7	6,755.3	41.0%	2,918.6	2,156.4	35.3%
% of revenue	38.5%	35.5%		35.5%	31.6%	
Operating income (loss)	2,971.9	2,429.5	22.3%	1,334.3	1,077.7	23.8%
Interest expense (income)	1,550.5	1,174.9	32.0%	392.3	313.3	25.2%
Other (income) expense, net	(425.7)	(135.5)	N/A	(208.4)	(98.2)	N/M
Financial cost, net	1,124.8	1,039.5	8.2%	183.8	215.0	(14.5%)
Earnings (loss) before taxes	1,847.1	1,390.0	32.9%	1,150.5	862.7	33.4%
Income tax expense	801.7	410.2	95.4%	587.8	242.2	N/M
Net Income (loss)	1,045.5	979.8	6.7%	562.7	620.5	(9.3%)
Non-controlling interest	454.9	415.4	9.5%	116.9	118.1	(1.1%)
Controlling interest	590.6	564.4	4.6%	445.8	502.4	(11.3%)
Notes:						
Depreciation and amortization	850.1	659.7	28.9%	227.5	187.0	21.7%
Right of use assets depreciation	1,261.3	937.6	34.5%	320.9	248.1	29.3%
Total depreciation and amortization	2,111.4	1,597.3	32.2%	548.4	435.1	26.0%
Non-operating and non-cash items	218.7	(183.4)	N/A	218.7	(68.8)	N/M
Adj. EBITDA[1]	**5,302.0**	**3,843.4**	**37.9%**	**2,101.4**	**1,444.0**	**45.5%**
Adj. EBITDA Margin[1]	**21.5%**	**20.2%**	**128 bps**	**25.5%**	**21.2%**	**435 pbs**

Note:[1]Adjusted stands for (+/-) non-recurring items. During 2022 the Company had an income derived from a business acquisition recognized as profit at a bargain price. During 2023 the company had a non-recurring item without cash flow derived from an impairment of a subsidiary's goodwill.

AXO

Balance Sheet

Grupo AXO S.A.P.I. de C.V. and Subsidiaries Consolidated Statements of Financial Position (Unaudited)		
(MXN million)	**December 31st,2023**	**December 31st,2022**
ASSETS		
Current assets:		
Cash and cash equivalents	4,353.9	4,827.7
Accounts receivable, net	1,206.3	890.3
Related parties	2.0	5.8
Other receivables, net	818.0	308.6
Inventories, net	5,040.2	3,641.0
Prepaid expenses	268.9	249.3
Derivative financial instruments	-	-
Total current assets	**11,689.3**	**9,922.8**
Non-current assets		
Leasehold improvements, furniture and equipment, net	2,491.4	1,921.4
Right-of-Use Assets	3,275.9	2,533.8
Equity-accounted investees	755.3	559.4
Goodwill	4,822.8	3,703.9
Other long-term credits	-	16.3
Intangible assests, net	3,075.0	2,691.5
Deferred income taxes	1,834.0	1,583.7
Guarantee deposits	160.3	137.3
Derivative financial instruments LT	158.3	351.7
Total non-current assets	**16,573.0**	**13,499.1**
TOTAL ASSETS	**28,262.3**	**23,421.9**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of notes payable to banks	655.7	-
Accounts payable	4,742.1	3,742.3
Short-term debt	-	-
Provisions	459.2	458.7
Income taxes payable and deferred income tax optional regime	341.9	296.5
Contract liabilities	111.4	141.4
Lease liabilities	1,175.1	936.8
Derivative financial instruments	18.1	99.4
Total current liabilities	**7,503.6**	**5,675.0**
Non-current liabilities		
Deferred income taxes	1,269.8	815.2
Notes payable to banks, excluding current installments	1,656.7	-
International Bond	5,434.2	6,213.1
Long-term debt	1,643.5	1,640.1
Other liabilities LT	982.5	633.3
Lease liabilities LT	2,145.1	1,647.7
Total non-current liabilities	**13,131.8**	**10,949.4**
TOTAL LIABILITIES	**20,635.4**	**16,624.4**
Total stockholders' equity	**7,626.9**	**6,797.5**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**28,262.3**	**23,421.9**

Cash Flow Statement

Grupo AXO S.A.P.I. de C.V. and Subsidiaries Consolidated Cash Flow Statement (Unaudited)		
(MXN million)	**December 31st, 2023**	**December 31st, 2022**
Profit for the Period	1,045.5	979.8
Other Operating Non-Cash Items[1]	4,562.8	3,007.9
Changes in Working Capital[2]	(1,405.5)	(204.1)
Net Cash Provided by Operating Activities	**4,202.8**	**3,783.6**
Business Acquisition[3]	(2,033.6)	(114.7)
Investment in associates	-	-
Acquisition of Furniture, Equipment and Leasehold Improvements	(919.1)	(609.3)
Other[4]	15.6	86.9
Net Cash Provided by Investing Activities	**(2,937.0)**	**(637.1)**
Unlevered Free Cash Flow[5]	1,265.7	3,146.5
Equity Related[6]	(334.5)	(633.0)
Differed Business Acquisition Payment[3]	-	-
Debt Related[7]	(1,399.7)	(2,216.6)
Net Cash Provided by Financing Activities	**(1,734.2)**	**(2,849.6)**
Net Increase (decrease) in Cash and Cash Equivalents	**(468.5)**	**296.9**
Effect of Exchange Rate Changes	(5.3)	(20.5)
End of Period Change in Cash and Cash Equivalents	**(473.8)**	**276.4**
End of Period Cash and Cash Equivalents	**4,353.9**	**4,827.7**

Notes: [1]Income taxes, depreciation, right-of-use asset depreciation, amortization, impairment of goodwill, loss on disposal of fixed assets, intangibles & key money, share profit of equity accounted investees, employee statutory profit sharing, interest income and expense, changes in employee benefit valuation, derivative financial instruments, unrealized exchange rate gain and loss, amortized cost of debt, one-times and non-cash / non-recurring expenses for, effect of exchange rate changes on cash and cash equivalents; [2] Includes accounts receivable, accounts receivable from related parties, other receivables, inventories, prepayments, trade accounts payable and acquired liabilities, accruals, royalties and commissions payables, income taxes paid, derivative financial instruments, employee statutory profit sharing paid, accounts payable to related parties, differed revenue and advances from customers; [3] For payments related to business acquisition that were paid after a year or more, they are registered in financing activities; [4] Includes acquisition of intangible assets, increase in security deposits, dividends received form associates, and interest received; [5] Net cash provided by operating activities + net cash provided by investing activities. Does not include interest expense and IFRS 16 cashflow effect; [6] Includes proceeds from issue of share capital, repurchase of treasury shares, payment of dividends, sale of shares, repurchase of shares; [7] Includes lease payments, acquisition of key money paid to a lessor, incentives received form landlords, proceeds from issue of debt, cost of issuing debt, proceeds from loans, cost of obtaining bank loans, interests paid, payments of bonds and payments of loans.

Shareholders’ Equity Statement

Grupo Axo S.A.P.I. de C.V. and subsidiaries
Condensed Consolidated Statements of Changes in Stockholders’ Equity as of December 31, 2023 and December 31, 2022
(MXN million)

		Capital stock	Additional paid-in capital	Retained earnings	Other comprehensive income	Stockholders' equity - controlling interest	Non-controlling interest	Total Stockholders' equity
Balances as of December 31, 2022	**$**	**3,970.6**	**964.2**	**419.4**	**(150.0)**	**5,204.2**	**1,593.3**	**6,797.5**
Capital stock increase, net from issuance cost and stock reimbursement		213.3	-	-	-	213.3	-	213.3
Dividends decreed		-	-	(236.3)		(236.3)	(300.0)	(536.3
Executive stock option plan		-	99.7	-	-	99.7	-	99.7
		4,183.8	**1,063.9**	**183.2**	**(150.0)**	**5,280.9**	**1,293.3**	**6,574.2**
Net comprehensive income								
Profit for the period		-	-	590.6	-	590.6	454.9	1,045.5
Translation effect of subsidiaries		-	-	-	(5.3)	(5.3)	-	(5.3)
Profit and Loss					(1.3)	(1.3)	(0.1)	(1.4)
Change in valuation of derivative financial instruments		-	-	-	(9.4)	(9.4)	23.4	14.0
Net comprehensive income		-	-	**590.6**	**(16.1)**	**574.5**	**478.3**	**1,052.8**
Balances as of December 31, 2023	**$**	**4,183.8**	**1,063.9**	**773.7**	**(166.1)**	**5,855.4**	**1,771.6**	**7,626.9**

Notes corresponding in the prior fiscal year. December 2023

(1) Reporting Entity-

Grupo Axo, S. A. P. I. de C. V. and its subsidiaries (together referred to as "Axo" or the "Company") is a company incorporated under the laws of the United Mexican States or Mexico on January 27, 2000, for an indefinite term. The Company is a legal entity that promotes the growth of companies through the injection of private capital. The address of Axo is at Boulevard Manuel Ávila Camacho No. 5, Torre C, Piso 22, Fraccionamiento Lomas de Sotelo, Municipio de Naucalpan de Juárez, C.P. 53390, Estado de México.

The primary purpose of Axo is the sale and marketing of premium brands clothes and accessories, and it develop its operations in shopping malls located in Mexico, Republic of Chile, Republic of Peru and in the Oriental Republic of Uruguay, as well as through the use of digital platforms.

(2) Significant Transactions-

(a) Business Combination

i. Komax

On November 30, 2022, Axo and Axo Chile Inversora SpA (subsidiary of Axo) jointly signed a sale and purchase agreement to acquire 100% of shares in Komax S.A. (the "Transaction"), an entity dedicated to the representation of exclusive brands of clothing, footwear and accessories. Komax S.A. comprise three entities located in three different countries: Komax S.A. in Chile, Komax Perú S.A.C. in Peru and Abolam S.A. in Uruguay.

As a result of the Transaction, Axo determined to be the acquirer, in accordance with the guidance established in the International Financial Reporting Standard 3 ("IFRS 3") and obtained control over the acquired business on March 22, 2023 ("acquisition date"), Axo accounted the business combination under the acquisition method. The amounts corresponding to the assets acquired and the liabilities assumed have been taken, based on a purchase price allocation analysis ("PPA") prepared with the support of an external advisor, see note 10.

ii. On Stores México

On August 1, 2022, LT Fashion, S.A. de C.V. ("LT Fashion" or the "Buyer"), a subsidiary of the Company, acquired certain assets of ON Stores in Mexico, pursuant to the Asset Purchase and Assignment Agreement signed together with ON Stores México, S. de R.L. de C.V. ("ON Stores México" or the "Seller"), a subsidiary of The Gap Inc., upon compliance with the conditions defined therein and considering the approval by the Federal Economic Competition Commission ("Comisión Federal de Competencia Económica" or "COFECE"). Based on the analysis carried out under IFRS 3, the transaction qualified as a business combination. See note 10.

Simultaneously with the indicated business combination, a Franchise Agreement was signed between GPS Strategic Alliances, LLC (the "Franchisor"), Old Navy (ITM) Inc. (the "Licensor") and the Buyer (the "Franchisee"), in order to grant the Company a license with the rights to operate, manage and distribute the Old Navy® brand in Mexico, as well as a Temporary Services Agreement between the Seller and the Buyer.

(3) Basis of preparation-

a) Basis of accounting and statement of compliance

The accompanying Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

On April 29, 2024, Mr. Raúl del Villar Zanella, Vicepresident of Finance and Administration of Axo authorized the issuance of the accompanying Consolidated Financial Statements and related notes thereto.

In accordance with the General Corporations Law and the bylaws of Grupo Axo, S. A. P. I. de C. V. and subsidiaries, the stockholders are empowered to modify the Consolidated Financial Statements after issuance. The accompanying Consolidated Financial Statements will be submitted to the next stockholders' meeting for approval.

b) Functional and reporting currency

The Consolidated Financial Statements are presented in Mexican pesos ("pesos" or "$") the measurement currency of Mexico, which is Axo's functional currency.

For purposes of disclosure in the notes to the Consolidated Financial Statements when reference is made to "dollars" or "USD", it means dollars of the United States of America.

c) Use of estimates and judgments

The preparation of Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results could differ from these estimates and assumptions.

Estimates and relevant assumptions are reviewed on an ongoing basis. The changes resulting from these reviews are recognized prospectively.

Judgements

Information about judgements made in applying accounting policies that have significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following notes:

- Note 4 (a) (i) – consolidation: whether Axo has de facto control over an investee (Baseco, S. A. P. I. de C. V. and Moda Rapsodia, S. A. de C. V.);
- Note 4 (n) –revenue recognition: whether revenue from the sale of the products is recognized over time or at a point in time;
- Note 4 (h) – lease term: whether Axo is reasonably certain to exercise renewal or extension options;
- Note 19 - Equity-accounted investees: whether Axo has significant influence over an investee.

A. Assumptions and estimation uncertainties

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year, is included next page.

- Note 4 (b) - business combinations: fair value of the consideration transferred and fair value of the acquired assets acquired and liabilities assumed, measured on a provisional basis;
- Note 4 (g) (iii) - useful life of leasehold improvements, furniture and equipment;
- Note 4 (i) (iii) - useful life of intangible assets;
- Note 4 (d) (v) - measurement of the expected credit losses allowance for accounts receivable; key assumptions in determining the weighted-average loss rate;
- Note 4 (i) (i) - impairment test of goodwill and other intangible assets of indefinite life, key assumptions underlying recoverable amounts;
- Note 4 (e) - allowance for slow movement of inventories;
- Notes 4 (k) and 4 (r) - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of economic resources;
- Note 4 (l) (i) – measurement of defined benefit obligations: key actuarial assumptions;
- Note 4 (l) (iv) – actuarial assumptions used in the determination of the likelihood of instruments to be vested and business valuations techniques for the determination of the value of the options at the grant date.
- Note 4 (q)- recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be used; and
- Note 4 (n) – revenue recognition: estimate of variable considerations and expected returns.

(4) Material accounting policies-

The accounting policies set out below have been applied consistently by Axo to all periods presented in these Consolidated Financial Statements, except if mentioned otherwise.

In addition, Axo adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of "material" accounting policies rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policies information disclosed in financial statements.

a) Basis of consolidation and equity method-

i. Subsidiaries and Associates-

Subsidiaries are entities controlled by Axo. Axo 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 on which control commences until the date on which control ceases.

Axo companies are incorporated in Mexico, Chile, Peru and Uruguay. As of December 31, 2023, the Company has 39 subsidiaries and 2 associates (equity-accounted investees). As of December 31, 2022, the Company has 35 subsidiaries and 2 associates (equity-accounted investees).

Main Activities	Companies	Shareholding (%) 2023	2022
Merchandising of apparel and accessories of the brands Tommy Hilfiger, Calvin Klein, Speedo, Warner´s, Olga, Rapsodia, Brooks Brothers, Brunello Cucinelli, Coach Abercrombie & Fitch, Hollister, Promoda Outlet, Urban Store, Reduce, Rewind, Old Navy, Banana Republic, Kipling, GAP, The North Face, Marmot, among others	Baseco, S. A. P. I de C. V. (1)	51%	51%
	Moda Rapsodia, S. A. de C. V. (1)	50%	50%
	I Nostri Fratelli, S. de R. L. de C. V. (1)	99.99%	99.99%
	Cotone Italiano, S. A. de C. V. (1)	99%	99%
	Ledery México, S. A. de C. V. (1)	99.99%	99.99%
	East Coast Moda, S. A. de C. V. (1)	99%	99%
	Multibrand Outlet Stores, S. A. P. I. de C. V. (1)	100%	100%
	LT Fashion, S. A. de C. V. (1)	99%	99%
	Komax S. A. (1) (5) (6)	100%	-
	El Hogar De Las Medias S. A. (1) (5) (7)	100%	-
	Komax Perú S. A. C. (1) (5)	100%	-
Merchandising of shoes and sports equipment	Teoría Básica, S. A. de C. V. (1)	99%	99%
	Downtown Guru, S. A. de C. V. (1)	60%	60%
	Tennix, S. A. de C. V. (1)	100%	100%
Merchandising of beauty items, personal care and accessories of the Victoria's Secret brand and the Bath & Body Works brand	Stripes Chile, SpA. (1)	100%	100%
	Red Stripes, S. A. de C. V. (1)	99%	99%
	Blue Stripes, S. A. de C. V. (1)	99%	99%
	Blue Stripes Chile, SpA (1)	100%	100%
Merchandising of products on internet	Privalia Venta Directa, S. A. de C. V. (1)	100%	100%
Inactive entities	Cherry Stripes, S. A. de C. V. (1)	99%	99%
	East Coast Chile SpA (1)	100%	100%
	Chps México, S. A. de C. V. (1)	99%	99%
	Polka Dot, S. A. de C. V. (1)	99%	99%
	Administradora GEP, S. A. de C. V. (1)	100%	100%
	Alianza Retail and Outlet, S. A. de C. V. (1)	100%	100%
	Integración de Capital Axo, S. A. de C. V. (1)	99.99%	99.99%
	Talented People, S. de R. L. de C. V. (1)	100%	100%
	CTBL México, S. A. de C. V. (1) (4)	99.99%	99.99%
	East Coast Chile SpA	100%	100%
	Axo Chile SpA (1)	100%	100%
Human resources provider	Servicios de Capital Humano Axo, S. A. de C. V. (1)	99.99%	99.99%
Technology services and royalties	Media Partnering, S. A. P. I. de C. V. (1)	99.99%	99.99%
	Imperio Italiano, S. A. de C. V. (1)	99.99%	99.99%
	Mexpress Moda, S. A. de C. V. (1)	99.99%	99.99%
	Intercambio Italiano, S. A. de C. V. (1)	99.99%	99.99%
Lease and sublease of commercial facilities	Tiendas Urbanas, S. A. de C. V. (1)	99%	99%
Financial services	Retail Moda México, S. A. P. I. de C. V. SOFOM ENR (1)	100%	100%
Holding company	Axo Rig, S. A. P. I. de C. V. (1)	99.99%	99.99%

Associates	Companies	Shareholding (%)	Shareholding (%)
Merchandising of apparel and accessories of Guess? Brand.	Guess, S. de R.L. de C. V. (2)	49%	49%
Buying and reselling second handed clothes	Vopero Inc (3)	29.77%	20%

1. Axo controls these two entities based on the control model established by IFRS 10.
2. Associate through which Axo have the right to market the brand. Axo recognizes its ownership interest using the equity method.
3. Associate in which Axo has significant influence. Axo recognizes its ownership interest in profit or loss using the equity method.

4. On August 23, 2022, CTBL México, S. A. de C. V. and Crate & Barrel Holdings, Inc. signed a termination agreement where Axo can continue selling the merchandise until February 2023.
5. Since the business combination carried out on March 22, 2023, Axo owns 100% of the acquired business (see Note 10).
6. On May 2, 2023, the merger of Axo Chile Inversora SpA (as the acquiree entity) with Komax S.A. (as the acquirer entity) was approved.
7. On August 31, 2023, Axo carried out a corporate restructuring, acquiring all the shares of EHDLM by signing a share purchase agreement with Abolam, therefore, from that date onwards, such company is directly controlled by Axo.

ii. Non-controlling interest (NCI)-

NCI is measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in Axo's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Loss of control-

When Axo loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and 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. Transactions eliminated on consolidation-

Intragroup balances and transactions and unrealized income or expenses (except for foreign currency transaction gains or losses) arising from intragroup transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Axo'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.

v. Interests in equity-accounted investees -

Investments accounted for under the equity method include shares in associates and joint ventures.

An associate is an entity over which Axo has significant influence but not joint control or control over its financial and operating policies. Decisions and the use of resources coming from the associate must be approved by its majority shareholder.

A joint venture is an agreement in which Axo has joint control, through which Axo is entitled to the net assets of the agreement and not rights to its assets and obligations for its liabilities.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, including transaction costs. After initial recognition, the Consolidated Financial Statements include Axo's share in profit or loss and the comprehensive income of equity-accounted investments, until the date when significant influence or joint control ceases.

Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When Axo's share of the losses of an associate equal or exceeds its interest in the associate (which includes any long-term interest that in substance forms part of Axo's net investment in the associate), Axo does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between Axo companies and their associates are eliminated up to the amount of Axo's interest in the associate. Unrealized losses are also eliminated unless the transaction provides some evidence of impairment of the transferred asset. The accounting policies of equity-accounted investees have changed when necessary to ensure consistency with the policies adopted by Axo.

The carrying amount of investments under the equity method is tested for impairment in accordance with the policy described in note 4 (j).

b) Business combinations-

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

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

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The consideration is calculated as the sum of all assets transferred, less all liabilities incurred thereby with the previous owners of the company acquired as of the date of acquisition. The transaction costs are generally recognized in profit or loss, as incurred, except if they are related to the issue of debt or equity instruments. As of the date of acquisition, the identifiable assets acquired, and the liabilities assumed shall be recognized at fair value.

Goodwill is measured as the excess resulting from adding the consideration transferred, the amount of any non-controlling interest in the company acquired, and the fair value of the previous stock trend of the acquirer in the company acquired (if any) over the net amount of the identifiable assets acquired and liabilities assumed as of the date of acquisition. If after a revaluation of the net of the identifiable assets and liabilities assumed as of the date of acquisition exceeds the amount resulting from adding the consideration transferred, the amount of any non-controlling interest in the company acquired (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

The non-controlling interests that are equity interests and that grant their holders a proportional share of the entity's net values in case of liquidation, may be initially measured either at fair value or at the value of the non-controlling interest's proportional share in the recognized amounts of the identifiable net assets of the acquired company. Other types of non-controlling interests are measured at fair value or, when applicable, based on the specifications of another IFRS.

The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. The accounting treatment for changes in fair value of the contingent consideration that do not qualify as adjustments to the measurement period depends on how the contingent consideration is classified. The contingent consideration classified as capital is not remeasured on later reporting dates and its later settlement is accounted for within the capital. The contingent consideration that is classified as an asset or a liability is remeasured on later reporting dates under IAS 39 or IAS 37, Provisions, contingent liabilities, and contingent assets, as appropriate, recognizing the corresponding gain or loss in the Consolidated Statement of Comprehensive Income.

If in an acquisition of a subsidiary the seller has a "call option" on its non-controlling interest, Axo recognizes a liability. This liability is initially recognized at market value, and changes in its value are recognized within the equity.

When a business combination is achieved in stages, the previous equity interest of the entity in the acquired company is remeasured at fair value as of the date of acquisition and the resulting gain or loss, if any, is recognized in the income statement. The amounts derived from interests in the acquired company before the date of acquisition that have been previously recognized in other taxable results, are reclassified in the income statement when this treatment is appropriate if such interest is eliminated.

If the initial accounting treatment of a business combination is incomplete by the end of the reporting period where the combination occurs, the entity shall report in its Consolidated Financial Statements provisional amounts for the items for which the accounting is incomplete. Such provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized to reflect the new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

When Axo loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any related non-controlling interest, and other components of equity. Any resulting gain or loss is recognized in profit or loss. If Axo retains any interest in the former subsidiary, it will be measured at its fair value on the date on which control is lost.

c) Foreign currency-

i. Foreign currency transactions-

Transactions in foreign currencies are translated into the respective functional currencies of Axo companies at the exchange rates at the date of the transactions.

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

However, foreign currency differences arising from the translation of the flow hedge items or cash hedges valuation are recognized in other comprehensive income (OCI) until the risk for which they were contracted is concluded and it is taken through profit or loss in the same line of the hedged item.

ii. Foreign operations-

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Mexican pesos at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Mexican pesos at the exchange rates at the dates of the transactions.

Foreign currency translation differences are recognized in Other Comprehensive Income (OCI) and presented in the translation reserve, except if the translation difference is allocated to the non-controlling interest.

When a foreign operation is fully or partially disposed of so that control, significant influence, or joint control is lost, the amount accumulated in the currency translation reserve relating to foreign business should be reclassified to profit or loss as part of the disposition gain or loss on disposal.

If Axo disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the accumulated amount is reattributed to the non-controlling interest.

If Axo disposes of only part of an associate or joint business while retaining significant influence or joint control, the relevant proportion of the cumulative amount reclassified to profit or loss.

d) Financial instruments-

i. Recognition and initial measurement

Financial assets and liabilities - including accounts receivable and payable - are initially recognized when they are originated or acquired, or when these liabilities are issued or assumed. All other financial assets and financial liabilities are initially recognized when Axo becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities (unless it is an account receivable or payable without a significant financing component) are initially measured at fair value plus, or minus, for an item not at fair value through profit or loss, transaction costs directly attributable to its acquisition or issuance. An account receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified in the following categories, according to the business model and the characteristics of the contractual cash flows therefrom, as follows:

- Accounts receivable, which includes accounts receivable derived from the sale of goods and services and other accounts receivable derived from activities other than the sale of goods and services.

- Financial instruments to collect principal and interest (SPPI), whereby the holder intends to recover the contractual cash flows that the instrument entails. The terms of the contract provide for cash flows on pre-established dates, which correspond only to payments of principal and interest (yield), typically based on the amount of the outstanding principal. The SPPI must have characteristics of a financing arrangement and be managed based on contractual performance.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

This includes all derivative financial assets (see Note 28). On initial recognition, Axo may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The classification of financial assets is based on both the business model and the characteristics of the contractual cash flows therefrom. According to the business model, a financial asset, or a class of financial assets (a portfolio), can be managed under:

- A model that seeks to recover contractual cash flows (consisting of principal and interest).
- A business model that seeks both, to recover contractual cash flows as in the previous model and selling financial assets.
- A model that seeks maximum return through the purchase and sale of financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified to the new category at the time the change in the business model has occurred.

The reclassification of investments in financial instruments between categories is applied prospectively as of the date of change in the business model, without modifying any previously recognized income, such as interest or impairment losses.

Financial assets - Business model assessment:

The Company make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining an interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (SPPI) –

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses –

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see section iii. of this note for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in income. Any gain or loss on derecognition is recognized in income.
Debt investments at fair value through other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated under the effective interest method, gains, and losses from translation of foreign currency and impairment are recognized in income. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is reclassified at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii. Derecognition

Financial assets

Axo derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all the risks and rewards of ownership of the financial asset are transferred; or
- Axo neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability from its consolidated statement of financial position 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 from its consolidated statement of financial positions, 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.

iv. Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Company designates certain derivatives swaps, forwards, CAP as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedge accounting-

Cash flow hedges

When a derivative instrument is designated as a cash flow hedge instrument, the effective portion of the changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within other gains/(losses).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity using a recalculated effective interest rate.

Financial instruments

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 - 120 days past due, except in cases where the Company has information that the risk has not increased significantly.

The Company considers a financial asset to be in default when:

the debtor is unlikely to pay its credit obligations to Axo in full, without recourse by the Company to actions such as realizing security (if any is held); or
the financial asset is more than 90 - 120 days past due, or when the Company has reasonable and supported information to consider that a longer term is a more appropriate criterion.

For Axo it is necessary to calculate the expected credit losses (ECL) for the accounts receivable of the portfolio, based on certain risk characteristics assumed by the Company, these are measures using individual analysis and under a financial situation review approach of each client.

According to the IFRS 9, the ECL must be calculated for the lifetime of the instrument if the credit risk of the instrument has increased significantly since its initial recognition. In any other case, it must be measure at 12-months ECLs.

Collective analysis requires the estimation of credit risk parameters considering past, present, and future information that is available without incurring a disproportionate cost or effort. In accordance with the foregoing, the Company has decided to determine the expected loss based on the behavior and a collection analysis of each client in which it determines the difference in expected flows against contractual flows as the value of the provision.

The Company does not consider the criteria for significant risk increases and risk stage classification, as its assessment of unrecoverable accounts is individually per customer. In addition, in the case of accounts receivable of commercial origin, the Company may use a simplified method of estimating expected loss.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at fair value through OCI 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 - 120 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for expected credit losses in the statement of financial position.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due, based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

e) Inventories and cost of sales-

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined using the average costs method and includes the disbursements in acquiring the inventories and other costs incurred in their transfer to their current location and conditions.

Cost of sales represents the cost of inventories at the time of their sale, decreased, as appropriate, up to their net realizable value. Net realizable value is the estimated sales price in the normal course of business, less estimated termination costs and selling expenses.

Within reportable segment of Off-Price, the Company has merchandise paid after it is sold ("PAS Merchandise"). Under these arrangements the Company takes possession and control, but not legal title, of merchandise once it is received at stores and/or distribution centers. Once the Company takes possession of PAS Merchandise, it is able to market the merchandise as provided for such arrangements. Upon the sale of PAS Merchandise to the end customer, the Company: (i) act as a principal vis-à-vis the end customer, fulfilling the performance obligation to provide the merchandise and it is the sole responsible party for claims and returns, (ii) receives an invoice from the supplier that is typically payable within 30 and 60 days, and (iii) simultaneously books the PAS Merchandise as inventory, recognizes the income from the sale and records the cost of goods sold.

To represent the value of inventories appropriately in the statement of financial position, and considering the risks associated with the realization and sale of inventories due to slow inventory movement, an allowance for this concept has been directly deducted from the carrying amount of the inventories. Such allowance is dependent upon factors such as historical sales trends and promotional environment. Write downs are recorded in cost of sales in the consolidated statements of comprehensive income.

f) Prepayments-

Mainly includes the prepaid expense for inventory purchases, and services that are received in the ordinary course of operations.

g) Leasehold improvements, furniture, and equipment-

i. Initial recognition

Leasehold improvements, furniture, and equipment are stated at cost of acquisition less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Acquired computer programs that are integral to the functionality of the corresponding asset is capitalized as part of that equipment.

Gains and losses on the sale of an item of furniture and equipment are determined by comparing the sales price against the book value of furniture and equipment and are recognized net as an "other income" in profit or loss.

ii. Subsequent costs

Subsequent costs of an item of leasehold improvements, furniture and equipment is recognized in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Axo and its cost may be measured reliably. The carrying amount of the replaced items are eliminated. All other repairs and maintenance costs of furniture and equipment are recognized in the Consolidated Statement of Comprehensive Income as incurred.

iii. Depreciation and amortization

Depreciation is calculated to write off the cost of items of leasehold improvements, furniture, and equipment less their estimated residual.

Depreciation is calculated under the straight-line method over the estimated useful lives of the assets and is generally recognized in profit or loss as of the month following that in which the assets are available for use.

The estimated useful lives of the main groups of assets for current and comparative periods are as follows:

	Useful life
Leasehold improvements	According to the contract term
Office furniture and equipment	10 years

Transportation equipment	4 to 10 years
Computer equipment	3 to 5 years

Leasehold improvements are amortized over the lesser of the useful life of the improvement or the related lease contract term.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Minor repairs and maintenance costs are expensed as incurred.

h) Leases-

At inception of the contract, Axo assesses to determine whether the arrangement is or contains a lease. A contract or part of a contract contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

i. As a lessee-

At commencement or on modification of a contract that contains a lease component, Axo allocates the consideration in the contract to each lease component based on the relative stand-alone price. However, in the case of real estate leases, Axo has chosen not to separate non-lease components and account for the lease components and the non-lease components as a single lease component.

Axo recognizes a right of use (ROU) asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for the lease payments made at or before the commencement date, plus all initial direct costs incurred and estimated costs for dismantling and removing the underlying asset, or restoring the site on which it is located, minus any lease incentives received.

Subsequently, the ROU asset is depreciated using the straight-line method at the commencement date and through the lease end date, unless the lease transfers ownership of the underlying asset to Axo at the lease end date or the cost of the ROU asset reflects that Axo is going to exercise a purchase option. In that case, the ROU asset is depreciated over the useful life of the underlying asset, which is determined on the same basis used for improvements made to leasehold premises, furniture, and equipment. In addition, the ROU asset is periodically reduced for impairment losses, if any, and adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date and discounted using the interest rate implicit in the lease or Axo's incremental borrowing rate if that rate cannot be readily determined. In general, Axo uses its incremental borrowing rate as the discount rate. Axo determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the asset type and term lease.

Lease payments included in measuring lease liabilities include the following:

- Fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate on the commencement date;
- amounts that the lessee expects to pay to the lessor under a residual value guarantee; and

- the exercise price of a purchase option if Axo is reasonably certain to exercise that option, lease payments in an optional renewal period if Axo is reasonably certain to exercise an extension option, and payment of penalties for early termination of the lease, if the lease term reflects Axo exercising that option.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when: (i) there is a change in future lease payments resulting from a change in an index or rate; (ii) there is a change in Axo's estimate of the amount expected to be paid under a guaranteed residual value; (iii) Axo changes its assessment of whether it will exercise a purchase or expansion option or an option to terminate; or (iv) there is an essential fixed lease payment has been modified.

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

Key money paid to a lessor

They represent space rights in shopping centers (key money) paid to a landlord and that do not allow the right to the entity to be able to commercialize the right. Amortization is calculated using the straight-line method, over a period ranging from 5 to 10 years according to the non-cancellable lease period. Axo presents the key money paid to a lessor as Right of use assets.

Short-term leases and leases of low-value assets

Axo does not recognize right-of-use asset (ROU) and lease liabilities for leases of low-value assets and short-term leases (less than 12 months). Axo recognizes lease payments associated with these leases as an expense on a straight-line basis.

Leases acquired in a business combination

Lease contracts acquired as part of a business combination are recognized as if they were new lease contracts at the entity's acquisition date in accordance with IFRS 3. For initial measurement, IFRS 16 is applied, considering the present value of the remaining rental payments at the acquisition date to determine the lease liability. The right-of-use asset is recognized for an amount equal to the lease liability, adjusted to reflect any favorable or unfavorable conditions of the contracts relative to market conditions.

i) Intangible assets and goodwill-

i. Goodwill-

The goodwill arising from acquisition of subsidiaries is presented separately from intangible assets and is not amortized, but impairment reviews are conducted annually or more frequently if events or changes in circumstances indicate possible impairment and recorded at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying value of goodwill related to the entity sold.

For the purpose of testing for impairment, goodwill acquired in a business combination is assigned to each of the Cash Generating Units (CGU) or Groups of cash generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Units or groups of units are identified at the lowest level within the entity to which goodwill is controlled for internal management purposes.

ii. Intangible assets with indefinite useful life-

Intangible assets with an indefinite useful life include trademarks, exclusive contracts, relationship with clients, franchises and key money paid to a third party (these agreements allow the transfer or sale of rights). Key money is considered intangible because this right allows the Company to generate future cash flows controlled by Axo through its use or disposition. It is considered to have an indefinite useful life since there are no legal, regulatory, contractual, competitive, or economic factors that limit its useful life, and they are subject to impairment tests annually, and at any time there is an indication of impairment.

iii. Intangible assets with finite useful life-

Intangible assets with finite useful life include licenses of software. Amortization is calculated by the straight-line method, in a period ranging from 5 to 10 years according to the duration of the licenses of software.

j) Impairment-

iv. Non-derivative financial assets

The Company recognizes loss allowances for expected credit losses (ECLs) for financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to asset lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 - 120 days past due, except in cases where the Company has information that the risk has not increased significantly.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- the financial asset is more than 90 - 120 days past due, or when the Company has reasonable and supported information to consider that a longer term is a more appropriate criterion.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

v. Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets, is reviewed on each reporting date to determine whether there is any indicator of impairment. Goodwill and the intangible assets with indefinite useful life are subject to annual impairment tests. If signs of impairment are identified, then the asset or CGU's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. When assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the value of money attributable to time and asset-specific risks. For impairment testing purposes, assets that cannot be tested individually are integrated into smaller groups of assets that generate cash inflows through ongoing use and that are largely independent of cash inflows from other assets or groups of assets (the CGU).

For purposes of goodwill impairment tests, it is distributed to the CGUs that are expected to benefit from the synergies of the business combination that gave rise to such goodwill. This allocation is subject to an operating segment cap test and reflects the lower level at which goodwill is monitored for internal reporting purposes.

Axo's corporate assets do not generate separate cash inflows. If there is any indication that a corporate asset may be impaired, then the recovery value of the CGU to which the corporate asset belongs is determined.

An impairment loss is recognized if the carrying amount of an asset or its CGU is greater than its recovery value. Impairment losses are recognized in profit or loss. Impairment losses recorded in relation to CGUs reduce the carrying amount of any goodwill that has been allocated to the units and then reduce the carrying amount of the other assets in the unit (group of units) over a pro rata basis. Impaired non-financial assets other than goodwill are reviewed to determine the possible reversal of impairment at the end of each reporting period.

vi. Inventories

The impairment of inventories is recorded if the net realizable value is less than the carrying amount. Signs of impairment being considered are, among others, obsolescence; drop in market prices; and physical damage.

k) Provisions-

Provisions are recognized when the Company has a present obligation arising from a past event, it is probable that the Company will have to settle an obligation, and a reliable estimate of the amount of the obligation can be determined. Provisions are recognized at the present value of management's best estimate of the disbursements that are expected to be required to settle the obligation using a pre-tax rate that reflects current market conditions with respect to the value of money and the specific risks for such obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

l) Employee benefits-

vii. Defined benefit obligations-

Axo has defined benefit obligations; the seniority premium is granted to all employees under the Mexican Federal Labor Law. The Law establishes that the seniority premiums are payable based on the salary and years of service for employees who resign after at least fifteen years of service. According to the Law, benefits are also paid to dismissed employees.

Axo's net obligations in respect of defined benefit obligations are calculated estimating the amount of the future benefit that employees have earned in the current and prior periods. Such benefit is discounted to arrive at its present value. The discount rate is the yield at the reporting date of government bonds with maturity dates that approximate the maturity of Axo's obligations, 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 in accordance with IAS 19 (see note 26).

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income.

viii. Short-term benefits-

Short-term employee benefit obligations are accounted for on a undiscounted basis and are expensed as the related services are provided, considering current salaries. A liability is recognized in the amount expected to be paid under the plans if Axo has a present legal or assumed obligation to pay such amounts as a result of past services provided by the employee, and the obligation can be estimated reliably.

Being short term, the respective liabilities are expressed at fair value and include, mainly, employee statutory profit sharing (ESPS) payable, compensated absences, vacation, vacation premium and incentives.

ix. Termination benefits-

Termination benefits are recognized as an expense at the earlier of when Axo is committed to a detailed formal plan either to terminate the employment relationship before the normal retirement date or to provide termination benefits as a result of an offer made for encouraging voluntary retirement.

Termination benefits in case of voluntary retirement are recognized as an expense only if Axo has made a voluntary retirement offer, it is probable that the offer will be accepted, and the number of acceptances may be reliably estimated. If benefits are payable beyond twelve months after the reporting period, then they are discounted at present value.

x. Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the options. The amount recognized as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

For share-based payment options with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

m) Stockholders' equity

Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 (see note 4, (q)).

n) Revenue from contract with customers-

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognized when performance obligations under the terms of a contract with the customer are satisfied based on the transfer

of control of promised goods or services. Depending on the contract terms, transfer of control typically occurs upon receipt of goods by the customer.
Principal vs. Agent – Some of our sales of goods are made with inventory bought through consignment arrangements with suppliers, otherwise referred to as PAS arrangements (see note 4 e). To determine if those revenues should be reported gross or net of payments to suppliers, the Company evaluated whether it acted as a principal in those sales. An entity is the principal if it controls a specified good or service before it is transferred to the end customer. Key criteria that management assessed in determining whether it acted as a principal and, therefore, recognize sales for the gross amount of the consideration, were among others:

- The nature of the Company's promise to the customer, as well as the distinct performance obligation identified.
- The underlying contract terms and conditions between the parties to the transaction.
- Which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer.
- Which party has inventory risk before the specified good or service has been transferred to the end customer.
- Which party has discretion in establishing the price for the specified good or service.

Based on an assessment of the criteria above, management determined that the Company act as principal in the sales to the end customers. The Company has control over the promised goods before to the goods being transferred to the final customer. The Company is primarily responsible for delivery to the end customers and is responsible for goods returned.

The Company also has substantial discretion in establishing prices for goods. Therefore, the Company reports the gross purchase price paid by the customer related to these arrangements as revenue in its profit or loss and recognize the costs paid to suppliers as part of its inventories' costs in its profit or loss.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Wholesale Wholesale of clothes, sports products, footwear, luxury and fashion accessories, perfumery, watchmaking, jewelry, etc.	Customers obtain control of the products when the goods are delivered to and have been accepted at their premises and / or warehouses, except when there is a consignment arrangement, in which case the customer does not obtains control of the products until they are sold to the end-customer. Payment terms are usually within 30-90 days, depending on the individual agreement with each customer.	Revenue is recognized when they have been delivered and accepted by the customer at their facilities and / or warehouses. When a consignment arrangement is performed, revenue is recognized upon the sale to the end-customer. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as it is expected, at contract inception, that the period between the transfer of the promised good or service to the customer and the customer payment for the good or service will be one year or less. For those contracts that include variable consideration, an estimation of variable consideration included in such contracts (right of return, discounts, markdown compensation, penalties, among others) is made.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Retail Products for personal use, retail of clothes, sports, footwear, luxury and fashion accessories, perfumery, watchmaking, jewelry, etc.	Some contracts include variable consideration, which adjust revenue recognition. Variable consideration includes right of return, discounts, markdown compensation and penalties, among others. The customer obtains control of the products when the products are delivered to the store. Some customers return items based on the policy of each of the brands, in which Axo issues electronic wallets, make merchandise changes or refund the amount in the same form of payment.	The Company utilizes the expected value method in determining its estimates of variable consideration, based on evaluations of specific product and customer circumstances, historical and anticipated trends, and current economic conditions. The Company reviews the estimates for variable consideration as of the financial statements date and updates assets and liabilities amounts accordingly. Revenues related to the sale of products are recognized when they have been delivered to the customer at the point of sale. For those customers who return an item, revenue is recognized when the products are delivered to customers in the store and the sales ticket is issued. The write-off of the income and the inventory receipt is accounted when the item is returned physically. Therefore, the amount of revenue recognized is adjusted by the returns received.
Electronic Commerce Retail trade of clothes, sports, footwear, luxury and fashion accessories, electronics, perfumery, decoration, watches, jewelry, etc., through digital stores.	The customer obtains control of the products when the products are delivered and accepted at their homes. When a customer requests the return of items, the refund is made through the same payment method that the customer used for the purchase.	Revenues related to the sale of products are recognized when they have been delivered and have been accepted by the customer at their facilities or homes. The amount of recognized income is adjusted by the expected returns, which are estimated based on the actual returns of the products sold, except for articles or intimate garments since there are no returns for these. A contract liability is recognized for the sales made in the digital store of products not delivered to customers and an asset for the payment made by customers. The right to recover the returned goods is valued at the carrying value of the inventory less the expected costs to recover the goods.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Franchises	The final customer obtains control of the products when the products are delivered to the Franchise where the purchase was made. Some customers return items based on the policy of each of the Company's brands (variable consideration).	The refund obligation is included in other accounts payable and the right to recover the returned goods is included in the inventory. Contract liabilities arise from this type of contract since the consideration is paid before the transfer of control to the customer is made. The Company performed an analysis of this type of revenue and determined that, despite having a contract with the Franchisees, since control of the products is never transferred to them, the final consumer is considered a customer. Revenues from this channel are recognized when they have been delivered to the end customer at the Franchise where the purchase was made. For those customers who return an item, revenue is recognized when the products are delivered to the customers at the Franchise and the sales receipt is issued. The write-off of the revenue and the receipt of the inventory is recorded when the item is physically returned.
Discount program	Customers registered in our "Club Promoda" discount program. During January and February 2022, customers registered in our "Club Promoda" discount program obtained a 5 % discount in their first purchase and a 3% additional discount on their following purchases. Since March 2022, registered customers obtain only a 3% discount from their second purchase onwards. In both periods, those discounts do not expire and have no purchase amount restriction.	Axo allocates a portion of the consideration received to the discount given. This allocation is based on the relative stand-alone selling prices. The amount allocated to the discount program is deferred and is recognized as revenue when the discounts are redeemed or when the likelihood of the customer redeeming such discounts becomes remote. The deferred revenue is included in contract liabilities.
Service contracts	Personnel services – These are related to the administrative services that Axo provides to its Equity-accounted investees.	Revenue is recognized over time as the services are provided.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
	Invoices for services are issued monthly and are usually payable within 30 days.	

o) Advertising costs-

Advertising costs are expensed as incurred in selling expenses.

p) Finance income and costs-

Finance income includes income from interest on invested highly liquid funds and foreign exchange gains. Interest income is recognized in the income as earned, using the effective-interest method.

Finance costs comprise interest expenses on debt, and on accounts payable to related parties, financial cost of defined benefit plans and foreign exchange losses. Loan-related costs are recognized in income using the effective-interest method.

Foreign exchange gains and losses are reported on a net basis.

q) Income Tax-

Income tax expense comprises current and deferred tax. Income taxes are recognized in profit or loss, except to the extent that it relates to items recognized directly in stockholders' equity or in other comprehensive income.

Axo has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

xi. Current Tax

Current income taxes are determined in accordance with legal and fiscal requirements for companies in Mexico, the Republic of Chile, the Republic of Peru and the Oriental Republic of Uruguay, applying the tax rates published or substantially published at the reporting date, and any adjustment to the tax due regarding previous years.

xii. Deferred Tax

Deferred IT is recognized using the asset and liability method. Deferred tax is 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. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction (other than in a business combination) that at the time of the transaction affects neither accounting nor taxable income or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is recovered, or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset where there is legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same fiscal authorities. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

A deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that in the future there will be taxable income against which they may be offset. Deferred tax assets are reviewed at each reporting date and reduced to the extent that the realization of the corresponding tax benefit is no longer likely.

xiii. Uncertainty over income tax treatments

Based on IFRIC 23, Uncertainty over income tax treatments, the income tax effects from an uncertain tax position are recognized when it is probable that the position will be sustained based on its technical merits and assuming that the tax authorities will examine each position and have full knowledge of all relevant information.

Management periodically evaluates positions taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Axo measures its tax balances based on the most likely amount, or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

As of December 31, 2023, and 2022, there were no uncertain tax positions, and Axo does not anticipate any potential future adjustments which would result in a material change to its tax positions.

r) Contingencies-

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, disclosure is provided in the notes to the Consolidated Financial Statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

s) Segment information-

Axo reports segment information in accordance with the provisions of IFRS 8 “Segment Information”. An operating segment is one of Axo's components that carries out business activities from which it may obtain income from ordinary activities and incur in expenses, including income from ordinary activities and expenses for transactions with other components of the same entity. Segment operations are reviewed and analyzed on a regular basis by Axo's General Director for decision making concerning resources to be allocated to the segment and assessing its performance, to which end, segmented financial information is available.

(5) Changes in material accounting policies-

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Axo adopted the 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 policies information disclosed in the Financial Statements.

The amendment requires the disclosure of "material", rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality for the disclosure of accounting policies, assisting entities to provide useful and specific information that users need to understand other information in the Financial Statements.

Management reviewed the accounting policies and, in certain cases, made updates to the disclosed information in Note 4 "Material Accounting Policies", derived from the mentioned amendments.

Definition of Accounting Estimates - Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in their accounting policies from changes in accounting estimates. The distinction is important since changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as the current period.

In this regard, Management determined that this amendment has no impact within the consolidated financial statements, given that Axo had been already applying the criteria established in this amendment prior to the current period.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Axo also adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from January 1, 2023. The amendment narrows the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the 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, the entity applies the amendments to transactions occurring on or after the beginning of the earliest period presented.

The Company recognized deferred taxes related to leases in a similar manner as required by the current update of IAS 12, but on a net basis. As a result of the amendment, the Company separately recognizes the deferred tax asset related to the lease liability and the corresponding deferred tax liability related to the right-of-use asset. However, there was no impact on the statement of financial position as these balances qualify for offsetting in accordance with paragraph 74 of IAS 12. There was also no impact on the opening balance of retained earnings as of January 1, 2022, as a result of the change. The main impact for Axo relates to disclosure of the deferred tax assets and liabilities recognized (see Note 27).

As a result of the above-mentioned improvements, there were no effects on Axo's financial statements.

(6) Segment information

A. Basis for segmentation

Axo offers merchandise and consumer services through a portfolio of brands. The Company has the following three reportable segments: “Lifestyle,” “Off-Price” and “Athletics & Outdoors.”

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Lifestyle	The Lifestyle segment includes internationally recognized brands in the casual, affordable luxury, homeware categories, share of profit of equity-accounted investees that has the same economic characteristics as the Company's Lifestyle segment brands and the revenue from the services rendered to them.

Reportable segments	Operations
Off-Price	Promoda is the leading off-price retailer in Mexico offering well-known brands at deep discounts to the growing middle class. Privalia is a subscription based, off-price online marketplace that offers well-known brands at deep discounts via flash sales. Regarding Chile and Peru, the off-price segment is represented by Surprice stores.
Athletics & Outdoors	The Athletics & Outdoors segment markets casual and performance footwear and apparel, which is among the fastest growing retail sectors, and operates in Mexico, primarily under The Athlete's Foot ("TAF") which is Mexico's leading specialized streetwear sneaker retailer in terms of points of sale, Lust, Laces, Speedo and Nike stores as well as through e-commerce platforms. In regard to Chile and Peru, brands such as Andesgear, Mammut, The North Face, among others, are commercialized within this segment.

The segments share similar economic characteristics, mainly such as customer base, nature of products and services, distribution methods, which includes the types of stores, where products are sold.

Operating segments are components of Axo responsible for developing commercial activities that can generate revenue or incur expenses and whose operating profit or loss are regularly reviewed by the chief operating decision maker ("CODM") of Axo and for which financial information is available. Operating segment information is consistent with the internal reports provided to the CODM and it is reviewed on a monthly basis.

Axo's CODM reviews the financial information of each of its operating segments and assesses the performance of each segment based on Statements of Financial Position and the Statement of Income of each of them, and on certain credit risk indicators, as described in note 4(s).

B. Information about reportable segments

Net sales and service revenue from each segment present net sales from inter-segment. Segment operating income is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. The Company's non-reportable segment relates to assets, liabilities, income and expenses at the corporate company level, which includes, long-term debt, notes payable to banks and related interest expenses.

The following is the detail of the reportable financial information summarized for each segment as of December 31, 2023, and 2022.

		As of December 31, 2023				
		Lifestyle	Off-Price	Athletics & Outdoors	Non reportable segment[2]	Total
Sales and service revenue	$	12,941,545,531	6,498,109,876	5,268,991,681	-	24,708,647,088
Cost of sales		5,194,312,460	4,117,952,934	2,900,745,354	-	12,213,010,748
Gross profit	$	**7,747,233,071**	**2,380,156,942**	**2,368,246,327**	**-**	**12,495,636,340**
Depreciation and Amortization	$	609,435,050	112,718,970	127,922,912	-	850,076,932
Depreciation of right of use		588,955,987	394,163,530	278,184,909	-	1,261,304,426
Impairment of Goodwill		-	218,683,832	-	-	218,683,832
Operating expenses		5, 687,898,909	2,202,266,752	1,738,044,243	61,563,672	9, 689,773,576
Share of profit of equity-accounted associates, net of tax	$	(166,065,760)	-	-	-	(166,065,760)
Operating income (loss)	$	**2, 225,399,922**	**177,890,190**	**630,202,084**	**(61,563,672)**	**2,971,928,524**
Interest income		(149,570,779)	(52,506,211)	(12,225,841)	(39,355,504)	(253,658,335)
Interest from lease liabilities		151,710,224	92,399,283	54,871,414	-	298,980,921
Interest expense		-	-	-	1,251,555,322	1,251,555,322
Foreign exchange loss, net		-	-	-	(174,034,995)	(174,034,995)
Financial cost of defined benefit plans		-	-	-	1,958,770	1,958,770
Income before taxes		**2, 223,260,477**	**137,997,118**	**587,556,511**	**(1,101,687,265)**	**1, 847,126,841**
Total assets	$	**8,114,884,024**	**4,978,285,018**	**3,011,749,655**	**12,157,399,021**	**28, 262,317,718**
Addition to non-current assets [1]		766,179,575	202,424,115	160,308,005	-	1,128,911,695
Total liabilities	$	**6,108,223,563**	**2,907,594,354**	**2,193,461,663**	**9,426,091,094**	**20,635,370,674**

1. Additions for leasehold improvements, furniture and equipment, right-of-use assets and intangible assets for the corresponding period.

2. The amounts reflected in the non-reportable segment mainly correspond to expenses that cannot be allocated to a segment because they do not comply with IFRS8, among which are mainly fees and consulting services of the holding company.

		As of December 31, 2022				
		Lifestyle	Off-Price	Athletics & Outdoors	Non reportable segment (2)	Total
Sales and service revenue	$	9,738,514,022	5,627,359,826	3,681,692,630	-	19,047,566,478
Cost of sales		4,233,795,269	3,562,032,634	2,066,937,519	-	9,862,765,422
Gross profit	$	5,504,718,753	2,065,327,192	1,614,755,111	-	9,184,801,056
Depreciation and Amortization	$	468,655,490	128,785,512	62,242,993	-	659,683,995
Depreciation of right of use		394,169,016	353,010,625	190,453,013	-	937,632,654
Operating expenses		3,797,642,308	1,755,120,472	1,209,216,102	124,252,086	6,886,230,968
Share of profit of equity-accounted associates, net of tax	$	(130,890,390)	-	-	-	(130,890,390)
Operating income (loss)	$	1,837,966,835	310,206,720	405,539,009	(124,252,086)	2,429,460,478
Interest income		(88,844,856)	(43,162,236)	(14,502,015)	(16,618,785)	(163,127,892)
Interest from lease liabilities		91,875,444	74,915,228	33,361,124	-	200,151,796
Interest expense		-	-	-	974,769,884	974,769,884
Foreign exchange loss, net		-	-	-	26,551,191	26,551,191
Financial cost of defined benefit plans		-	-	-	1,107,482	1,107,482
Income before taxes		1,834,936,247	278,453,728	386,679,900	(1,110,061,858)	1,390,008,017
Total assets	$	5,428,755,562	2,612,062,738	2,791,575,893	12,589,477,734	23,421,871,927
Addition to non-current assets (1)		432,999,414	94,319,483	209,876,500	-	737,195,397
Total liabilities	$	3,825,651,604	2,857,517,447	1,954,866,634	7,986,355,878	16,624,391,563

(1) Additions from leasehold improvements, furniture and equipment, right-of-use-assets, and intangible assets for the corresponding period.

(2) The amounts reflected in the non-reportable segment mainly correspond to expenses that cannot be allocated to a segment because they do not comply with IFRS8, among which are mainly fees and consulting services of the holding company.

C. Geographic Information

The geographic information analyzes Axo's revenue and non-current assets by the country of domicile of the Company and other countries. Assets by segment are based on the geographic location of the assets.

Revenue		2023	2022
Mexico	$	21,078,911,273	18,398,072,215
Chile		2,631,928,517	649,494,263
Perú		385,380,910	-
Uruguay		612,426,388	-
Total	$	24,708,647,088	19,047,566,478
Non-current assets			
Mexico	$	14,404,161,015	13,200,150,506
Chile		1,871,405,952	298,943,582
Perú		169,570,148	-
Uruguay		127,849,763	-
Total	$	16, 572,986,878	13,499,094,088

D. Major customers

Revenues from major customers of Axo's operations in Mexico and Chile are concentrated in Liverpool, Costco, Palacio de Hierro, Amazon, Sears and Falabella, which together represented 15% of Axo's total revenue during 2022 (18% in 2022).

E. Reconciliations of information on reportable segments to the amounts reports in the financial statements

	Note		2023	2022
i. Revenues				
Total revenue for reportable segments	32	$	24,708,647,088	19,047,566,478
Inter-segment revenue			1,753,998,826	1,771,782,582
Elimination of inter-segment revenue			(1,753,998,826)	(1,771,782,582)
Consolidated revenue		$	24,708,647,088	19,047,566,478
ii. Profit before tax				
Total profit for reportable segments		$	2,948,814,106	2,500,069,874
Inter-segment profit (loss)			126,798,014	217,099,785
Elimination of inter-segment profit (loss)			(126,798,014)	(217,099,785)
Unallocated amounts:				
Other corporate expenses			(1,139,083,999)	(1,125,573,160)
Other corporate income			37,396,734	15,511,303
Consolidated profit before tax		$	1, 847,126,841	1,390,008,017

In mexican pesos	Note		2023	2022
iii. Assets				
Total assets for reportable segments		$	16, 104,918,697	10,832,394,193
Other unallocated amounts			12,157,399,021	12,589,477,734
Consolidated total assets		$	28, 262,317,718	23,421,871,927
iv. Liabilities				
Total liabilities for reportable segments		$	11, 209,279,580	8,638,035,685
Other unallocated amounts			9,426,091,094	7,986,355,878
Consolidated total liabilities		$	20, 635,370,674	16,624,391,563

(7) Measurement of fair Value-

Several Axo accounting and disclosures policies require the determination of the fair value of both financial and non-financial assets and liabilities. The fair values have been determined based on the methods mentioned in paragraphs a, b, and c. When applicable, more information on the assumptions made in determining the specific fair values of that asset or liability is disclosed in the notes to the Consolidated Financial Statements.

t) Accounts receivable-

Axo's accounts receivable are short-term, without interest rate, and are valued at the original invoice amount since the effect of discounting is immaterial. Fair value is determined at initial recognition and is disclosed at the date of the Consolidated Financial Statements.

u) Non-derivative financial liabilities-

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows of principal and interest, discounted at the market interest rate on the date of the report.

v) Derivative financial instruments-

Fair value of derivative financial instruments: foreign exchange forwards and foreign exchange rate options obtained from the financial counterparties with whom it operates and are tested on a reasonable basis by discounting estimated future cash flows based on each contract's terms and maturity date, and the use of market inputs.

On the part of derivative financial instruments: Interest rate options, cap rate spreads, and interest rate swaps, Axo independently estimates the fair value by discounting the estimated future cash flows based on the term and maturity date of each coupon instrument, and the use of market inputs.

(8) Financial risk management-

Axo is exposed to risks – described below – associated with the use of financial instruments, on which it exercises risk management:

- Credit risk
- Liquidity risk
- Market risk

This note presents information on Axo's exposure to each of the risks noted above, as well as its objectives, policies, and processes for measuring and managing risks. Other quantitative disclosures related to financial risk management are included in Notes 28 and 30 of these Consolidated Financial Statements.

w) Risk management framework-

The Board of Directors monitors the principal risks Axo is exposed to, which are identified based on the information presented by the General Director, and by accounting, internal control, and internal audit systems. With this process in place, the Board of Directors ensures the establishment of mechanisms for identifying, analyzing, managing, controlling, and duly disclosing risks.

The risk management policies are established for identifying and analyzing risks faced, setting appropriate limits and controls, monitoring risks, and respecting the limits. The risk management policies and systems are reviewed periodically for reflecting changes in market conditions and Axo's activities. Through training, administrative standards and procedures, Axo intends to develop a disciplined and constructive control environment where all the employees understand their roles and obligations.

The Finance and Audit Committee oversees how management monitors compliance with Axo's risk management policies and procedures and reviews that this is in line with the risk management framework regarding the risks facing Axo. Axo's Audit Committee is supported by Internal Audit in its oversight role. Internal Audit conducts routine and special reviews of risk management controls and procedures; as a result, it reports the results to the Audit Committee.

x) Credit risk-

Credit risk represents the potential loss in the portfolio of accounts receivable and other receivables due to payment default from a debtor.

Accounts receivable and other receivables-

Axo's exposure to credit risk is primarily affected by the characteristics of each customer. However, management also considers the factors that may affect the credit risk of its customer base, including the risk of default of the industry and the country in which the customer operates.

The Finance and Audit Committee has implemented an individual credit policy for each customer, setting purchase limits, which represent the maximum open amount that does not require approval from the Risk Management Committee. These limits are reviewed on a quarterly basis. Customers who fail to meet Axo credit references may only engage in cash or advance payment transactions with Axo.

Axo limits its exposure to credit risk related to accounts receivable by establishing a maximum payment period of one and three months for individual and corporate customers, respectively.

The record of the estimate is within the selling expenses of the Consolidated Statement of Comprehensive Income.

Investments-

Axo limits its exposure to credit risk by investing only in highly liquid and minimum risk investments, upon Finance Vice President and Management's prior consent.

y) Liquidity risk-

Liquidity risk is the probability that Axo may find it difficult to comply with obligations concerning its financial liabilities, settled by delivering cash or other financial assets.

Axo's approach to manage its liquidity consists of ensuring, to the extent possible, that it will have enough liquidity for settling its liabilities as they mature, both in normal and extraordinary conditions, without incurring unacceptable losses or risking Axo's reputation.

For derivative financial transactions, see Note 28 Financial instruments and risk management.

z) Market risk-

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, may affect Axo's revenue. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Axo is exposed to the following risks that may have an impact on financial results:

xiv. Currency risk-

With respect to other monetary assets and liabilities denominated in foreign currency, Axo ensures that its net exposure is maintained at an acceptable level through the purchase and sale of foreign currencies using cash or the spot conversion rate to cover short-term contingencies.

xv. Interest rate risk-

Interest rate risk refers to the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. The fluctuation in interest rates largely depends on the world economic situation. An improvement in the long-term economic outlook tends to move long-term rates upward. In contrast, a decline tends to be associated with periods of slow economic growth.

To the date, Axo has hedged currency and interest rate risks through derivative financial instruments, due to current market conditions. (see Note 28).

(9) Financial instruments

Derivatives held for trading

At December 31, 2023 and 2022, Axo held derivative financial instruments specifically for exchange rate options that were not formally designated or that did not qualify as hedges; therefore, changes at fair value were carried to the (cost) financial income in the Consolidated Statement of Comprehensive Income. These effects came from the derivative financial instruments as is shown next page.

Hedge Accounting-

Exchange rate forward contracts

Axo uses forward contracts on the MXN - USD exchange rate, to hedge the exposure to market risk, which are formally designated as Cash Flow hedges derivatives, and the effective portion of changes in the fair value of derivatives is recognized in Other Comprehensive Income disclosed in Stockholders' Equity and recycling these effects towards the Consolidated Statement of Comprehensive Income when the primary position materializes.

Counterparty	Notional (USD)	Agreed Price Range	Underlying	Expiration	Fair Value	Equity Impact (OCI) 2022
HSBC	1,000,000	19.62	MXN/USD	2024	(2,580,950)	(2,580,950)
HSBC	3,000,000	19.63	MXN/USD	2024	(7,770,238)	(7,770,238)
SunTrust	1,000000 - 2,000,000	19.75 - 19.87	MXN/USD	2024	(7,760,323)	(7,760,323)

Start Date of the Relationship	Expiration Date	Total Purchase Amount in USD	Total Sales Amount in USD	Total Fair Value
2023	2024	1,291,848,998	26,604,616,339	(18,111,511)

Counterparty	Notional (USD)	Agreed Price Range	Underlying	Expiration	Fair Value	Equity Impact (OCI) 2022
BBVA	900,000 - 2,300,000	19.53 - 22.15	MXN/USD	2023	(12,095,607)	(12,095,607)
HSBC	600,000 - 2,000,000	19.74 - 21.87	MXN/USD	2023	(26,072,889)	(26,072,889)
BBVA	1,300,000 - 3,000,000	20.91 - 22.26	MXN/USD	2023	(24,374,866)	(24,374,866)
HSBC	900,000 - 2,100,000	19.52 - 22.41	MXN/USD	2023	(23,158,406)	(23,158,406)
SunTrust	900,000 - 2,000,000	19.86 - 21.52	MXN/USD	2023	(13,660,981)	(13,660,981)

Start Date of the Relationship	Expiration Date	Total Purchase Amount in USD	Total Sales Amount in USD	Total Fair Value
2022	2023	97,900,000	2,060,779,709	(99,362,749)

As of December 31, 2023, and 2022, Axo has $76,272,779 and 34,409,465 corresponding to paid hedges that are included in inventory, pending to reclassification once the hedged item materializes.

Interest rate derivatives

To cover the interest rate risk and exposure from its financial liabilities with floating interest rates, Axo has a Cap Spread Interest Rate Options that uses to cover interest within an agreed-upon rate range, likewise Axo has formally designated hedging of the interest rate swaps it uses to set the rate.

The relationships of these types of instruments were designated as Cash Flow hedges, the effective portion of changes in the fair value of the derivatives is recognized in Other Comprehensive Income presented in Stockholders' Equity and recycling these effects towards the Consolidated Statement of Comprehensive Income during the life of the primary position hedged that produces a periodic impact on profit or loss.

Counterparty	Notional	Underlying	Expiration Date	Asset Fair Value*	Balance in OCI 20231)
BBVA Bancomer	81,250,000	USD/MXN y tasa fija TIIE	02/06/2026	(17,660,412)	-
HSBC	55,000,000	USD/MXN	02/06/2026	(12,182,451)	12,182,450
Morgan Stanley	26,250,000	USD/MXN	08/06/2026	(4,637,515)	4,637,515

Counterparty	Notional	Underlying	Expiration Date	Liability Fair Value	Balance in OCI 2023(1)
BBVA Bancomer	81,250,000	USD/MXN	08/06/2026	(179,592,847)	-
Morgan Stanley FXCCS	100,000,000	USD/MXN y tasa fija	08/06/2025	(331,285,428)	34,479,005
Merril Lynch / BofA FXCCS	62,500,000	USD/MXN y tasa fija	08/06/2025	(206,973,179)	3,279,815
HSBC	55,000,000	MXN tasa fija	08/06/2026	(40,034,423)	27,225,240
Morgan Stanley	26,250,000	MXN tasa fija	02/06/2026	(17,351,508)	14,879,767
BBVA Bancomer	1,386,341,302	MXN tasa fija	16/03/2028	11,231,119	(9,651,539)

* Figures are presented net of the liability due to the Call Spread premium.

1 Negative figures in OCI correspond to losses in Other Comprehensive Income.

Counterparty	Notional	Underlying	Expiration Date	Asset Fair Value*	Balance in OCI 2022(1)
BBVA Bancomer	81,250,000	USD/MXN and fixed TIIE rate	02/06/2026	39,441,650	-
HSBC	55,000,000	USD/MXN	02/06/2026	26,195,085	(26,195,085)
Morgan Stanley	26,250,000	USD/MXN	08/06/2026	13,987,657	25,267,304

Counterparty	Notional	Underlying	Expiration Date	Liability Fair Value	Balance in OCI 2022(1)
BBVA Bancomer	81,250,000	USD/MXN	08/06/2026	(169,904,782)	-
Morgan Stanley FXCCS	100,000,000	USD/MXN and fixed rate	08/06/2025	(87,318,452)	39,254,961
Merril Lynch / BofA FXCCS	62,500,000	USD/MXN and fixed rate	08/06/2025	(54,722,759)	6,494,769
HSBC	55,000,000	MXN fixed rate	08/06/2026	(22,972,652)	10,923,244
Morgan Stanley	26,250,000	MXN fixed rate	02/06/2026	(8,499,052)	(7,602,431)

* Figures are presented net of the liability due to the Call Spread premium.

1 Negative figures in OCI correspond to loss in Other Comprehensive Income.

As of December 31, 2023 and 2022, Axo has retrospectively assessed the effectiveness of all hedging relationships, concluding that such relationships are highly effective, and that they are within the established range of 95% - 105%.

The balance as of December 31, 2023, in Stockholders' Equity for current derivatives for the designated hedges, amounted to $97,533,789 in 20223 and $71,424,580 in 2022.

(10) Business combination

Business combination - Komax S.A.

On November 30, 2022, Axo and Axo Chile Inversora SpA (subsidiary of Axo) jointly signed the Sale and Purchase Agreement to acquire 100% of shares in Komax S.A. (the "Transaction"), an entity dedicated to the representation of exclusive brands of clothing, footwear and accessories. Komax S.A. is made up of three entities located in three different countries: Komax S.A. in Chile, Komax Perú S.A.C. in Peru and Abolam S.A. in Uruguay.

As a result of the Transaction, Axo determined to be the acquirer, in accordance with the guidance established in the International Financial Reporting Standard 3 ("IFRS 3") and obtained control over the acquired business on March 22, 2023 ("acquisition date"), being accounted for under the acquisition method. For recognition purposes, the amounts corresponding to the assets acquired and the liabilities assumed have been taken, based on a purchase price allocation analysis ("PPA") prepared with the support of an external advisor.

If the acquisition had occurred on 1 January 2023, management estimates that consolidated revenue would have been $28,119,798,308 and consolidated profit for the year would have been $1,428,037,422. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

a) Consideration transferred

The table below summarizes the total consideration at the acquisition date:

		Total
Base consideration (paid in cash on the transaction closing date) (1)	$	2,427,598,104
Adjustment to the base consideration (paid on August 24, 2023)		24,008,916
Total consideration	$	2,451,607,020

(1) The base consideration has been paid for 130,000,000 USD at the exchange rate of the transaction date and an adjustment made for 1,226,832 USD was paid on August 24, 2023 and converted at the exchange rate of such date. The amounts stated before were first converted to Chilean pesos and later to Mexican pesos.

b) Identifiable acquired assets and assumed liabilities.

As of the acquisition date, all the fair values of the identified acquired assets and assumed liabilities have been recognized as shows next page.

Acquired Assets	Fair value
Cash and cash equivalents	$ 418,033,187
Accounts receivable, net	124,894,247
Other accounts receivable	203,258,518
Inventories, net	1,151,513,776
Prepayments	78,518,189
Leasehold improvements, furniture and equipment	298,383,430
Right of use asset	590,247,950
Intangible assets	433,731,206
Deferred taxes	145,600,138
Guarantee deposits	11,335,563
Total acquired assets	$ 3,455,516,204

Assumed Liabilities	Fair value
Bank payables, short term	$ 577,243,330
Suppliers and accumulated liabilities	374,787,649
Provisions	12,710,410
Income tax liabilities	90,540,764
Employee profit sharing	387,427
Contract liabilities	32,947,864
Lease liabilities short term	176,280,750
Lease liabilities long term	413,967,200
Deferred taxes	236,397,633
Bank payables, long term	426,271,536
Total assumed liabilities	$ 2,341,534,563
Consideration transferred	2,451,607,020
Goodwill	$ 1,337,625,379

Goodwill results from the exceed between the consideration transferred and the fair value of the net acquired assets. At the date of the acquisition, goodwill has been recognized as an asset.

Acquisition-related costs

Acquisition-related legal, audit, advisory, and consulting costs for $13,770,943 were recognized as expenses in the results of the period. Likewise, Komax S.A. paid its own costs incurred to sell its business and no refunds were given to be considered as part of the consideration transferred.

Acquisition of assets of ON Stores México

On August 1, 2022, LT Fashion, SA de CV ("LT Fashion" or the "Buyer"), a subsidiary of the Company, acquired certain assets of ON Stores in México, in accordance with the provisions in the Asset Purchase and Assignment Agreement signed together with ON Stores México, S. de RL de CV ("ON Stores México" or the "Seller"), a subsidiary of The Gap Inc., to the conditions defined in it must be met and considering the approval by the Federal Economic Competition

Commission ("Comisión Federal de Competencia Económica" or "COFECE"). Based on the analysis carried out under IFRS 3, the transaction qualified as a business combination.
Simultaneously with the business combination, a Franchise Agreement was entered into between GPS Strategic Alliances, LLC (the "Franchisor"), Old Navy (ITM) Inc. (the "Licensor"), and Buyer (the "Franchisee"), in order to grant the Company a license with the rights to operate, manage and distribute the Old Navy® brand in Mexico, as well as a Temporary Services Agreement between the Seller and the Buyer.

a) Consideration transferred

The following table summarizes the total consideration as of the acquisition date:

	Total
Base consideration (paid in cash on the closing date of the transaction) (1)	$ 115,939,698

(1) Base consideration was paid for 6,593,917 USD at the exchange rate of the date of the transaction.

Identifiable assets acquired and liabilities assumed

At the acquisition date, all the fair values of identified assets acquired, and liabilities assumed have been recognized and are presented below:

Acquired Assets	Fair Value
Cash and cash equivalents	$ 1,227,000
Inventories	117,555,391
Guarantee deposits	733,849
Leasehold improvements, furniture, and equipment	261,012,757
Right-of-use assets	302,059,932
Total acquired assets	$ 682,588,929
Assumed Liabilities	
Contractual liabilities	$ 3,576,562
Lease liability – short and long term	302,059,932
Employee benefit obligation	728,931
Deferred tax	76,929,547
Total assumed liabilities	$ 383,294,972
Net identifiable acquired assets	299,293,957
Consideration transferred	$ 115,939,698
Gain from bargain purchase	$ (183,354,259)

The gain from bargain purchase of the business combination results from the excess of the fair value of the net assets acquired over the consideration transferred. At the acquisition date, the gain from the bargain purchase has been recognized in comprehensive income for the period.

Acquisition-related costs

Acquisition-related legal, audit, advisory, and consulting costs for $7,232,687 were recognized as expenses in the results of the period. Likewise, ON Stores México paid its own costs incurred to sell its business and no refunds were given to be considered as part of the consideration transferred.

Cash and cash equivalents

		2023	2022
Petty cash	$	12,782,680	9,644,746
Cash at banks national currency		4,113,447,480	2,989,810,892
Cash at banks foreign currency		16,939,911	108,614,419
Temporary investments (*)		210,746,098	1,719,616,799
Cash and cash equivalents	$	4,353,916,169	4,827,686,856

(*) Mainly includes short-term investments in debt instruments with a maturity of less than 3 months since its acquisition and it is classified and recognized as assets at fair value through profit and loss.

(11) Accounts receivable

Accounts receivable at December 31, 2023 and 2022, are as shown below:

		2023	2022
Wholesalers	$	1,202,793,311	906,782,764
Financial services and others		170,753,141	150,566,396
	$	1,373,546,452	1,057,349,160
Less allowance for expected discounts and returns		161,882,948	162,452,934
Less allowance for doubtful accounts		5,400,529	4,580,619
Accounts receivable, net	$	1,206,262,975	890,315,607

Note 28 discloses Axo's exposure to credit and foreign exchange risks related to accounts receivable.

(12) Related-party transactions and balances-

aa) Key personnel compensation-

The key members of management received the following compensation during the years ended December 31, 2023 and 2022, which are included within staff costs (see note 26), and are mentioned next page.

		2023	2022
Short-term benefits	$	393,243,581	197,856,954
Long-term benefits		2,017,485	933,258
Share-based payments (see note 34)		111,173,067	111,947,844
	$	506,434,133	310,738,056

Key management personnel transactions

A number of these of related party entities performed transactions with Axo during the year, which were made under market conditions.

bb) Other related-party transactions

Transactions carried out with related parties during the years ended December 31, 2023 and 2022, were as follows:

		2023	2022
Income from services rendered			
Associates	$	148,085,964	116,734,830
Income from leases			
Associates	$	748,559	296,981

		2023	2022
Income from advertising services			
Associates	$	3,876,876	463,122
Other income			
Associates	$	760,105	-
Logistic income			
Associates	$	13,009,342	14,156,373
Purchase of finished goods			
Associates	$	143,686,655	152,297,620
Other related parties		312,840,664	239,725,650
Expenses from technical assistance			
Other related parties	$	316,530,254	280,151,216
Expenses from administrative services			
Other related parties	$	38,599,032	42,714,199

Commissions on purchases			
Other related parties	$	174,261,108	271,637,693
Other expenses			
Other related parties	$	31,196,181	18,309,570
Sale of finished goods			
Associates	$	245,423	1,028,428
Income from Interest			
Associates	$	1,429,848	215,128
Loans granted			
Associates	$	15,194,651	16,530,417

cc) Balances with related parties

Balances receivable from and payable to related parties as of December 31, 2023 and 2022, are as follows:

		2023	2022
Receivables:			
Grupo Guess, S. de R. L. de C. V.	$	1,879,109	658,035
Calvin Klein Europe BV		138,621	15,559
Vopero Inc 1		-	17,198,538
Pvh Far East, Ltd.		-	4,037,079
Tommy Hilfiger Europe BV		-	258,720
	$	2,017,730	22,167,931
Accounts receivable (short-term)	$	2,017,730	5,818,220
Accounts receivable (long-term)		-	16,349,711
Payables:			
Grupo Guess, S. de R. L. de C. V.	$	78,034,156	43,150,771
Grupo Axo, S. C.		44,774,877	41,958,771
Pvh Far East, Ltd.		13,386,560	-
Tommy Hilfiger Europe BV		3,558,044	-
Raspsodia Uruguay S.A.		1,298,643	11,578,476
Las Blondas, S. A.		76,021	5,191,448
Tommy Hilfiger Hk Limited		-	86,184
Tommy Hilfiger Licensing Llc		-	33,097
	$	141,128,301	101,998,747

Accounts receivable and payable as of December 31, 2023 and 2022, correspond to purchases of goods, without interest and with a specific maturity.

1 The account receivable with Vopero Inc. for $17,198,538 as of December 31, 2022, includes interest.

(13) Other receivables-

Other receivables at December 31, 2023 and 2022, are as follows:

		2023	2022
Recoverable income taxes	$	535,555,035	219,587,810
Recoverable value added tax		132,260,182	47,841,396
Sundry debtors		36,117,893	33,595,411
Other accounts receivables (Amex and other payment methods)		114,056,556	7,603,130
Other receivables	$	817,989,666	308,627,747

(14) Inventories-

Inventories at December 31, 2023 and 2022, are as follows:

		2023	2022
Merchandise for sale	$	4,562,050,660	3,206,257,383
Merchandise granted on consignment		70,325,499	42,354,976
Goods in-transit*		522,035,244	502,928,794
		5,154,411,403	3,751,541,153
Less allowance for slow movement of inventory		114,216,274	110,524,751
	$	5,040,195,129	3,641,016,402

* It refers to final sale merchandise that was acquired but has yet to be received. The Company's policy is to acquire merchandise free-on-board (FOB) from suppliers. As a result, the inventory risk lies with the Company from the moment the merchandise leaves the supplier's premises.

Finished goods recognized as cost of sales, without including losses and allowances amounted to $12,004,553,112 and 9,642,959,055 during 2023 and 2022, respectively.

Write-off and reversals of cost of sales for sales returns and reservations of obsolete merchandise are included in cost of sales.

(15) Prepaid expenses-

Prepaid expenses at December 31, 2023 and 2022, are as follows:

		2023	2022
Inventories1	$	180,800,209	197,061,660
Services 2		88,148,962	52,251,347

	2023	2022
$	268,949,171	249,313,007

1. Include advances to Axo's suppliers relating to the acquisition of inventory that have not been shipped by the suppliers.
2. Include transportation, business and life insurance payments.

(16) Leasehold improvements, furniture, and equipment-

Cost		January 1, 2023	Acquisitions	Business combination	Disposals (1)	December 31, 2023
Leasehold improvements	$	2,925,521,280	470,140,350	622,855,384	(180,719,640)	3,837,797,374
Furniture and equipment		1,694,214,181	276,030,074	261,064,368	(46,857,745)	2,184,450,878
Transportation equipment		5,271,675	70,471	2,099,190	(2,415,609)	5,025,727
Computer equipment		169,920,553	26,578,160	33,293,428	(10,990,279)	218,801,862
Fixed assets in process		124,481,239	146,248,223	13,161,608	(7,531,758)	276,359,312
		4,919,408,928	919,067,278	932,473,978	(248,515,031)	6,522,435,153
Accumulated depreciation						
Leasehold improvements		(1,855,191,519)	(431,960,567)	(402,504,808)	174,828,780	(2,514,828,114)
Furniture and equipment		(1,004,185,481)	(171,497,436)	(211,356,327)	42,541,908	(1,344,497,336)
Transportation equipment		(4,105,740)	(429,811)	(1,661,397)	1,932,241	(4,264,707)
Computer equipment		(134,480,595)	(23,583,692)	(18,568,016)	9,168,969	(167,463,334)
		(2,997,963,335)	(627,471,506)	(634,090,548)	228,471,898	(4,031,053,491)
Net carrying amount	$	**1,921,445,593**	**291,595,772**	**298,383,430**	**(20,043,133)**	**2,491,381,662**

Cost		January 1, 2022	Acquisitions (2)	Business combination	Disposals (1)	December 31, 2022
Leasehold improvements	$	2,442,988,496	281,325,998	261,012,737	(59,805,951)	2,925,521,280
Furniture and equipment		1,482,890,488	221,994,415	20	(10,670,742)	1,694,214,181
Transportation equipment		7,650,388	-	-	(2,378,713)	5,271,675
Computer equipment		153,322,348	19,383,192	-	(2,784,987)	169,920,553
Fixed assets in process		48,660,409	86,603,850	-	(10,783,020)	124,481,239
		4,135,512,129	609,307,455	261,012,757	(86,423,413)	4,919,408,928
Accumulated depreciation						
Leasehold improvements		(1,599,866,027)	(314,915,442)	-	59,589,950	(1,855,191,519)
Furniture and equipment		(879,010,672)	(135,844,506)	-	10,669,697	(1,004,185,481)
Transportation equipment		(5,716,321)	(717,957)	-	2,328,538	(4,105,740)
Computer equipment		(115,377,112)	(21,802,310)	-	2,698,827	(134,480,595)
		(2,599,970,132)	(473,280,215)	-	75,287,012	(2,997,963,335)
Net carrying amount	$	**1,535,541,997**	**136,027,240**	**261,012,757**	**(11,136,401)**	**1,921,445,593**

(1) For the year 2023 includes the write-off of fixed assets derived from the closing of stores due to Hurricane Otis in the amount of $4,969,510. The write-off in 2022 corresponds to store closings due to store profitability analysis and store closings due to termination of license agreements (CTBL 2022).

(2) Includes depreciation of assets acquired from the period from March to December 2023 through the acquisition of Komax and includes depreciation of assets acquired from August to December 2022 through the acquisition of Old Navy.

For the years ended December 31, 2023, and 2022, the depreciation expense recognized as part of administrative expenses was $627,471,506 and $473,280,215 respectively.

(17) Lease assets (rights of use) and lease liability-

Axo leases properties (commercial premises, distribution centers, and corporate and administrative offices, primarily). Leases are generally signed for a five-year term, with an option to renew the lease after that date. Lease payments are renegotiated at different periods or in agreement with the lessor to reflect the market rental conditions. Some leases provide for additional rental payments based on changes in local price indexes. For certain leases, Axo has restrictions to enter into sublease agreements.

ROU assets-

ROU assets related to leased properties that do not meet the definition of investment property are included under the heading "Right of use," are as follow:

	January 1, 2023	Acquisitions	Incentives received	Business Combination	Disposals	December 31, 2023
Cost						
Rights of use for leasehold improvements	$ 5,098,564,404	1,413,138,423	(14,884,140)	681,096,036	(64,090,315)	7,113,824,408
Rights of use for furniture and equipment	72,893,411	-	-	-	-	72,893,411
Rights of use for cars	64,950,235	18,101,037	-	-	(345,355)	82,705,917
Key money paid to a lessor	682,328,386	80,267,340	(17,623,122)	28,897,808	-	773,870,412
	5,918,736,436	1,511,506,800	(32,507,262)	709,993,844	(64,435,670)	8,043,294,148
Accumulated depreciation						
Rights of use for leasehold improvements	(2,783,277,563)	(1,180,894,803)	-	(93,305,568)	(1,090,472)	(4,058,568,406)
Rights of use for furniture and equipment	(70,494,267)	(1,925,067)		-	-	(72,419,334)
Rights of use for cars	(37,871,491)	(7,305,086)	-	-	-	(45,176,577)
Key money paid to a lessor	(493,319,615)	(71,179,470)	-	(26,440,326)	(272,145)	(591,211,556)
	(3,384,962,936)	(1,261,304,426)	-	(119,745,894)	(1,362,617)	(4,767,375,873)
Net carrying value	**$ 2,533,773,500**	**250,202,374**	**(32,507,262)**	**590,247,950**	**(65,798,287)**	**3,275,918,275**

		January 1, 2022	Acquisitions	Business Combination	Disposals	December 31, 2022
Cost						
Rights of use for leasehold improvements	$	3,744,247,412	1,116,587,974	302,059,932	(64,330,914)	5,098,564,404
Rights of use for furniture and equipment		74,517,562	-	-	(1,624,151)	72,893,411
Rights of use for cars		41,917,236	23,032,999	-	-	64,950,235
Key money paid to a lessor		668,361,757	72,735,334	-	(58,768,705)	682,328,386
		4,529,043,967	1,212,356,307	302,059,932	(124,723,770)	5,918,736,436
Accumulated depreciation						
Rights of use for leasehold improvements		(2,016,472,290)	(831,136,187)	-	64,330,914	(2,783,277,563)
Rights of use for furniture and equipment		(53,698,944)	(16,795,323)	-	-	(70,494,267)
Rights of use for cars		(26,386,235)	(11,485,256)	-	-	(37,871,491)
Key money paid to a lessor		(473,872,432)	(78,215,888)	-	58,768,705	(493,319,615)
		(2,570,429,901)	(937,632,654)	-	123,099,619	(3,384,962,936)
Net carrying value	$	**1,958,614,066**	**274,723,653**	**302,059,932**	**(1,624,151)**	**2,533,773,500**

Amounts recognized in the Consolidated Statement of Comprehensive Income:

		2023	2022
Interest on lease liabilities	$	298,980,921	200,151,796
Depreciation of right of use		1,190,124,956	859,416,766
Amortization of key money paid to a lessor		71,179,470	78,215,888
Variable rents		188,774,543	145,857,094
Low-value or short-term leases*		89,646,107	58,702,864
	$	1,838,705,997	1,342,344,408

* Axo has classified short-term lease payments and low-value asset lease payments within operating activities in accordance with the IFRS 16 “Leases”.

Lease liabilities-

Total cash outflows for leasing during 2023 and 2022 were 1,520,248,827 and $1,082,597,586, respectively.

The terms and conditions of the leases as of December 31, 2023, and December 31, 2022, are as follows:

2023	Currency	Nominal interest rate	Expiration date		Nominal value	Present value
Less than one year	Pesos	9.57%	2024	$	1,244,422,571	1,175,133,181
One to five years	Pesos	10.11%	2025 – 2030		2,201,665,683	2,068,886,587
More than five years	Pesos	10.68%	2031		114,426,305	76,235,616
				$	3,560,514,559	3,320,255,384

2022	Currency	Nominal interest rate	Expiration date		Nominal value	Present value
Less than one year	Pesos	9.57%	2023	$	1,094,602,983	936,765,355
One to five years	Pesos	10.11%	2024 – 2029		1,864,990,252	1,535,861,448
More than five years	Pesos	10.68%	2030		127,692,803	111,844,747
				$	3,087,286,038	2,584,471,550

Lease liabilities and right of use assets acquired in the business combinations with Komax and Old Navy (note 10) have been recognized at each acquisition date, amounted to $590,247,950 and $302,059,932, respectively.

(18) Equity-accounted investees-

As of December 31, 2023 and 2022, Axo owns 49% of the equity interest in its associate Grupo Guess, S. de R. L. de C. V., whose main activity is the import and sale of clothing and accessories of the Guess? brand through a license for the distribution in Mexico. Guess? Europe B.V. holds the remaining 51% of share in Grupo Guess, S. de R. L. de C. V.

As of December 31, 2023 and 2022, Axo owns 29.77% and 20%, respectively, of Vopero Inc., its associate. Vopero Inc., which is an online platform that offers a convenient and sustainable experience when buying and selling second-hand clothes.

The following table shows Axo's interest in Grupo Guess, S. de R. L. de C.V. and Vopero Inc:

	Ownership 2023	2022	Main Activity
Grupo Guess, S. de R. L. de C. V.	49%	49%	Sells apparel and accessories of the Guess? Brand
Vopero Inc	29.77%	20%	Online clothing resale store

On October 25, 2022, Axo and Vopero, Inc. signed the Note Purchase Agreement, as amended on March 3, 2023 through the Omnibus Amendment to the Note Purchase Agreement ("NPA") whereby it is agreed to grant a loan to Vopero, through the issuance (by Vopero) of convertible notes in favor of Axo. The financing to be granted by Axo through the NPA is divided into three tranches for amounts of US$833,333, $416,666.66 and $416,666.66, documented through convertible notes dated October 31, 2022, March 16, 2023 and May 12, 2023, respectively, which were capitalized in September 2023.

At the date of issuance of these consolidated financial statements, the convertible notes have been paid and therefore there is no longer an account receivable, and the amount is recorded in investments accounted for under the equity method.

As of December 31, 2023 and 2022, investments accounted for under the equity method are made up as follows:

		2023	**2022**
Stockholders' equity			
Grupo Guess, S. de R. L. de C. V.	$	1,414,250,174	1,040,044,147

		2023	2022
		49%	49%
Guess Interest	$	692,982,585	509,621,632
Vopero Inc	$	(7,527,862)	416,654
		29.77%	20%
Vopero Interest		(2,241,045)	83,331
Capitalization of convertible notes		29,851,099	-
Surplus (1)		34,752,813	49,694,008
Vopero Interest		62,362,867	49,777,339
Ownership interest in stockholders' Equity	$	755,345,452	559,398,971

(1) The surplus between the value of the investment and the capital stock of the subsidiary corresponds to subscription of shares premiums or excess of the purchase price of the value of the shares in the acquisition of businesses.

As of December 31, 2023 and 2022, the share in the comprehensive income of the investments accounted for under the equity method is integrated as shown in the following table:

		2023	2022
Net income			
Grupo Guess, S. de R. L. de C. V.	$	374,344,425	307,349,122
		49%	49%
Vopero Inc	$	(59,872,441)	(98,553,399)
		29.77%	20%
Ownership interest in equity comprehensive income for the year	$	166,065,760	130,890,390

A summary of certain financial information of the statement of financial position and statement of income of the associated companies at December 31, 2023 and 2022 and for the years ended on those dates is presented in next page.

		2023	2022
Grupo Guess, S. de R. L. de C. V.			
Current assets	$	1,438,608,149	1,108,011,502
Leasehold improvements, furniture and equipment, net		311,591,716	152,416,819
Other assets		247,274,504	215,077,236
Total assets	$	1,997,474,369	1,475,505,557
Current liabilities	$	482,766,802	348,794,286
Long term liabilities		100,457,393	86,667,124
Total liabilities	$	583,224,195	435,461,410

		2023	2022
Stockholders' equity	$	1,414,250,174	1,040,044,147

Vopero Inc			
Current assets	$	24,192,281	23,801,826
Leasehold improvements, right of use, furniture and equipment, net		7,635,000	8,782,402
Other assets		6,724,999	8,576,975
Total assets	$	38,552,280	41,161,203
Current liabilities	$	41,945,733	34,574,637
Non-current liabilities		4,134,409	6,169,912
Total liabilities	$	46,080,142	40,744,549
Stockholders' equity	$	(7,527,862)	416,654
Grupo Guess, S. de R. L. de C. V.			
Net sales	$	2,015,694,210	1,840,129,120
Operating income		469,259,813	400,790,180
Net income		374,344,425	307,349,122
Vopero Inc			
Net sales	$	27,956,394	26,699,180
Operating expense		(41,502,734)	(95,416,468)
Net loss		(59,872,441)	(98,553,399)

On February 28, 2022, Grupo Guess S. de RL de CV declared dividends for an amount of $200,000,000 from retained earnings. The Company received $98,000,000 corresponding to its equity interest.

(19) Goodwill-

At December 31, 2023 and 2022, goodwill is integrated as follows:

		2023	2022
Privalia Venta Directa, S. A. de C. V. ("Privalia") (A)	$	1,911,294,930	1,911,294,930
Komax S.A. (1)		1,337,625,379	-
Multibrand Outlet Stores, S. A. P. I. de C. V.("Promoda") (B)		1,261,017,598	1,261,017,598
Tennix, S. A. de C. V. ("TAF")		367,405,850	367,405,850
Baseco, S. A. P. I. de C. V. ("Baseco")		162,473,965	162,473,965
Moda Rapsodia, S. A. de C. V. ("Rapsodia")		15,918,975	15,918,975
Imperio Italiano, S. A. de C. V. (C) (2)		-	2,446,273
Intercambio Italiano, S. A. de C. V. (D) (2)		-	2,279,492
		5,055,736,697	3,722,837,083
Less accumulated impairment (B), (C) and (D)		14,257,759	18,983,524

Less impairment recognized as expenses (A)		218,683,832	-
	$	4,822,795,106	3,703,853,559

(1) The increase in goodwill corresponds to the acquisition of Komax S.A. and Subsidiaries (see note 10).
(2) During 2023 the Company decided to write-off both goodwill and its related impairment of Imperio Italiano, S.A. de C.V. and Intercambio Italiano, S.A de C.V., which had no effects on profit and loss during fiscal year 2023, since said impairments were recorded in prior periods.

Impairment test for cash-generating units that include goodwill-

In 2023 and 2022, impairment tests were performed considering the discounted cash flow methodology, using financial projections based on Axo expectations, calculating a terminal value at the end of the period based on the perpetuity of the flow of the last projection period.

The value in use of the goodwill was determined using the income approach, through which the present value of the future benefits of each CGU (Cash Generating Unit) was calculated.

Axo applied the Discounted Cash Flow ("DCF") method uses financial projections based on Management's expectations. Additionally, a terminal value was calculated at the end of the Projected Period ("Terminal Value"), estimated based on the perpetuity of the normalized flow of the last projection year, and considering a constant growth of the discount rate applicable to each CGU. The sum of the present values of the free flows of the Projected Period and the Terminal Value represents as a whole the Value in Use of the CGU.

2023	TAF %	Privalia %	Promoda %	Baseco %	Rapsodia %	Komax %
Discount rate after tax	15	15.8	16.4	15.4	14.1	14.4

2022	TAF %	Privalia %	Promoda %	Baseco %	Rapsodia %
Discount rate after tax	16.0	17.2	18.0	16.2	14.6

For the CGUs "TAF, Promoda, Baseco, Rapsodia, Komax" if the discount rates in the years ended December 31, 2023 and 2022, were 1 base point higher/lower, there would be no impairment

Derived from the impairment study conducted for Privalia, the Group determined that the carrying amount of the CGU was higher than its recoverable amount, resulting in the recognition of an impairment loss of $218,683,832 as of the end of 2023. This was mainly driven by the fact that the e-commerce industry growth, to which Privalia belongs, does not align with the Group's estimated projections. The impairment loss was fully allocated to goodwill and included in the "administrative expenses" category within the Statement of Comprehensive Income.

Following the impairment loss recognized in Privalia's CGU, the recoverable amount is equal to the carrying amount, therefore, any adverse variation in the key assumptions used could derived in the recognition of additional impairment.

(20) Intangible assets-

Intangible assets as of December 31, 2023 and 2022 are included next page.

Intangible assets with indefinite useful life:

Cost		Brands	Exclusivity contracts	Franchises	Key money paid to third parties	Other intangibles	Total
Balances as of January 1, 2023	$	413,900,000	184,000,000	945,202,000	418,240,644	48,277,359	2,009,620,003
Acquisitions		-	-	-	-	686,572	686,572
Disposals		(15,325,154)	-	-	(14,216,966)	-	(29,542,120)
Business combinations		219,128,685	-	-	-	248,903	219,377,588
Balances as of December 31, 2023	$	**617,703,531**	**184,000,000**	**945,202,000**	**404,023,678**	**49,212,834**	**2,200,142,043**

Cost		Brands	Exclusivity contracts	Franchises	Key money paid to third parties	Other intangibles	Total
Balances as of January 1, 2022	$	413,900,000	184,000,000	945,202,000	443,357,401	48,277,359	2,034,736,760
Disposals		-	-	-	(25,116,757)	-	(25,116,757)
Balances as of December 31, 2022	$	**413,900,000**	**184,000,000**	**945,202,000**	**418,240,644**	**48,277,359**	**2,009,620,003**

During 2023 and 2022, impairment tests were carried out on intangible assets with indefinite useful lives and the Company has recognized impairment losses for $50,000 and 755,085, respectively, which are included within the disposals line.

Intangible assets with finite life:

		2023			2022	
		Customer relationships	Software licenses	Franchises	Customer relationships	Software licenses
Cost						
Beginning balance	$	449,159,468	966,112,675		449,159,468	926,105,888
Acquisitions		-	209,157,845	-	-	127,887,942
Business combinations		-	125,120,888	156,991,112	-	-
Disposals		-	(7,776,048)	-	-	-
		449,159,468	1,292,615,360	156,991,112	449,159,468	1,053,993,830
Amortization						
Beginning balance		(130,814,900)	(602,527,789)	-	(86,663,692)	(548,156,376)
Additions		(43,604,967)	(176,727,841)	(2,272,618)	(44,151,208)	(142,252,572)
Business combinations		-	(67,758,382)	-	-	-
Disposals		-	1,445,088	(1,652,160)	-	-
Total amortization		(174,419,867)	(845,568,924)	(3,924,778)	(130,814,900)	(690,408,948)
	$	**274,739,601**	**447,046,436**	**153,066,334**	**318,344,568**	**363,584,882**

(21) Senior Notes due 2026-

In connection with the Senior Notes issued on June 8, 2021, disclosed in note 2 (e), there are certain covenants that, reaching the limit established within the "Indenture", among other things, will limit the Company's and its subsidiaries' ability of what is shown below:

- incur additional indebtedness;
- pay dividends on the capital stock or redeem, repurchase or retire the capital stock or subordinated indebtedness;
- make investments;
- create liens;
- create any consensual limitation on the ability of the restricted subsidiaries to pay dividends, make loans or transfer property; engage in transactions with affiliates;
- sell assets, including capital stock of the subsidiaries; and
- consolidate, merge or transfer assets.

If the notes obtain investment grade ratings from at least two of Standard and Poor's Ratings Group, Fitch Ratings Inc. and Moody's Investors Services, Inc. and no default has occurred and is continuing, the foregoing covenants will cease to be in effect with the exception of covenants that contain limitations on liens and on, among other things, certain consolidations, mergers and transfer of assets for so long as each of the foregoing rating agencies maintains its investment grade rating. At December 31, 2023 and 2022 Axo is in compliance with covenants related the Senior Notes.

(22) Notes payable to banks-

The notes payable to banks, which are measured at amortized cost, are contracted with various financial institutions. As of December 31, 2023 are as shown next as follows

		2023
Interest-bearing credit line at a TIIE rate plus 1.95 percentage points maturity on March 21, 2023 through March 16, 2028. Payable in quarterly amortizations from June 28, 2024 to March 16, 2028. Credit received in Mexican pesos. (1)	$	1,374,851,472
Interest-bearing credit line at a fixed rate of 8.30% maturity on March 21, 2023 through March 16, 2028. Payable in quarterly amortizations from June 28, 2024 to March 16, 2028. Credit of 9,900,000 Chilean pesos.		189,606,571
Interest-bearing credit line at a fixed rate of 6.70% maturity on March 25, 2026. Payable in monthly repayments. Credit as of December 31, 2023 for 14,025,921,501 Chilean pesos.		267,574,926
Interest-bearing line of credit at a fixed rate of 1.10% maturity on May 11, 2024. Payable in monthly repayments. Credit as of December 31 of 1,706,756 soles.		7,801,838
Interest-bearing credit line at a fixed rate of 1.15% maturity on June 22, 2024. Payable in monthly repayments. Credit as of December 31, 2023 of 515,007 soles.		2,340,458
Letters of credit that accrue interest at an average rate of 8.31%. They consist of 32 letters of credit of which 25 are negotiated for a value of 12,991,713 dollars and 7 are negotiated for a value of 4,785,317,871 Chilean pesos. Maturity on January to June 2024.		310,662,197

		2023
Interest-bearing line of credit at a rate of 2.95% maturity on January 3, 2027. Payable in semi-annual amortization. Credit in indexed units 38,209,064 representing 224,428,582 Uruguayan pesos.		97,586,036
Interest-bearing credit facility at a rate of 3.25% maturity on July 04, 2026. Payable in semi-annual amortization. Credit in indexed units 24,257,724 representing 142,494,338 Uruguayan pesos.		61,959,388
Total notes payable to bank	$	2,312,382,886
Excluding current maturities		655,709,134
Long-term debt, excluding current maturities		1,656,673,752

Interest expense on loans for the years ended December 31, 2023 was $237,148,795.

(1) During the term of the credit, they establish certain financial ratios such as:

- Leverage ratio equal to or less than 3.50x. (debt with financial cost between consolidated UAFIDAR*)
- Interest coverage ratio equal to or greater than 3.25x.
- Stockholders' equity of not less than $5,881,320,731 (five thousand eight hundred and eighty-one million three hundred and twenty thousand seven hundred and thirty-one pesos 00/100 M.N.)

As of December 31, 2023, Axo has complied with the requirements regarding the existence of such credit.

*EBITDAR = Total Sales/Revenue minus Cost of Sales, Less Operating Expenses plus Depreciation and Amortization including IFRS16 depreciation.

Reconciliation between changes in liabilities and cash flows arising from financing activities

		Debt securities (Note 28)	Bank payables (Note 23)	Stockholders equity (Note 30)	Senior Notes (Note 22)	Lease liabilities (Note 18)
Balances at January 1, 2023	$	1,640,107,990	-	3,970,554,947	6,213,050,964	2,584,471,550
Changes in cash flow from financing						
Interest expense		170,661,669	237,148,795	-	342,094,768	298,980,921
Amortized cost of debt securities		3,362,868	4,632,493	-	23,249,718	-
Other items that did not generate cash flow		(75,133,333)	(53,097,046)	213,269,502	(817,749,695)	1,399,311,052
Total changes due to cash flow from financing		98,891,204	188,684,242	213,269,502	(452,405,209)	1,698,291,973
New loans		-	2,321,115,686	-	-	-
Incentives received		-	-	-	-	(32,507,262)
Debt due to business combination		-	1,003,514,866	-	-	590,247,950
Payments of bank Lons		-	(1,028,873,802)	-	-	-
Lease payments		-	-	-	-	(1,221,267,906)

		Debt securities	Bank payables	Stockholders equity	Senior Notes	Lease liabilities
Interest payments		(95,528,336)	(172,058,106)	-	(326,445,073)	(298,980,921)
Total other changes related to liabilities		(95,528,336)	2,123,698,644	-	(326,445,073)	(962,508,139)
Balance as of December 31, 2023	$	1,643,470,858	2,312,382,886	4,183,824,449	5,434,200,682	3,320,255,384

		Debt securities (Note 28)	Stockholders equity (Note 30)	Senior Notes (Note 22)	Lease liabilities (Note 18)
Balances at January 1, 2022	$	1,767,726,509	3,956,391,990	6,586,951,247	2,026,860,588
Changes in cash flow from financing					
Interest expense		176,677,345	-	374,792,820	200,151,797
Amortized cost of debt securities		3,362,868	-	23,249,717	-
Increment due to business acquisition with no cash flow		-	-	-	302.059.932
Other items that did not generate cash flow		1,379,488	14,162,957	(398,282,692)	1,137,996,819
Payments of debt securities		(130,981,387)	-	-	-
Lease payments		-	-	-	(1,082,597,586)
Interest payments		(178,056,833)	-	(373,660,128)	-
Total other changes related to liabilities		(309,038,220)	-	(373,660,128)	(1,082,597,586)
Balance as of December 31, 2022	$	1,640,107,990	3,970,554,947	6,213,050,964	2,584,471,550

(23) Provisions-

Movements in provisions as of December 31, 2023, are as follows:

		Balances at December 31, 2023	Provisions made during the year	Provisions used during the year	Balances at December 31, 2023
Variable rent payments	$	56,614,958	224,300,025	(223,331,844)	57,583,139
Fees		30,248,400	64,245,755	(73,206,147)	21,288,008
Other benefits to employees		160,063,843	625,087,272	(663,188,680)	121,962,435
Advertising expenses		58,815,579	10,045,839	(7,430,002)	61,431,416
Logistic expenses		15,026,066	95,565,251	(87,129,764)	23,461,553
Interest		40,173,843	12,387,009	(10,407,057)	42,153,795
External services		23,306,255	247,114,540	(257,449,445)	12,971,350
Others		74,402,167	2,941,249,891	(2,897,322,702)	118,329,356
	$	458,651,111	4,219,995,582	(4, 219,465,641)	459,181,052

(24) Earnings per share

A. Basic earnings per share

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

i. Profit attributable to ordinary shareholders (basic)

		2023	2022
Profit for the year, attributable to the owners of the Company	$	590,566,309	564,381,042
Dividends on non-redeemable preference shares		(46,251,697)	(71,484,317)
Profit attributable to ordinary shareholders	$	544,314,612	492,896,725

ii. Weighted-average number of ordinary shares (basic)

		2023	2022
Issued ordinary shares at 1 January	$	149,550,995	143,587,273
Weighted-average number of ordinary shares at 31 December	$	150,369,223	149,550,995

B. Diluted earnings per share

i. Profit attributable to ordinary shareholders (diluted)

		2023	2022
Profit attributable to ordinary shareholders (basic)	$	544,314,612	492,896,725
Profit attributable to ordinary shareholders	$	544,314,612	492,896,725

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on prices determined by the Company for the year during which the options were outstanding.

(25) Employee benefits-

Axo has a legal seniority premium that covers all its employees. The benefits are based on years of service and the employee's compensation. The cost, obligations, and other elements of the seniority premium for reasons other than restructuring, mentioned in note 4 (l), have been determined based on computations prepared by independent actuaries as of December 31, 2023 and 2022.

		2023	2022
Defined Benefit Obligations (DBO)	$	23,607,097	17,793,754

i. Movements in the present value of defined benefit obligations (DBO)-

		2023	2022
DBO at January 1	$	17,793,754	15,198,499
Current service cost		4,493,050	2,114,227
		22,286,804	17,312,726
Actuarial losses		1,320,293	(244,045)
Business combination		-	728,931
Benefits paid		-	(3,858)
DBO at December 31	$	23,607,097	17,793,754

ii. Net periodic cost-

		2023	2022
Current services cost (recognized in the category of wages and salaries)	$	2,534,279	1,006,745
Interest expense (income)		1,958,771	1,107,482
	$	4,493,050	2,114,227

iii. Actuarial losses recognized in other comprehensive income-

		2023	2022
Amount accumulated at January 1	$	(1,926,673)	(1,926,673)
Recognized during the year		(1,329,164)	178,078
Amount accumulated at December 31	$	(3,255,837)	(1,748,595)

Actuarial assumptions-

The main actuarial assumptions used at the report dates are listed below:

	2023	2022
Discount rate used to reflect the present value of the obligations	10.3%	9.3%
Future salary growth	7.2%	6.5%
Expected inflation	6.8%	6.7%
Amortization period of unrecognized items (applicable to retirement benefits)	Between 15 and 20 years	Between 15 and 20 years

iv. Sensitivity analysis-

As of December 31, 2023, and 2022 a 0.50% increase over the discount rate used would have decrease the projected net liability by $20,216,507 and $16,750,223, respectively, and a 0.5% decrease over the discount rate used would have decreased the projected net liability by $21,893,058 and $17,872,564 respectively. The analysis assumes that all other actuarial assumptions remain constant.

Axo has not planned to make contributions to the defined benefit plans in 2024.

v. Employee benefit expenses-

The employee benefit expenses for the years ended as of December 31, 2023 and 2022, are as follows:

		2023	2022
Wages and salaries	$	2,291,008,410	1,491,950,192
Social security contributions		365,268,984	266,476,111
Other personnel benefits		133,420,855	140,032,172
Local payroll tax		60,271,298	48,732,483
Employee statutory profit sharing		111,175,016	103,828,593
Expenses related to defined benefit plans		2,534,279	1,006,745
Equit y-settled share-based payments		111,173,067	111,947,844
	$	3,074,851,909	2,163,974,140

(26) Income taxes (IT)-

Mexican Income Tax ("IT") Law ("Ley de ISR") in effect from January 1, 2014 imposes an IT rate of 30% for 2014 and thereafter.

dd) Amount recognized on the Consolidated Statement of Comprehensive Income -

The income tax expense at December 31, 2023 and 2022, is as follows:

		2023	2022
Current IT	$	906,182,810	621,137,695
Deferred IT		(114,971,434)	(247,470,827)
Updating by optional regime		10,464,120	36,524,498
Total income tax	$	801,675,496	410,191,366

ee) Amount recognized in OCI –

		2023		
		Before IT	IT	Net IT
Items that will be reclassified to comprehensive income:				
Cash flow hedges reserve:				
Actuarial loss		(3,077,777)	923,333	(2,154,444)
OCI Hedges	$	(97,533,789)	1,661,842	(95,871,947)
	$	(100,611,566)	2,585,175	(98,026,391)

		2022		
Items that will be reclassified to comprehensive income:				
Cash flow hedges reserve:				
Actuarial loss		(1,748,595)	569,977	(1,178,618)
OCI Hedges	$	(92,253,049)	6,181,517	(86,071,532)
	$	(94,001,644)	6,751,494	(87,250,150)

ff) Reconciliation of the Effective Tax Rate –

		2023	2022
Income from continuing operations before income taxes	$	1,847,126,841	1,390,008,017
Statutory rate		30%	30%
Tax using the Company´s domestic tax rate		554,138,052	417,002,405
Increase (reduction) resulting from:			
Effects of inflation, net		167,257,489	58,187,600
Non-deductible expenses		57,482,582	39,129,250
Share of profit of equity-accounted investees reported, net of tax		(49,819,728)	(39,267,117)
Inventory loss deduction		11,847,953	9,999,057
Goodwill impairment (Non-deductible expenses)		65,605,150	-
Business combination		-	(76,929,547)
Others, net		(4,836,002)	2,069,718
Total income tax expense	$	801,675,496	410,191,366

gg) Deferred income tax assets and liabilities-

The tax effects of temporary differences that originate significant portions of deferred tax assets and liabilities, as of December 31, 2023 and 2022, are shown on the next page.

		January 1, 2023	Profit or loss	Other comprehensiv e income	Business Combination	December 31, 2023
Provisions	$	137,595,333	(5,122,206)	(1,178,757)	6,459,945	137,754,315
Other liabilities not deductible before payment		81,242,200	(58,114,315)	5,839,854	(5,905,302)	23,062,437
Allowances for return and discounts for doubtful accounts		47,361,695	(1,836,470)	(253,141)	1,672,642	46,944,726
Leasehold improvements, furniture and equipment		506,500,599	(48,626,299)	1,948,751	(1,463,471)	458,359,580
Net tax operating losses (*)		383,097,762	301,414,584	-	-	684,512,346
Allowance for obsolete inventory		33,157,425	(8,472,176)	(1,694,297)	11,273,930	34,264,882
Employee benefits		5,338,126	394,229	157,274	1,192,501	7,082,130
Profit sharing payable		37,694,389	443,047	-	-	38,137,436
Advance from customers		10,699,029	39,060,625	(301,277)	4,748,617	54,206,994
Advance payments		12,173,417	18,680,522	(568,678)	-	30,285,261
Derivative financial instruments		29,808,823	(237,118)	(24,138,253)	-	5,433,452
Contract liabilities		31,731,970	(12,461,702)	-	-	19,270,268
Debt issuance expenses		4,865,858	913,183	-	-	5,779,041
Lease liabilities		34,541,867	(14,628,772)	(168,525)	7,692,618	27,437,188
Interest to be deductible		286,580,993	(120,512,205)	-	-	166,068,788
Deferred tax assets	$	**1,642,389,486**	**90,894,927**	**(20,357,049)**	**25,671,480**	**1,738,598,844**
Offset deferred tax by subsidiaries (**)		(58,731,027)	-	-	-	95,409,622
Net deferred tax assets	$	**1,583,658,459**	**90,894,927**	**(20,357,049)**	**25,671,480**	**1,834,008,466**
Senior Notes issuance expense	$	(23,830,961)	6,974,916	-	-	(16,856,045)
Key money		(106,366,265)	(931,304)	-	-	(107,297,569)
Step up Leasehold improvements, furniture and equipment		-	728,198	7,145,280	(51,841,726)	(43,968,248)
Brand and exclusivity contracts derived from the acquisition		(56,100,000)	-	-	-	(56,100,000)
Brand derived from the acquisition		-	-	54,120	(26,360,666)	(26,003,062)
Franchises derived from the acquisition		(283,560,600)	613,607	-	(38,266,583)	(321,213,577)
Intangible assets from acquisitions		(86,982,000)	12,426,000	-	-	(74,556,000)
Key money from acquisitions		(70,322,098)	4,265,090	-	-	(66,057,008)
Deferred tax liabilities	$	**(627,161,924)**	**24,076,507**	**7,199,400**	**(116,468,975)**	**(712,354,993)**
Offset of deferred tax by subsidiaries*		58,731,027	-	-	-	(95,409,622)
Net deferred tax liabilities	$	**(568,430,897)**	**24,076,507**	**7,199,400**	**(116,468,975)**	**(807,764,615)**

		January 1, 2022	Profit or loss	Other comprehensive Income	Business Combination	December 31, 2022
Provisions	$	99,688,893	37,906,440	-	-	137,595,333
Other liabilities not deductible before payment		53,964,204	27,277,996	-	-	81,242,200
Allowances for return and discounts for doubtful accounts		48,938,911	(1,577,216)	-	-	47,361,695
Leasehold improvements, furniture and equipment		489,600,633	93,829,513	-	(76,929,547)	506,500,599
Net tax operating losses (*)		357,911,276	25,186,486	-	-	383,097,762
Allowance for obsolete inventory		25,612,494	7,544,931	-	-	33,157,425
Employee benefits		3,858,894	261,373	1,217,859	-	5,338,126
Profit sharing payable		19,076,312	18,618,077	-	-	37,694,389
Advance from customers		2,081,981	8,617,048	-	-	10,699,029
Advance payments		(23,146,029)	35,319,446	-	-	12,173,417
Derivative financial instruments		31,150,548	(35,511,198)	34,169,473	-	29,808,823
Contract liabilities		14,178,070	17,553,900	-	-	31,731,970
Debt issuance expenses		3,952,675	913,183	-	-	4,865,858
Lease liabilities		50,004,404	(15,462,537)	-	-	34,541,867
Interest to be deductible		262,940,373	23,640,620	-	-	286,580,993
Deferred tax assets	$	**1,439,813,639**	**244,118,062**	**35,387,332**	**(76,929,547)**	**1,642,389,486**
Offset deferred tax by subsidiaries (**)		(104,794,081)	-	-	-	(58,731,027)
Net deferred tax assets	$	**1,335,019,558**	**244,118,062**	**35,387,332**	**(76,929,547)**	**1,583,658,459**

Senior Notes issuance expenses	$	(30,805,876)	6,974,915	-	-	(23,830,961)
Key money		(83,009,613)	(23,356,652)	-	-	(106,366,265)
Brand and exclusivity contracts derived from the acquisition of Multibrand		(56,100,000)	-	-	-	(56,100,000)
Franchises derived from the acquisition of TAF		(283,560,600)	-	-	-	(283,560,600)
Intangible assets from acquisitions		(99,408,000)	12,426,000	-	-	(86,982,000)
Key money from acquisitions		(77,630,601)	7,308,503	-	-	(70,322,098)
Deferred tax liabilities	$	**(630,514,690)**	**3,352,766**	**-**	**-**	**(627,161,924)**
Offset of deferred tax by subsidiaries*		104,794,081	-	-	-	58,731,027
Net deferred tax liabilities	$	**(525,720,609)**	**3,352,766**	**-**	**-**	**(568,430,897)**

(*) Axo only recognizes deferred tax assets for tax loss carryforwards whose recoverability is reasonably certain, otherwise it is not recognized or is partially recognized up to the amount expected to be recovered.

(**) Deferred tax is presented on a consolidated basis, therefore this effect is presented to reflect the net deferred tax assets and liabilities at the subsidiary level.

At December 31, 2023 and 2022, Axo's operating loss carried forward expire as shown in the following table:

Years		2023	2022
2023	$	-	2,746,741
2024		13,541,971	12,890,977
2025		19,013,528	28,071,299
2026		107,828,641	102,645,064
2027		204,650,237	207,829,349
2028		238,774,327	259,725,275
2029		448,561,794	464,942,240
2030		109,387,257	153,325,044
2031		225,105,532	230,641,432
2032		256,264,525	254,640,048
2033		1,101,690,036	-
	$	2,724,817,848	1,717,457,469

Axo only recognizes deferred taxes arising from tax losses that are likely to be recovered in the future.

As of December 31, 2023 and 2022, Axo has interest expense to be deducted as follows:

Years		2023	2022
2030	$	38,649,400	934,973,480
2031		311,917,393	493,913,351
2032		40,327,803	39,708,777
	$	390,894,596	1,468,595,608

As of December 31, 2023 and 2022, Axo opted to defer income tax in accordance with Chapter VI, Title II of the Mexican Law on Income Tax, Optional Regime for Group Companies. Therefore, the deferred tax payable is shown below:

Years		Deferred income tax optional regimen	
		2023	2022
2023		-	148,642,118
2024	$	99,995,118	99,138,840
2025		67,468,719	64,785,492
2026		73,042,359	82,870,018
2027		321,527,236	-
	$	562,033,432	395,436,468

Unrecognized deferred tax assets

No deferred tax assets have been recognized for the following items since it is unlikely that there will be future taxable profits against which Axo can use the corresponding profits, which are shown in the following table.

		Unrecognized deferred tax assets	
		2023	2022
Tax loss carryforwards	$	74,700,919	72,867,689
	$	74,700,919	72,867,689

Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, the deferred tax liability for temporary differences related to investments in subsidiaries was not recognized because Axo controls the dividend policy of its subsidiaries and may veto the payment of dividends from its Associate, that is, Axo controls the timing of the reversal of the corresponding taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

(27) Financial instruments and risk management-

hh) Credit risk-

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 as follows:

		Carrying amount	
		2023	2022
Cash and cash equivalents net of petty cash (note 11)	$	4,341,133,489	4,818,042,110
Accounts receivable (note 12)		1,206,262,975	890,315,607
Accounts receivable from related parties (note 13(c))		2,017,730	5,818,220
Accounts receivable from related parties long-term (note 13 (c))		-	16,349,711
Other accounts receivables (Amex and other methods of payments)		114,056,556	7,603,130
Sundry debtors (note 14)		16,512,765	11,720,462
	$	5,679,983,515	5,749,849,240

The maximum exposure to credit risk for accounts receivable at the reporting period by geographic region is as follows:

		Carrying amount	
		2023	2022
Mexico	$	1,133,539,502	881,529,121
Chile		46,056,702	8,786,486
Uruguay		18,375,493	-
Peru		8,291,278	-
	$	1,206,262,975	890,315,607

The maximum exposure to credit risk associated with accounts receivable at the reporting period by type of customer as follows.

		2023	2022
Wholesale customers, net	$	1,017,200,124	739,148,519
Other customers, net (SOFOM related services)		189,062,851	151,167,088
	$	1,206,262,975	890,315,607

The sales to Distribuidora Liverpool, S. A. de C. V., Sears Operadora México, S. A. de C. V., Amazon, El Palacio de Hierro, S. A. de C. V., Falabella, Riplay, Regionales Albany Sport and Regionales Boart Longyear Chile Limitada represent 16% and 18% in 2023 and 2022, respectively, of Axo's net sales.

ii. Impairment losses

Below is an aging schedule of trade accounts receivable included at the date of the report:

		Gross 2023	Impairment 2023	Gross 2022	Impairment 2022
Current (not past due)	$	1,112,411,237	-	884,764,054	-
Past due from 0 to 30 days		93,521,290	-	2,012,157	-
Past due from 31 to 120 days		290,351	-	280,749	-
Overdue more than 120 days past due (*)		5,440,626	(5,400,529)	7,839,266	(4,580,619)
	$	1,211,663,504	(5,400,529)	894,896,226	(4,580,619)

(*) The main customers in this classification does not represent any risk of collectability mainly due to credit terms granted.

ii) Liquidity risk-

Below are the contractual maturities of financial liabilities, including estimated interest and excluding the impact of netting agreements payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2023		Carrying amount	0-6 months	6-12 months	1-2 years	2-3 years	More than 3 years
Financial liabilities							
Trade accounts payable	$	3,075,134,771	2,155,480,016	919,654,755	-	-	-
Royalties and commissions		190,027,818	33,266,384	156,761,434	-	-	-
Debt securities		1,643,470,858	84,167,840	84,167,840	168,335,680	1,819,935,680	-
Senior Notes		5,434,200,682	137,259,688	137,259,688	274,519,375	5,764,906,875	-
Notes payable to banks		2,312,382,886	431,486,234	413,675,192	562,468,995	567,580,123	904,308,022
Business acquisition liability		77,199,391	-	77,199,391	-	-	-
CCS Only Interest MS		17,351,508	4,599,895	4,756,520	9,365,457	(9,682,594)	-
CCS Only Interest HSBC		40,034,423	11,168,113	10,553,827	21,107,654	10,553,827	-
Full CCS BofA		206,973,179	44,433,034	44,433,034	237,771,923	-	-
CCS Only Interest BBVA		179,592,847	58,730,137	49,823,942	72,980,987	30,166,875	-
Full CCS MS		331,285,428	70,940,354	70,940,354	380,937,299	-	-
Derivative financial instruments - Financed option premium (Call Spread) HSBC		62,290,502	20,236,944	19,908,778	39,817,556	19,908,778	-
Derivative financial instruments - Financed option premium (Call Spread) BBVA		90,729,079	29,895,486	29,410,694	58,821,389	29,410,694	-
Derivative financial instruments - Financed option premium (Call Spread) MS		28,493,953	9,658,542	9,501,917	19,003,833	9,501,917	-
Financial Derivatives		18,111,511	18,972,852	-	-	-	-
Related parties		141,128,301	16,944,605	124,183,696	-	-	-
	$	**13,848,407,137**	**3,127,240,124**	**2,152,231,062**	**1,845,130,148**	**8,242,282,173**	**904,308,022**

2022		Carrying amount	0-6 months	6-12 months	1-2 years	2-3 years	More than 3 years
Financial liabilities							
Trade accounts payable	$	2,498,405,738	1,864,559,644	633,846,094	-	-	-
Royalties and commissions		164,474,268	-	164,474,268	-	-	-
Debt securities		1,640,107,990	91,956,829	91,956,829	183,913,659	183,913,659	1,874,538,216
Senior Notes		6,213,050,964	187,516,395	193,760,530	402,467,718	422,535,436	7,896,471,547
Business acquisition liability		77,393,041	-	77,393,041	-	-	-
CCS Only Interest MS		8,499,052	114,595	93,424	124,415	35,795	70,737
CCS Only Interest HSBC		22,972,652	286,433	242,331	364,423	157,337	135,989
Full CCS BofA		54,722,759	1,979,877	1,938,850	3,729,048	(5,775,907)	954,501
CCS Only Interest BBVA		169,904,781	2,441,545	2,359,684	2,816,173	1,451,930	(293,939)
Full CCS MS		87,318,452	3,159,970	3,094,284	5,950,724	(9,215,512)	1,520,435
Derivative financial instruments - Financed option premium (Call Spread) HSBC		93,181,870	19,908,778	20,018,167	40,145,722	39,817,556	19,908,778
Derivative financial instruments - Financed option premium (Call Spread) BBVA		136,012,769	29,410,694	29,572,292	59,306,181	58,821,389	29,410,694
Derivative financial instruments - Financed option premium (Call Spread) MS		42,899,073	9,501,917	9,554,125	19,160,458	19,003,833	9,501,917
Financial Derivatives		99,362,749	4,215,727	1,116,497	(212,725)	-	-
Related parties		101,998,747	52,365,247	49,317,936	-	-	-
	$	**11,410,304,905**	**2,267,417,651**	**1,278,738,352**	**717,765,796**	**710,745,516**	**9,832,218,875**

jj) Market risk-

i. Foreign Exchange risk-

Axo's exposure to currency risks, based on national currency amounts is as follows:

		2023	2022
Cash and cash equivalents	$	648,908,084	1,032,847,427
Accounts receivable		70,934,825	8,645,933
Accounts receivable from related parties		-	23,576,551
Sundry debtors		4,523,742	5,568,796
Creditors and other accounts payable		(665,565,906)	(181,003,429)
Accounts payable to related parties		(19,086,077)	(16,738,570)
Current portion of notes payable to banks		(503,591,321)	-
Senior Notes		(5,924,297,991)	(6,292,487,500)

Net foreign exchange exposure	$	(6,388,174,644)	(5,419,590,792)

The foreign currencies used by Axo are mainly US dollars, chilean pesos, Uruguayan pesos and soles. the amounts above include the following: US dollars $365,002,685 during 2023 ($280,960,913 in 2022) and euros $575,719 in 2023 ($136,203 during 2022).

The following significant exchange rates applied during the year:

		Average exchange		Exchange at the closing	
		Rate	Rate	date	date
		2023	2022	2023	2022
US Dollar	$	17.82	20.08	16.89	19.36
Euro	$	17.62	22.02	24.08	24.08
Chilean pesos		0.02105	-	0.01929	-
Uruguays pesos		0.45268	-	0.43482	-
Soles		4.69172	-	4.75781	-

As of December 31, 2023, and 2022 a foreign exchange profit (loss) amounting to $174,034,995 and $(26,551,191), were respectively recorded.

Sensitivity analysis

Axo is exposed to exchange rate risk, since it has forward derivative financial instruments and options on the peso / dollar exchange rate, Axo's functional currency being the Mexican peso.

The analysis carried out on the expected cash flows for the year considers stress scenarios on the peso / dollar exchange rate by adding +/- 1.50 MXN. The following table shows the impact this situation would have on the income statement:

		2023		2022	
		Increase	Decrease	Increase	Decrease
USD (variance of $1.50 peso variation in the exchange rate)	$	235,425,301	(303,433,562)	505,434,462	(506,710,363)
Exchange rate forwards	$	235,425,301	(303,433,562)	505,434,462	(506,710,363)

As of December 31, 2023 and 2022, the strengthening of the US dollar and the euro before the peso, as shown below, would have reduced the year's net income by the amounts shown below. The analysis assumes that all the other variables, especially interest rates, remain constant.

		2023	2022
USD (variance of $1.50 peso variation in the exchange rate)	$	71,049,774	35,722,290
EUR (variance of $1.50 peso			

variation in the exchange rate)	$	6,850,239	2,421,903

A strengthening of the Mexican peso before the aforesaid currencies, at December 31, 2023 and 2022 would have had the same but opposite effect by the amounts referred to above, also assuming that all the other variables remain constant.

ii. Interest rate risk-

Management, within its financing policies, analyzes the rate quotes to determine the most favorable rate for Axo under market conditions on such date and to determine whether the financing will be referenced to a fixed rate or a variable rate during the term and until its maturity, therefore, the interest rate exposure will depend on the financing that Axo has carried out and for which a variable reference rate has been established under the most optimal conditions to which Axo has been able to access.

Axo has hedged the exchange risk and the interest rate risk through derivative financial instruments, due to current market conditions.

Derivative financial transactions

As of December 31, 2023 and 2022, Axo has a framework agreement for derivative financial transactions with the following institutions:

a) BBVA Bancomer. The contract covers one Coupon Only Swap (USD 5.75% vs Float MXN TIIE+0.395%) and one Call Spread USD/MXN for the range [$20-$26], both with a maturity date in June 2026
b) HSBC Mexico. The contract covers one Coupon Only Swap (USD 5.75% vs MXN 6.7013%) and one Call Spread USD/MXN for the range [$20-$26], both with a maturity date in June 2026.
c) Morgan Stanley. The contract covers one Coupon Only Swap (USD 5.75% vs MXN 6.54%) and one Call Spread USD/MXN for the range [$20-$26], both with a maturity date in June 2026. And one Full Cross Currency Swap (USD 5.75% vs MXN 11.755%) with a maturity date in June 2025.
d) Merryl Lynch/Bank of America. The contract covers one Full Cross Currency Swap (USD 5.75% vs MXN 11.77%) with a maturity date in June 2025.
e) BBVA Bancomer. The Company covers a capped Swap with a contract date of April 27, 2023 (11.5%) with maturity in March 2028.

The characteristics of these instruments are detailed in note 9.

Profile

At the reporting date, the interest rate profile of Axo's interest-bearing financial instruments was as shown below:

		Carrying amount	
		2023	2022
Fixed-rate instruments			
Financial liabilities	$	(2,110,794,651)	(1,640,107,990)

	Carrying amount	
	2023	2022
Variable rate instruments		

		Carrying amount	
		2023	2022
Financial liabilities	$	(7,279,259,775)	(6,213,050,964)

The figures in the above tables include both the position of bank financial liabilities, debt securities and interest rate hedging derivative instruments.

Full Cross currency swaps		2023	2022
Carrying amount	$	(538,258,607)	(142,041,212)
Notional amount		US$ 162,500,000	US$ 162,500,000
Maturity date		08/06/2026	08-jun-26
Hedge ratio		100%	100%
Change in intrinsic value of outstanding hedging instruments since inception of the hedge		531,245,000	(130,195,000)

Call spread		2023	2022
Carrying amount	$	(181,513,534)	(272,093,711)
Notional amount		US$ 162,500,000	US$ 162,500,000
Maturity date		02/06/2026	02-jun-26
Hedge ratio		100%	100%
Change in intrinsic value of outstanding hedging instruments since inception of the hedge		26,438,750	(26,438,750)

Sensitivity analysis of fair value for variable rate instruments

A 50 basis-points fluctuation in interest rates at the reporting date would have increased or decreased capital and income or losses in the amounts shown below. This analysis implies that all the other variables in specific exchange rates remain constant. The analysis is made on the same basis for 2023 and 2022, as shown below:

		2023	2022
50-basis points sensitivity for cash flows from variable rate Instruments	$	(22,313,868)	(23,222,882)

kk) Fair value-

Below are the fair values of financial assets and financial liabilities, jointly with the carrying amounts shown in the consolidated statements of financial position:

		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Cash and cash equivalents	$	4,353,916,169	4,353,916,169	4,827,686,856	4,827,686,856
Accounts receivable		1,206,262,975	1,206,262,975	890,315,607	890,315,607
Accounts receivable from related parties		2,017,730	2,017,730	5,818,220	5,818,220
Derivative financial instruments - Call Spread BBVA		73,068,667	73,068,667	175,454,420	175,454,420
Derivative financial instruments -Coupon Only Swap and		50,108,052	50,108,052	119,376,955	119,376,955

		2023		2022	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Call Spread HSBC					
Derivative financial instruments - Coupon Only Swap, Call Spread and Full Cross Currency Swap Morgan Stanley CB		23,856,438	23,856,438	56,886,728	56,886,728
Capped swap – BBVA Bancomer		11,231,119	11,231,119	-	-
Accounts receivable from related parties, long term				16,349,711	16,349,711
	$	**5,720,461,150**	**5,720,461,150**	**6,091,888,497**	**6,091,888,497**

		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:					
Suppliers (within "Trade and other payables)	$	3,075,134,771	3,075,134,771	2,498,405,738	2,498,405,738
Accounts payable from related parties		141,128,301	141,128,301	101,998,747	101,998,747
Long-term debt securities		1,643,470,858	1,651,600,000	1,640,107,990	1,651,600,000
Notes payable to banks (short-term)		655,709,134	662,655,454	-	-
Notes payable to banks (long-term)		1,656,673,752	1,665,566,869	-	-
Derivative financial instruments (short-term)		18,111,511	18,111,511	99,362,749	99,362,749
Business combination liabilities		77,199,391	77,199,391	77,393,041	77,393,041
CCS Only Interest MS		17,351,508	17,351,508	8,499,052	8,499,052
CCS Only Interest HSBC		40,034,423	40,034,423	22,972,652	22,972,652
Full CCS BofA		206,973,179	206,973,179	54,722,759	54,722,759
CCS Only Interest BBVA		179,592,847	179,592,847	169,904,781	169,904,781
Full CCS MS		331,285,428	331,285,428	87,318,452	87,318,452
Derivative financial instruments - Call Spread HSBC		62,290,502	62,290,502	93,181,870	93,181,870
Derivative financial instruments -Call Spread BBVA		90,729,079	90,729,079	136,012,769	136,012,769
Derivative financial instruments -Call Spread MS		28,493,953	28,493,953	42,899,073	42,899,073
Derivative financial instruments		18,111,511	18,111,511	99,362,749	99,362,749
Senior notes		5,434,200,682	5,490,387,500	6,213,050,964	6,292,487,500
Lease liabilities short-term		1,175,133,181	1,244,422,571	936,765,354	1,094,602,983
Lease liabilities long-term		2,145,122,203	2,316,091,988	1,647,706,197	1,992,683,054
	$	**16,996,746,214**	**17,317,160,786**	**13,929,664,937**	**14,523,407,969**

Note 7 discloses the basis for determining the fair values.

Interest rates used for discounting estimated cash flows, as appropriate, are based on the government's yield curve at the reporting date, plus a spread for adequate credit risk and were as shown below:

	2023	2022
Loans	13%	13%
Leases	12%	12%

(28) Debt securities and financial instruments-

		2023	2022
Debt securities "Axo16-2" with maturity date on January 22, 2026, that accrues interest at a fixed rate of 8.48%	$	250,908,995	250,589,990
Debt securities "Axo 19-2" with maturity date on January 22, 2026, that accrues interest at a fixed rate of 10.5%		1,392,561,863	1,389,518,000
Total	$	1,643,470,858	1,640,107,990

Accrued interests not paid as of December 31, 2023 and 2022, are included within provisions (see note 24).

On May 21, 2020, a waiver was obtained to capitalize accrued payable interests as part of the outstanding balance of the instrument. On May 31, 2022, the Company paid $130,981,387 in conection to the Bond Certificates with ticker symbols "Axo 16-2" and "Axo 19-2," which correspond to the capitalized interests.

(29) Risk management – Financial risk management-

This note presents information corresponding Axo's exposure to each of the aforementioned risks, the objectives, policies, and processes for measuring and managing risks as well as additional quantitative disclosures.

Risk management framework-

The Company's risk management policies are established with the objective of identifying, analyzing, monitoring, and controlling risks, in compliance with the established limits. This policies as well as the risk management systems, are reviewed on a regular basis to reflect changes in market conditions.

(a) Liquidity risk

Exposure to liquidity risk

Following are the remaining contractual maturities of financial liabilities at the balance sheets dates. The amounts are shown gross and undiscounted and include estimated interest payments.

Debt securities:

		2023	2022
Carrying Amount	$	(1,643,470,858)	(1,640,107,990)
Cash flows		(2,156,607,040)	(2,426,279,192)
Up to 6 months		(84,167,840)	(91,956,829)
6 – 12 months		(84,167,840)	(91,956,829)
1 – 2 years		(168,335,680)	(183,913,659)
2 – 3 years		(1,819,935,680)	(183,913,659)
3 – 5 years		-	(1,874,538,216)

Senior Notes:

		2023	2022
Carrying Amount	$	(5,434,200,682)	(6,213,050,964)
Cash flows		(6,313,945,626)	(9,102,751,626)
Up to 6 months		(137,259,688)	(187,516,395)
6 – 12 months		(137,259,688)	(193,760,530)
1 – 2 years		(274,519,375)	(402,467,718)
2 – 3 years		(5,764,906,875)	(422,535,436)
3 – 5 years		-	(7,896,471,547)

(b) Market risk

It refers to the risk associated with changes in market prices, such as exchange rates, interest rates and the price of stock or commodities may affect the Company's revenue or the fair value of its financial instruments. The objective of market risk management is managing and controlling exposure to market risks within acceptable parameters while optimizing returns.

Axo is exposed to the following risks that may have an impact on the financial results.

Interest rate risk exposure

The interest rate risk is that associated to the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in the market interest rates.

Interest rate fluctuations depend, to a large extent, on the state of the global economy.

Axo's exposure to the interest rate risk is associated with the debt securities, where cash flows from interest payable are tied to the TIIE rate plus a spread. Axo does contract derivative financial instruments specifically with Swap interest rate (TIIE) options to hedging this risk.

Below is the Company's exposure to the interest rate risk at December 31, 2023 and 2022:

		Carrying amount	
		2023	2022
Liabilities type			
Debt securities	$	1,643,470,858	1,640,107,990
Senior Notes		5,434,200,682	6,213,050,964
Bank debt		2,312,382,886	-
Coupon Only Swap variable-rate (CCS)		179,592,847	169,904,781
Full Cross Currency Swap		538,258,607	142,041,212
Coupon Only Swap fixed-rate (CCS)		57,385,931	31,471,704

Sensitivity analysis on cash flows

According to Debt Securities and Senior Notes hold by the Company, an impact associated with an increase or decrease in the interest rate (TIIE) is not estimated, since the aforementioned instruments are maintained at a fixed rate.

Sensitivity analysis on fair value

Axo does not record the debt securities at its fair value through Consolidated Statement of Comprehensive Income and does not have fair value hedge ratios, so the sensitivity analysis on the fair value of financial instruments focuses on the fair value behavior of the Coupon Only Swaps on variable rate TIIE, in the face of the movements in the interest rate by +/- 100 bp. The following table shows the impact that this situation would have on the Consolidated Statement of Comprehensive Income.

		Sensitivity (+100BP)	Results Sensitivity (-100BP)
2022			
Coupon Only Swap variable-rate	$	(46,427,058)	46,542,212

		Sensitivity (+100BP)	Results Sensitivity (-100BP)
2023			
Interest rate options (CAP)	$	(10,509,067)	4,432,295
Cross Currency Swap variable-rate (CCS)		(35,716,786)	35,716,786
Interest Rate Swap variable-rate (IRS)		50,543,366	(16,229,553)

(c) Fair value estimate

Debt securities

They are debt instruments issued at a variable interest rate plus a spread. For disclosure purposes, their fair value is estimated as the present value of future cash flows, discounted at market rates.

(d) Fair value hierarchy

When measuring the fair value of an asset or a liability, Axo uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market input (unobservable variables).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

At December 31, 2023 and 2022, Axo hold financial instruments in its consolidated statement of financial position, all of which are classified as level 2 instruments.

(e) Fair value versus carrying amount

The amounts show on the next page the book values and fair values of financial assets and financial liabilities (including those whose fair value is calculated for disclosure purposes only), classified according to their corresponding level of fair value hierarchy, corresponding to December 31, 2023 and 2022.

				Fair value hierarchy		
As of December 31, 2023		**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities measured at fair value						
Coupon Only Swap BBVA	$	179,592,847	179,592,847	-	179,592,847	-
Coupon Only Swap HSBC		40,034,423	40,034,423	-	40,034,423	-
Coupon Only Swap MS		17,351,508	17,351,508	-	17,351,508	-
Full CCS MS		206,973,179	206,973,179	-	206,973,179	-
Full CCS BofA		331,285,428	331,285,428	-	331,285,428	-
Financed option premium (Call Spread) BBVA		90,729,079	90,729,079	-	90,729,079	-
Financed option premium (Call Spread) HSBC		62,290,503	62,290,503	-	62,290,503	-
Financed option premium (Call Spread) MS		28,493,953	28,493,953	-	28,493,953	-
Forwards HSBC		10,351,188	10,351,188	-	10,351,188	-
Forwards Suntrust		7,760,322	7,760,322	-	7,760,322	-
Financial liabilities not measured at fair value						
Long term debt securities	$	1,643,470,858	1,651,600,000	-	1,651,600,000	-
Senior Notes		5,434,200,682	5,490,387,500	-	5,490,387,500	-
Bank loans		2,312,382,886	2,328,222,323	-	2,328,222,323	-
As of December 31, 2022						
Financial assets measured at fair value						
Loan to related parties	$	16,349,711	16,349,711	-	16,349,711	-
Financial liabilities measured at fair value						
Coupon Only Swap BBVA	$	169,904,781	169,904,781	-	169,904,781	-
Coupon Only Swap HSBC		22,972,652	22,972,652	-	22,972,652	-
Coupon Only Swap MS		8,499,052	8,499,052	-	8,499,052	-
Full CCS MS		54,722,759	54,722,759	-	54,722,759	-
Full CCS BofA		87,318,452	87,318,452	-	87,318,452	-
Financed option premium (Call Spread) BBVA		136,012,769	136,012,769	-	136,012,769	-
Financed option premium (Call Spread) HSBC		93,181,870	93,181,870	-	93,181,870	-
Financed option premium (Call Spread) MS		42,899,072	42,899,072	-	42,899,072	-
Forwards BBVA		36,470,473	36,470,473	-	36,470,473	-
Forwards HSBC		49,231,296	49,231,296	-	49,231,296	-
Forwards Suntrust		13,660,980	13,660,980	-	13,660,980	-
Financial liabilities not measured at fair value						
Long term debt securities	$	1,640,107,990	1,651,600,000	-	-	-
Senior Notes		6,213,050,964	6,292,487,500	-	-	-

(30) Stockholders' equity-

ll) Structure of capital stock-

On March 28, 2023, the Shareholders approved a reduction in the Company's share capital in the amount of $157,086,497 through the amortization of 484,578 (four hundred eighty-four thousand five hundred seventy-eight) and 604,208 (six hundred four thousand two hundred eight) ordinary, nominative, Class II, Series "A" shares, corresponding to the variable share capital of the Company whose beneficiary is the Trustee H and beneficiary B, respectively and the amortization of 72,505 (seventy-two thousand five hundred five) ordinary, nominative, Class II, Series "C" shares, corresponding to the variable share capital of the Company whose beneficiary is Trustee J.

On the same date, the Company approved to increase the share capital of Axo in its variable part by the equivalent in Mexican pesos of US$20,000,000.00 (Twenty million dollars 00/100 legal currency of the United States of America (" Dollars")) equivalent to $370,356,000.00 (three hundred and seventy million three hundred and fifty-six thousand pesos), which will be paid and subscribed in an amount equivalent in Mexican pesos at the FIX exchange rate published by the Banco de México (Central Bank of México) and the issuance of 2,416,833 (Two million four hundred sixteen thousand eight hundred thirty-three) Class II, Series E, registered shares, without par value expression and without voting rights.

On July 4, 2022, the Company's shareholders approved to increase the capital stock for $14,162,957 through the capitalization of 14,162,957 premium Class II shares, with no par value, of which 6,193,301 are series A shares with voting rights, 226,870 are series C shares with voting rights, 5,151,440 are series D shares with voting rights, and 2,592,346 are series E shares with no voting rights.

On July 4, 2022, the Company's shareholders approved an increase in capital stock for $431.93 by subscription of 431,930 Class II Series A shares, nominatives with no par value.

On July 4, 2022, the Company's shareholders approved an increase of the capital stock for $93,422.3 by subscribing shares for 934,223 derived from share plan 2, nominatives with no par value, thus resulting in the following shares: 471,062 common shares, nominatives, Class II, Series G, with no par value and with no voting rights, and 463,161 common shares, nominatives, Class II, Series H, with no par value and with no voting rights.

On March 28, 2022, General Atlantic AH BV ("GA") agreed to transfer a portion of up to 13.05% of the shares it owns in the Company in favor of an affiliated fund, GA Atlas GPA BV ("GA Atlas").

mm) Dividends-

On October 10, 2023, the shareholders of Moda Rapsodia, S.A. of C.V. approved the payment of a dividend in favor of the shareholders of such company, up to the amount of MX$12,000,000 (twelve million pesos 00/100 National Currency).

On June 20, 2023, the shareholders of Baseco approved the payment of a dividend in favor of the shareholders, up to the amount of $300,000,000.00 pesos (three hundred million pesos 00/100 National Currency), coming from the net tax profit account.

On April 13, 2023, the shareholders of Grupo Axo, S. A. P. I. de C. V., unanimously approved the payment of a preferential dividend to Series “F” shareholders, holders of 935,378 shares at a rate of $6.2468 per share for a total amount $5,843,119 (five million eight hundred forty-three thousand one hundred nineteen pesos 00/100 M.N.). Additionally, the shareholders approved to declare the payment of an ordinary dividend at a rate of $1.0032 per share for a total amount $190,000,000 (one hundred ninety million pesos 00/100 M.N.). Those dividends will be paid with the balance of the retained earnings account from previous years.

On April 11, 2023, the shareholders of Baseco, S. A. P. I. de C. V. (“Baseco”) unanimously approved the issuance of dividends derived from the profit after taxes account, in the amount of $300,000,000, which must be paid no later than April 30, 2023.

On March 1, 2023, the shareholders of Grupo Axo, S. A. P. I. de C. V., unanimously approved the payment of a preferential dividend to Series “F” shareholders, holders of 962,109 shares at a rate of $42.00 per share. It was approved that such dividends, amounted $40,408,578 pesos, will be paid with the balance of the retained earnings account from previous years.

On August 24, 2022, the shareholders of Grupo Axo, S.A.P.I. de C.V., unanimously approved to decree the payment of a preferential dividend to Series "F" shareholders, holders of 3,200,283 shares at $2.00 per share. Such dividends amounting $6,400,566 pesos were paid with the retained earnings balance from previous years.

On April 18, 2022, the shareholders of Grupo Axo, S.A.P.I. de C.V., unanimously approved to decree the payment of a preferential dividend to Series "G" shareholders, for a total amount of $30,877,990 at a rate of $7.1886 per share. It was approved that such dividends be paid with the balance of the retained earnings from previous years.

On April 13, 2022, the shareholders of Grupo Axo, S.A.P.I. de C.V., unanimously approved to decree the payment of an ordinary dividend in favor of series "A", "C", "D" and "E" shareholders for a total amount of $359,130,041 at a rate of $2.3187 per share and approved to decree the payment of a preferential dividend to Series "G" shareholders, for a total amount of $40,606,327 at a rate of $4.6374 per share. It was approved that such dividends were paid with the balance of the retained earnings from previous years.

On March 31, 2022, the shareholders of Baseco, S.A.P.I. de C.V. (“Baseco”), unanimously agreed to pay dividends in the amount of $400,000,000, charged to the after-tax profits account.

nn) Restrictions on stockholders’ equity-

In accordance with the General Corporations Law, five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of December 31, 2023, the statutory reserve amounts to $ 76,848,243 and has not reached the required amount.

Stockholder contributions including inflation effects 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 a 30% rate, payable by the Company; consequently, the stockholders may only receive 70% of such amounts.

oo) Non-controlling interest-

The integration of the non-controlling interest is as follows:

		2023	2022
Opening balance	$	1,593,285,857	1,403,534,927
Non-controlling interest		454,885,036	415,435,609
Change in fair value of financial instruments		23,446,668	(29,750,647)
Actuarial (loss) gain, net of income tax		(59,671)	65,968
Dividends of Moda Rapsodia S.A. de C.V.		(6,000,000)	-
Dividends of Baseco S.A.P.I. de C.V.		(294,000,000)	(196,000,000)
	$	1,771,557,890	1,593,285,857

Other information on the non-controlling interest

December 31, 2023		Baseco, S. A. P. I. de C. V.	Moda Rapsodia, S. A. de C. V.	Downtown Guru, S. A. de C. V.	Other individually immaterial subsidiaries and Intra-group eliminations	Total
Percentage of Non-controlling Interest		49%	50%	40%		
Current assets	$	1,884,370,934	43,027,575	55,420,216	-	1,982,818,725
Non-current assets		487,717,286	22,350,539	20,429,367	-	530,497,192
Current liabilities		(586,861,436)	(18,216,644)	(58,385,068)	-	(663,463,148)
Non-current liabilities		(72,133,215)	(6,876,492)	(8,709,451)	-	(87,719,158)
Net assets	$	**1,713,093,569**	**40,284,978**	**8,755,064**	**9,424,279**	**1,771,557,890**
Net assets attributable to non-controlling interest	$	1,713,093,569	40,284,978	8,755,064	9,424,279	1,771,557,890
Revenue from ordinary activities		5,484,731,556	171,799,549	286,499,523	-	5,943,030,628
Profit or loss		928,534,218	13,990,175	(22,809,891)	-	919,714,502
OCI		47,744,914	(8,557)	-	-	47,736,357
Total comprehensive income	$	**976,279,132**	**13,981,618**	**(22,809,891)**	**-**	**967,450,859**

December 31, 2023		Baseco, S. A. P. I. de C. V.	Moda Rapsodia, S. A. de C. V.	Downtown Guru, S. A. de C. V.	Other individually immaterial subsidiaries and Intra-group eliminations	Total
Earnings distributed to non-controlling interest	$	**454,981,767**	**6,995,088**	**(9,123,956)**	**2,032,137**	**454,885,036**

Other comprehensive income distributed to non-controlling	$	**23,395,008**	**(4,279)**	**-**	**(3,732)**	**23,386,997**
Cashflow from operating activities	$	590,348,475	7,502,472	(20,275,273)	-	577,575,674
Cashflow from investment activities		(22,993,974)	298,569	(299,685)	-	(22,995,090)
Cashflow from financing activities		(358,377,167)	(13,396,583)	15,896,487	-	(355,877,263)
Net decrease of cash and cash equivalents	$	**208,977,334**	**(5,595,542)**	**(4,678,471)**	**-**	**198,703,321**

December 31, 2022		Baseco, S. A. P. I. de C. V.	Moda Rapsodia, S. A. de C. V.	Downtown Guru, S. A. de C. V.	Other individually immaterial subsidiaries and Intra-group eliminations	Total
Percentage of Non-controlling Interest		49%	50%	40%		
Current assets	$	1,713,932,095	48,638,119	41,271,337	-	1,805,341,293
Non-current assets		455,844,004	23,613,447	20,827,299	-	500,284,750
Current liabilities		(550,160,013)	(25,156,361)	(35,925,214)	-	(612,741,330)
Non-current liabilities		(90,899,292)	(7,800,745)	(8,290,961)	-	(106,990,998)
Net assets	$	**1,528,716,794**	**39,294,460**	**17,882,461**	**7,392,142**	**1,593,285,857**
Net assets attributable to non-controlling interest	$	1,528,716,794	39,294,460	17,882,461	7,392,142	1,593,285,857
Revenue from ordinary activities		5,275,804,740	171,271,122	292,348,078	-	5,739,423,940
Profit or loss		829,752,229	14,467,556	950,395	-	845,170,180
OCI		(60,578,336)	584	-	-	(60,577,752)
Total comprehensive income	$	**769,173,893**	**14,468,140**	**950,395**	**-**	**784,592,428**
Earnings distributed to non-controlling interest	$	**406,578,592**	**7,233,778**	**380,158**	**1,243,081**	**415,435,609**
Other comprehensive income distributed to non-controlling	$	**(29,683,385)**	**292**	**-**	**(1,586)**	**(29,684,679)**
Cashflow from operating activities	$	450,774,272	(18,436,017)	(3,758,252)	-	428,580,003
Cashflow from investment activities		(23,217,434)	18,395,670	(3,126,309)	-	(7,948,073)
Cashflow from financing activities		(254,523,768)	(6,391,458)	5,342,667	-	(255,572,559)
Net decrease of cash and cash equivalents	$	**173,033,070**	**(6,431,805)**	**(1,541,894)**	**-**	**165,059,371**

(31) Revenue

a) Revenue streams

Axo generates revenue primarily from the sale of goods to its customers and service contracts with its equity-accounted investees (associates).

		2023	2022
Sales of goods	$	30,711,391,196	23,320,416,432
Discounts and returns		(6,137,576,425)	(4,415,990,149)
Revenue from services		134,832,317	143,140,195
Sales and service revenue, net	$	24,708,647,088	19,047,566,478

pp) Disaggregation of revenue from contracts with customers

The following table, revenue from contracts with customers is disaggregated by major products lines. The table also includes a reconciliation of the disaggregated revenue with Axo's reportable segments (see note 6):

		Clothes and accessories	
		2023	2022
Lifestyle	$	12,941,545,531	9,738,514,022
Off Price		6,498,109,876	5,627,359,826
Athletics & Outdoors		5,268,991,681	3,681,692,630
Total	$	24,708,647,088	19,047,566,478

qq) Contract balances

The following table provides information about contract liabilities from contracts with customers.

		2023	2022
Contract liabilities	$	19,971,264	35,663,428
Contract liabilities from e-commerce revenue		91,394,351	105,773,231
	$	111,365,615	141,436,659

The contract liabilities primarily relate to the advance considerations received from customers during 2023 and 2022 for $19,971,265 and $10,991,553, respectively, for which revenue is recognized at a point of time once the merchandise is delivered to the customers.

As of December 31, 2023 and 2022, an amount of $27,160,128 and $24,671,875 is included as a liability for allowance of returns from e-commerce revenues and the sales discount for the Promoda discount program.

No information is disclosed about remaining performance obligations at December 31, 2023, and 202, that have an original expected duration of one year or less, as allowed by IFRS 15.

(32) Cost and general expenses

The following table shows the main line items of the costs and general expenses as of December 31, 2023 and 2022.

December 31, 2023		Cost of sales	Selling expenses	Administrative expenses
Cost of goods sold	$	12,197,563,392	-	-
Administrative services		-	1,500,335,169	1,548,856,796
Depreciation		-	-	627,468,506
Depreciation of right-of-use assets		-	29,060,927	1,232,243,499
Amortization		-	-	222,608,426
Rents		-	198,552,639	79,868,009
Fees		-	-	352,263,880
Goodwill impairment		-	-	218,683,832
Royalties		-	760,176,650	-
Store selling expenses		-	212,711,743	-
Advertising, promotional, and events		-	509,384,634	-
Logistic expenses		-	670,216,210	-
Commissions		-	368,704,345	10,170,963
Maintenance		-	348,845,189	57,074,509
Equity-settled share-based payments		-	-	111,173,067
Electricity		-	-	120,225,995
Others		15,447,356	118,333,746	491,156,327
Total	$	12,213,010,748	4,716,321,252	5,071,793,809

December 31, 2022		Cost of sales	Selling expenses	Administrative expenses
Cost of goods sold	$	9,855,593,502	-	-
Administrative services		-	1,181,358,241	974,844,041
Depreciation		-	-	473,280,215
Depreciation of right-of-use assets		-	37,061,798	900,570,856
Amortization		-	-	186,410,075
Rents		-	146,713,550	57,846,410
Fees		-	-	275,821,031
Royalties		-	645,274,529	-
Store selling expenses		-	176,201,391	-
Advertising, promotional, and events		-	379,467,673	-
Logistic expenses		-	428,835,374	-
Commissions			257,826,289	17,507,498
Maintenance		-	237,848,791	29,177,259
Equity-settled share-based payments		-	-	111,947,844
Electricity		-	-	86,896,648
Others		7,171,920	97,300,977	409,705,108

December 31, 2022		Cost of sales	Selling expenses	Administrative expenses
Total	$	9,862,765,422	3,587,888,613	3,524,006,985

		2023	2022
Other income			
Insurance recovery	$	24,299,692	5,319,345
Facilities improvement recovery		13,764,743	12,268,750
Inflation effect on taxes		13,645,353	18,143,189
Minor income		6,025,496	3,686,754
Bonuses from suppliers and creditors		5,573,156	277,493
Gain from bargain purchase of business		-	183,354,278
Sale of key moneys		-	3,676,513
Other income		40,830,886	1,028,739
		104,139,326	227,755,061
Other expenses			
Inflation effect on taxes		1,526,237	2,090,431
Other expenses		4,271,604	-
	$	5,797,841	2,090,431

(33) Share-based payment arrangements

A. Description of share-based payment arrangements

As of December 31, 2023 and 2022, Axo had the following share-based payment arrangements.

i. Employee Stock Option Plan ("ESOP") or Restricted Stock Units ("RSU")

On December 31, 2021, Axo established an ESOP that entitles key management personnel and senior employees to purchase Restricted Stock Units from the Company, with a vesting period of 3 years after each grant (33% vesting each year). The contractual life of these options is 6 years. Likewise, the shares will be vested in their entirety in the cases shown as follow:

a) upon a full liquidity event by General Atlantic, in a change of control; or
b) in case of an Initial Public Offering ("IPO"), 70% of non-vested shares will be vested 12 months after the IPO and the remaining 30% will be vested 24 months after the IPO.

This plan will be governed by the Compensation Committee and will not have voting rights. The plan contemplates non-compete and non-solicit clauses and can only be settled with equity instruments (equity-settled).

The key terms and conditions related to this program are as follows; all options will be settled by physical delivery of shares.

Grant date / employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to key management personnel			
On December 31, 2022	1,427	33% per year from grant date.	6 years
Options granted to senior employees			
On December 31, 2022	1,849	33% per year from grant date.	6 years
Options granted to key management personnel			
On December 31, 2023	1,638	33% per year from grant date.	6 years
Options granted to senior Employees			
On December 31, 2023	1,849	33% per year from grant date.	6 years

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

The fair value of the employee share options has been measured using the method of last relevant event. For the share options granted during 2023 and 2022, the inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Key management personnel		Senior employees	
	2023	2022	2023	2022
Fair value at grant date	157,641,457	$115,421,646	224,926,499	154,824,410
Share price at grant date	153.35	121.621	-	121.62
Exercise price	153.35	121.62	-	121.62
Expected volatility (weighted-average)	0%	0%	0%	0%
Expected life (weighted-average)	6 years	6 years	0	6 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	0%	0%	0%	0%

1 The price change corresponds to a dilution due to the capitalization of shares on July 4, 2022 mentioned in note 31.

The expected volatility has been based on the individual average of historical volatility compared with the implied volatility of different companies related to the sector.

ii. Expense recognized in profit or loss

The expense for the year ended December 31, 2023 and 2022 was $111,173,067 and $111,947,844, respectively.

(34) Commitments and contingent liabilities

(a) Axo has entered into service agreements with related companies to provide several services required for its operation for an indefinite period. Total service revenue amounted in 2023 and 2022 to $134,832,317 and $116,734,830, respectively.

(b) The long-term employee benefits provided by Axo are compensation from a statutory seniority bonus plan that is based on years of service and last salary received. The liabilities recognized by this plan are included in Employee Benefits, which at the end of December 2023 and 2022 reached $23,607,097 and $17,793,754, respectively.

(c) Axo has entered into license agreements of royalties for the distribution of its several brands in Mexico, which are necessary for its operation and have different renewable terms for a similar period to their maturity. The payment of royalties and licenses fees amounted in 2023 and 2022 to $760,176,650 and $645,274,529, respectively, and are recognized in selling expenses in the consolidated statements of comprehensive income.

(d) Axo is involved in several lawsuits and claims arising in the normal course of business. The outcome of these matters is not expected to have significant adverse effects on the Axo's financial position or profit or loss.

(e) In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed. Axo does not expect any significant adverse effect related to such power of the tax authority.

(f) In accordance with the Income Tax Law, companies that carry out transactions with related parties are subject to certain requirements regarding the determination of prices, which should be similar to those that would be used in arm's-length transactions. In the event that the tax authorities examine the transactions and reject the related-party prices, they could claim additional taxes plus the related inflation adjustment and interests, in addition to penalties of up to 100% of the omitted taxes. Axo carries out transfer pricing studies on an annual basis and at the reporting date there is no knowledge of possible contingencies.

(g) Pursuant to the debt securities titles, the guarantor companies are required, among other things, to: I) Maintain their legal existence and under a going concern basis, maintain their accounting in accordance with the MFRS in Mexico, the IFRS or the Mexican Stock Exchange ("BMV", for its Spanish acronym) and keep in force all their rights, prerogatives, permits, contracts, licenses, concessions or authorizations that are necessary for the performance of their activities; II) Comply with and be up-to-date in the payment of all relevant tax contributions to which it is obliged except for the exceptions indicated therein; III) Axo must maintain and will enforce its subsidiaries to keep in effect the distribution or licenses agreements entered into with the different suppliers; among other requirements.

(35) Accounting standards issued but not yet effective

A number of new accounting standards are effective for annual periods beginning after January 1, 2024, and early application is permitted; however, Axo has not early adopted the new or amended accounting standards in preparing these consolidated financial statements.

a) Classification of liabilities as current or non-current and Non-current liabilities with covenants (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.

Axo estimate this amendment will not have any effect on its Financial Statements since current and non-current liabilities are presented depending on the counterparty rights.

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 financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows, as well as on liquidity risk exposure. These amendments apply for annual periods beginning on or after January 1, 2024.

Axo estimate this amendment could have effects on its Financial Statements, whereby the Company is currently analyzing the Supplier Finance Arrangements where its involved.

c) IFRS 18 – Presentation and Disclosure in Financial Statements

On March 28, 2024, the International Accounting Standards Board (IASB) announced that expects to issue IFRS 18 Presentation and Disclosure in Financial Statements on 9 April 2024. The issuance of IFRS 18 will replace International Accounting Standard (IAS) 1: "Presentation of Financial Statements", which has been effective globally since 2001.

While IFRS 18 will improve the transparency and comparability of financial information by providing new relevant disclosures, particularly on financial performance, its adoption will imply the following challenges:

— The new standard will be effective on January 1, 2027, early adoption is permitted; however, its application will be universal, meaning that it will affect all entities that apply IFRS, regardless of their line of business.

— Although certain guidelines of IAS 1 are included in IFRS 18, the latter establishes new accounting requirements for the presentation and disclosures in the financial statements, among which the following stand out:

a) Subtotals in the income statement
b) Categories for classifying income and expenses in the income statement: operating, investing and financing.
c) Principles and requirements for aggregating and disaggregating the information presented in the financial statements.
d) Requirements for management performance measures or performance measures to be disclosed in the notes to the financial statements.
e) Disclosures including reconciliations between information prepared under IFRS 18 and IAS 1.
f) Definition of the line item to be used as a starting point in the statement of cash flows using the indirect method.

g) Classification criteria in the statement of cash flows applicable to interest and dividends.

— The only way to implement IFRS 18 will be through retrospective application, i.e., the comparative information in the income statement and applicable notes will have to be restated.

These multiple changes and new requirements described above, could represent costs of implementation and for the continuing application of IFRS 18; however, at this time Axo has not started with this assessment and, therefore, we are not able to quantify the potential impacts on our consolidated financial statements.

d) Other accounting standards

The following amendments to accounting standards are not expected to have a significant impact on the Company's Financial Statements.

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

(36) Subsequent events

On March 20, 2024 was informed that a debt securities exchange will be made on March 27, 2024 due to the acquisition of Komax S.A. as the new guarantor of the "AXO 19-2" and "AXO 16-2" debt securities.

On March 15, 2024, the shareholders of Grupo Guess, S. de R.L. de C. V., unanimously approved to declared up to $400,000,000.00 pesos (four hundred million pesos). The dividends must be paid to the shareholders as follows: (i) $300,000,000.00 pesos (three hundred million pesos) on March 15, 2024 and (ii) $100,000,000.00 pesos (one hundred million pesos) will be paid before October 15, 2024.

On March 14, 2024, Grupo Axo, S.A.P.I. of C.V. entered into a joint venture agreement with Ulta Beauty, Inc. in order to launch and operate Ulta Beauty in Mexico in 2025.

On March 1, 2024, the shareholders of Grupo Axo, S. A. P. I. de C. V., unanimously approved the payment of a preferential dividend to Series "F" shareholders, holders of 1,233,726 shares, at a rate of $42 per share. It was approved that such dividends will be paid with the balance of the retained earnings balance from previous years.

On February 28, 2024, the shareholders of Baseco, S. A. P. I. de C. V. ("Baseco") approved the payment of a dividend to the shareholders of Axo, up to the amount of $900,000,000.00 pesos (nine hundred million pesos), from Baseco´s net tax profit account, and were paid on February 29, 2024.

On February 16, 2024, the entities Distribuidora Guess Chile Limitada and Grupo Guess Perú S.R.L. signed an agreement with Grupo Axo S.A.P.I. de C.V., Komax S.A. and Komax Perú S.A.C., subsidiaries of Axo, to operate the Guess brand in Chile and Peru, which includes the operation of 8 stores in Chile and 7 stores in Peru, as well as the online and wholesale channels.