TRANSPORTES AÉREOS **PEGASO**

DESDE 1981

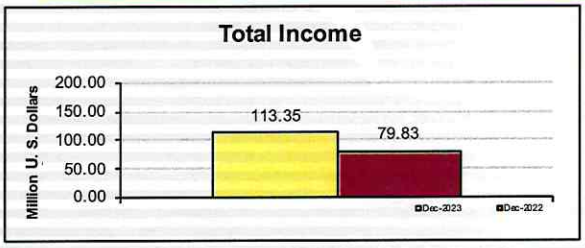
Transportes Aéreos Pegaso, S. A. de C. V.

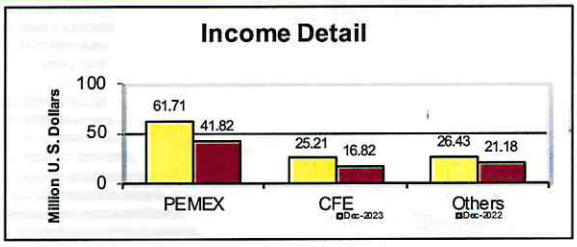
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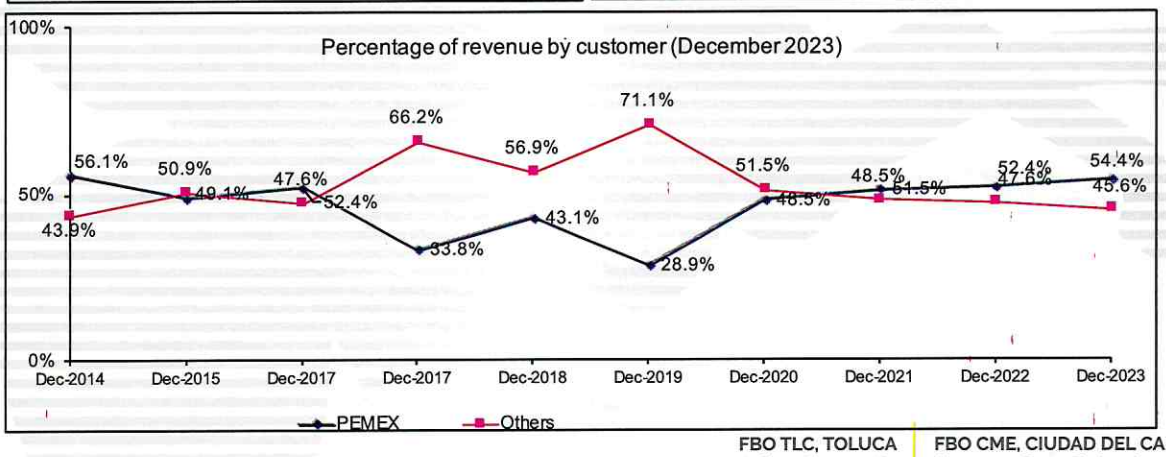
As of December 31, 2023 and 2022

(U. S. dollars)

	2023	2022	% var
Income from Services	$ 113,354,902	$ 79,831,667	41.99%
Operating Profit or Loss	$ 6,120,690	$ 4,697,111	30.31%
Fixed Assets	$ 79,900,695	$ 95,815,532	-16.61%
Total Assets	$ 160,011,369	$ 149,702,267	6.89%
Market value (fleet)	69,776,660	66,521,225	4.89%
Total Assets(include update Market value)	**$ 229,788,029**	**$ 216,223,492**	**6.27%**
Cash and cash equivalents	$ 17,664,906	$ 7,723,944	128.70%
Total Long Term Debt	$ 63,003,374	$ 74,116,484	-14.99%
Total Stockholder's Equity	$ 49,735,024	$ 40,447,210	22.96%
Common stock	$ 1,271,340	$ 1,271,340	
Total Long Term Debt to Total Asset (Market value)	**$ -**	**$ -**	
Operating Profit or Loss	$ 6,120,690	$ 4,697,111	30.31%
Depreciation & amortization	22,582,032	18,468,368	22.27%
OIBDA (Operating Income before Depreciation & amortization)	**$ 28,702,722**	**$ 23,165,479**	**23.90%**
Financial Revenues and Expenses - net (Notes 1 & 8)	($ 3,355,586)	($ 2,296,394)	
Other Revenues and Expenses - net	$ 8,096,545	$ 3,168,211	
EBITDA (Earnings before Interest, Tax, Depreciation & amortization)	**$ 36,799,267**	**$ 26,333,690**	**39.74%**







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TRANSPORTES AÉREOS PEGASO
DESDE 1981

Transportes Aéreos Pegaso, S. A. de C. V.

C o n t e n t s

As of December 31, 2023 and 2022

Figures expressed in U. S. dollars (Notes 1, 2 and 3)

	" EXHIBIT "
Financial Reasons	**"A"**
Statements of Financial Position	**"B"**
Statements of Comprehensive Income	**"C"**
Statements of Changes in Stockholders' Equity	**"D"**
Statements of Cash Flows	**"E"**
Notes to the Financial Statements	**"F"**

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TRANSPORTES AÉREOS PEGASO
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EXHIBIT "A"

Transportes Aéreos Pegaso, S. A. de C. V.

Financial Reasons

As of December 31, 2023 and 2022

Figures expressed in U. S. dollars (Notes 1, 2 and 3)

	2023	2022
Income	$ 113,354,902	$ 79,831,667
Operating Gross Profit	$ 6,120,690	$ 4,697,111
Total Assets	$ 160,011,369	$149,702,267
Fixed Assets	$ 79,900,695	$ 95,815,532
Cash and cash equivalents	$ 17,664,906	$ 7,723,944
Total Long Term Debt	$ 63,403,552	$ 74,497,433
Total Stockholder's Equity	$ 49,735,024	$ 40,447,210
Common stock	$ 1,271,340	$ 1,271,340
Operating Profit or Loss	6,120,690	4,697,111
Depreciation & amortization	22,582,032	18,468,368
OIBDA (Operating Income Before Depreciation & amortization)	$ 28,702,722	$ 23,165,479
Financing Income or Loss	($ 3,355,586)	($ 2,296,394)
Other Products - net	$ 8,096,545	$ 3,168,211
EBITDA (Earnings before Interest, Tax, Depreciation & Amortization)	$ 36,799,267	$ 26,333,690

TRANSPORTES AÉREOS PEGASO
DESDE 1981

EXHIBIT "B"

Transportes Aéreos Pegaso, S. A. de C. V.

Statements of Financial Position

As of December 31, 2023 and 2022

Figures expressed in U. S. dollars (Notes 1, 2 and 3)

Assets

	2023	2022
Current assets:		
Cash and cash equivalents (Note 2)	$ 17,664,906	$ 7,723,944
Accounts receivables (Note 3)	48,358,283	31,571,361
Other account receivables	3,053,278	1,909,874
Advance payments	2,594,373	2,541,868
Total Current Assets	$ 71,670,840	$ 43,747,047
Non-current Assets		
Property and equipment (Note 5 and 6)	$ 79,900,695	$ 95,815,532
Prepaid expenses (Note 4)	6,845,843	5,532,600
Intangible assets	7,380	7,380
Deferred income Tax (Note 15)	686,901	2,595,719
Deferred Profit Share to Employees(Note 15)	240,221	955,540
Right of use assets	659,489	1,048,449
Total non-current Assets	$ 88,340,529	$105,955,220
Total Assets	$ 160,011,369	$149,702,267

Liabilities and Stockholders´ Equity

Current Liabilities:		
Suppliers	$ 22,172,167	$ 14,840,713
Sundry creditors	19,937,566	11,435,510
Taxes payable	4,763,060	8,481,401
Current portion of long-term liabilities (Note 11)	7,864,483	9,241,594
Current portion of right of use assets (Note 10)	400,178	380,949
Total Current Liabilities	$ 55,137,454	$ 44,380,167
Long-term Liabilities		
Long-term loans (Note 11)	$ 51,891,246	$ 61,625,701
Long-term of right of use assets (Note 10)	259,311	667,500
Net employee defined benefit liabilities	2,988,334	2,581,689
	$ 55,138,891	$ 64,874,890
Total Liabilities	$ 110,276,345	$109,255,057
Stockholders´ Equity:		
Capital stock (Note 14)	$ 1,271,340	$ 1,271,340
Legal reserve	172,533	172,533
Retained earnings	38,312,490	33,379,570
Income for the period	9,978,661	5,623,767
Total Stockholders' Equity	$ 49,735,024	$ 40,447,210
Total Liabilities and Stockholders' Equity	$ 160,011,369	$149,702,267

The attached notes are integral part of these financial statements.

C. P. C. Juan Carlos Erosa Zepeda
CFO

C. P. Noemi Saavedra Bello
Management Accountant

TRANSPORTES AÉREOS PEGASO
DESDE 1981

EXHIBIT "C"

Transportes Aéreos Pegaso, S. A. de C. V.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

Figures expressed in U. S. dollars (Notes 1, 2 and 3)

	2023	2022
PEMEX	$ 61,712,570	$ 41,822,356
Other	26,433,519	21,184,367
CFE	25,208,813	16,824,944
Service income (Flights)	$ 113,354,902	$ 79,831,667
Equipment lease	$ 3,220,604	$ 3,196,553
Fuel	6,660,221	6,678,965
Depreciation and amortization	22,582,032	18,468,368
Maintenance	41,466,865	23,639,467
Insurance	3,536,808	2,745,848
Employees and social security taxes	13,115,810	9,119,035
Other expenses	12,952,783	8,386,660
Cost of services (Flights)	$ 103,535,123	$ 72,234,896
Gross profit	$ 9,819,779	$ 7,596,771
Operating Expenses:		
Administration expenses		
Employees and social security taxes	($ 3,025,461)	($ 2,482,458)
Sundry expenses	(673,628)	(417,202)
	($ 3,699,089)	($ 2,899,660)
Operating Profit	$ 6,120,690	$ 4,697,111
Other products - net (Note 17)	$ 8,096,545	$ 3,168,211
Financing income or loss - net (Notes 16)		
Interest expenses - net	($ 6,913,996)	($ 3,115,952)
Exchange loss - net	3,558,410	819,558
	($ 3,355,586)	($ 2,296,394)
Profit before income taxes	$ 10,861,649	$ 5,568,928
Income tax (Note 15)	($ 882,988)	$ 54,839
Net income for the period	$ 9,978,661	$ 5,623,767

The attached notes are integral part of these financial statements.

C. P. C. Juan Carlos Erosa Zepeda
CFO

C. P. Noemí Saavedra Bello
Management Accountant

TRANSPORTES AÉREOS PEGASO
DESDE 1981

EXHIBIT "D"

Transportes Aéreos Pegaso, S. A. de C. V.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2023 and 2022

Figures expressed in U. S. dollars (Notes 1, 2 and 3)

	Capital Stock (Note 14)	Legal Reserve	Retained Earnings	Total Stockholder´s Equity
Balances at December 31, 2021	$ 1,271,340	$ 172,533	$ 34,027,099	$ 35,470,972
Dividends paid			(647,529)	(647,529)
Comprehensive income			5,623,767	5,623,767
Balances at December 31, 2022	$ 1,271,340	$ 172,533	$ 39,003,337	$ 40,447,210
Dividends paid			(690,847)	(690,847)
Comprehensive income			9,978,661	9,978,661
Balances at December 31, 2023	$ 1,271,340	$ 172,533	$ 48,291,151	$ 49,735,024

The attached notes are integral part of these financial statements.

C. P. C. Juan Carlos Erosa Zepeda
CFO

C. P. Noemi Saavedra Bello
Management Accountant

TRANSPORTES AÉREOS PEGASO
DESDE 1981

EXHIBIT "E"

Transportes Aéreos Pegaso, S. A. de C. V.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

Figures expressed in U. S. dollars (Notes 1, 2 and 3)

	2023	2022
Operating Activities		
Income before income taxes	$ 10,861,649	$ 5,568,928
Items related to investing activities:		
Depreciation & amortization (Note 5)	$ 22,582,032	$ 18,468,368
Interest receivable	(222,791)	(128,781)
Items related to financing activities:		
Interest Payable	7,136,787	3,244,733
	$ 40,357,677	$ 27,153,248
Accounts receivable and others	($ 16,230,472)	($ 19,031,693)
Advance payments	(52,505)	(1,882,587)
Suppliers, creditors and advances to suppliers	15,833,510	6,382,174
Taxes payable	(4,601,329)	(954,236)
Net Cash flows provided by operating activities	$ 35,306,881	$ 11,666,906
Investing Activities		
Interest collected	$ 222,791	$ 128,781
Disposition of property and equipment	15,107,709	5,290,919
Acquisition of property and equipment	(21,774,904)	(50,318,207)
Net Cash flows provided by investing activities	($ 6,444,404)	($ 44,898,507)
Cash flows to be provided by financing activities	$ 28,862,477	($ 33,231,601)
Financing Activities		
Dividends decreed	($ 690,847)	($ 647,529)
Acquisition of long-term credits	-	22,995,480
Payments of long-term loans	(11,093,881)	(8,883,839)
Interest paid	(7,136,787)	(3,244,733)
Net Cash flows provided by financing activities	($ 18,921,515)	$ 10,219,379
Increase in cash and cash equivalents	$ 9,940,962	($ 23,012,222)
Cash and cash equivalents at beginning of year	7,723,944	30,736,166
Cash and cash equivalents at year end	$ 17,664,906	$ 7,723,944

The attached notes are integral part of these financial statements.

C. P. C. Juan Carlos Erosa Zepeda
CFO

C. P. Noemi Saavedra Bello
Management Accountant

TRANSPORTES AÉREOS PEGASO
DESDE 1981

ANEXO "F"

Transportes Aéreos Pegaso, S. A. de C. V.

Notes to the Financial Statements

As of December 31, 2023 and 2022

Figures expressed in U. S. dollars

1. Company activity

Transportes Aéreos Pegaso, S. A. de C. V. was incorporated on February 16, 1981, as per articles of incorporation 37852 before public notary number 16 for Mexico City, Lic. Francisco Fernández Cueto. The Company is primarly engaged in air transport activities in general.

The Company's operating period and fiscal year is from January 1, through December 31.

The Company has been incorporated for a term of 99 years.

The issuance of the financial statements and the corresponding notes was authorized by the Chief Executive Officer, C. Enrique Zepeda Navarro and the Chief Financial Officer, C.P.C. Juan Carlos Erosa Zepeda. These financial statements must be approved at a later date by Company's Board of Directors and shareholders, who have the authority to modify the accompanying financial statements. Subsequent events were considered up to this date.

On September 1, 2021, as a result of the labor outsourcing reform, the Company hired 286 employees from SSFMG Servicios, S.A. de C.V. (the Transferring Company), and assumed all labor obligations related to past services. Accordingly, the Company recognized a defined benefit obligation and any other assumed labor obligations through profit or loss for the year, in accordance with Mexican FRS D-3 Employee Benefits. See Note 13.

The Company is only required to pay employee profit sharing based on its own profits. The Company did not recognize the deferred employee profit sharing of the Transferor since such amount was determined based on the temporary differences of the Transferor. The Company recognizes deferred employee profit sharing based on its own temporary differences.

Summary of significant accounting policies

a) Compliance with Mexican Financial Reporting Standards ("MFRS")

The financial statements as of December 31, 2023 and 2022, have been prepared in accordance with Mexican Financial Reporting Standards ("MFRS" or "Mexican FRS").

b) Basis of preparation

The financial statements as of December 31, 2023 and 2022 have been prepared on a historical cost basis, and the non-monetary items that were acquired or recognized in the financial statements before December 31, 2007, as such items reflect the cumulative effects of inflation from their initial recognition date through December 31, 2007 .

From January 1, 2008 Mexico is considered to have a non-inflationary economic environment, as defined under Mexican FRS B 10 "Effects of Inflation". As of December 31, 2022 and 2021, Mexico's cumulative inflation rate for the three prior years was 26% (annual average of 8%), which represents the necessary condition for considering Mexico as having a non-inflationary economic environment. Accordingly, the Company ceased restating its financial statements for inflation as of January 1, 2008.

As determined based on the National Consumer Price Index (NCPI) published by the National Statistical and Geographical Information Agency (INEGI), Mexico's annual inflation rate for 2023 and 2022 is as follows:

	Cumulative inflation for 2022 (sum of inflation rates for 2020, 2021 and 2022)	Cumulative inflation for 2023 (sum of inflation rates for 2021, 2022 and 2023)	Inflation for the year (inflation rate for 2023)
Inflation rates	21.16%	22.99%	4.66%

Under Mexican FRS, this cumulative inflation rate represents the necessary condition for considering Mexico as having a non-inflationary economic environment, which means that the financial statements should be prepared on a historical cost basis.

The Company's functional and recording currency is the Mexican peso, considering the primary economic environment in which it operates, among other factors. The functional currency reflects the transactions and their underlying conditions, which are relevant to the entity and changes when there are changes in such conditions.

The Company presents these financial statements using the US dollar as the reporting currency, solely for the convenience of users of the financial statements. For conversion purposes, the following exchange rates are used:

Monetary assets and liabilities: year-end
Non-monetary assets and liabilities: historic
Equity: historic
Income, costs and expenses: weighted average

The conversion effects are presented as part of the retained earnings.

Separate financial statements have also been prepared using the Mexican peso as reporting currency.

c) Retrospective recognition of accounting changes

As of January 1, 2022, the Company retrospectively adopted the accounting changes arising from the adoption of the Improvements to Mexican FRS for 2022, and the Improvements to Mexican FRS for 2023, which did not have a material impact on the financial information presented by the Company in 2022.

d) Classification of short-term (current) and long-term (non-current) assets and liabilities

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as short-term when:

Expected to be realized or intended to be sold or consumed in the normal operating cycle;
Expected to be realized within twelve months after the reporting period;
Held primarily for the purpose of trading, or
Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as short-term when:

It is expected to be settled in the normal operating cycle;
It is held primarily for the purpose of trading ;
It is due to be settled within twelve months after the reporting period, or
There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as long-term (non-current).

e) Revenue from contracts with customers

The Company's primarily activity is air transportation in general.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, except for the agency services, because it typically controls the goods or services before transferring them to the customer.

Accounts receivable

A receivable represents the Company's right to an amount due from customers of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) and pertain to sales of goods or services rendered over the normal course of the Company's operations. When they are expected to be collected in a period of one year or less from the closing date, they are presented as current assets. If they do not comply with the aforementioned, they are presented as non-current assets.

Accounts receivable are initially recognized at fair value and subsequently measured at their amortized cost, using the effective interest rate method, less the allowance for doubtful accounts.

f) Using estimates

The preparation of the Company's financial statements in accordance with Mexican FRS requires management to make judgements, estimates and significant assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The Company based its estimates on the available information at the time the financial statements were prepared. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occured.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements :

- Leases

Determination of the lease term in contracts with renewal and termination options – The Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

- Defined benefit plans

The net cost of defined benefits plans and the present value of these labor obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, and mortality, disability, employee turnover rates, as well as certain financial and demographic assumptions. Due to the complexities involved in the valuation, the underlying assumptions, and the long-term nature of the valuation, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates by reference to market yields on government bonds. As at December 31, 2023 the Company has used a government bond rate to discount its long-term defined employee benefits, since management believes that this rate best reflects the present value of the Company's expected future benefit payments based on the characteristics of plan participants and the estimated future payment dates of the benefits.

The mortality rate is based on Mexico's publicly available mortality tables.

Future salary increases are based on expected future inflation rates for Mexico considering a growth rate in the expected benefits.

Additional information on the assumptions used is provided in Note 13.

Impairment in the value of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years or more, taking into account that growth rates must not be further than five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position principally consist of petty cash balances in local and foreign currency, bank deposits and highly liquid financial instruments that are not investments subject to significant risk of changes in value, with maturities of 90 days or less. Cash and cash equivalents are recognized initially and subsequently at fair value.

Cash and cash equivalents in foreign currency are translated using the rate of exchange prevailing at the reporting date. Exchange differences are recognized in the statement of comprehensive income as they accrue.

h) Financial instruments initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

i) Financial assets

Trade receivable and other accounts receivable

Accounts receivable represent the consideration to which an entity is entitled in exchange for satisfaction of a performance obligation through the transfer of a promised good or service to a customer.

Trade receivables are considered to be financial assets (IFC as are known in Spanish), as they arise from a contract that establishes the contractual obligations of the parties.

Accounts receivable are recognized upon accrual of the transaction giving rise to them, which occurs when control over the promised good or service is transferred to the customer in execution of the terms of the related contract. Accounts receivable are only recognized when they meet the conditions for recognition of the corresponding revenue in accordance with Mexican FRS D-1 *Revenue from Contracts with Customers.*

The amount of a receivable can vary because of rebates, discounts or refunds, and the corresponding changes to the consideration amount are recognized at the time the customer becomes entitled to such rebate, discount or refund.

Accounts receivable are initially recognized at the transaction price determined in accordance with Mexican FRS D-1 and subsequently adjusted to the amount of the transaction price that has not been collected from the customer.

Receivables denominated in foreign currency or in another medium of exchange are translated to the Company's functional currency using the rate of exchange prevailing at the reporting date. Changes in the amount of trade receivables arising from exchange rate fluctuations are recognized as part of net financing cost.

Accounts receivable are classified as either short-term or long-term depending on the length of their terms. Accounts receivable that are due within one year of the reporting date (or within the entity's normal business cycle if it exceeds one year) are classified as short-term. All other accounts receivable are classified as long-term.

The Company records an allowance for expected credit losses in profit or loss upon initial recognition of its trade receivables, based on an assessment of their recoverability, and then recognizes the changes to the allowance that arise in each subsequent period.

Allowance for expected credit losses

The Company recognizes an allowance for expected credit losses and exercises its judgement to determine the expected credit losses of its trade receivables, taking into consideration its historical credit loss experience, current circumstances, and reasonable and sustainable forecasts of different future quantifiable events that could reduce the future cash flows earned from the Company's receivables.

The Company recognizes the allowance for expected credit losses related to accounts receivable in accordance with Mexican FRS C-16 Impairment of Financial instruments receivable.

As of December 31, 2023 and 2022, no allowances for expected credit losses were determined.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at the initial date of recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or accounts payable.

All financial liabilities are initially measured at fair value, and for loans and borrowings and accounts payable are measured including transaction cost directly attributable.

Company's financial liabilities includes suppliers, other accounts payable, and loans and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Financial liabilities derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

k) Prepaid Payments

Prepaid expenses are initially recognized as assets as of the date the payment is made, provided that it is probable that the future economic benefits associated with the asset will flow to the Company.

Prepaid expenses denominated in foreign currencies are translated using the exchange rates prevailing at the dates of the initial transactions, with no subsequent adjustments recorded for changes in the exchange rates of the currency in which the prepayments were made.

At the time the goods or services are received, the Company recognizes the amount related to the prepaid expenses as an asset, depending on whether it is certain that the goods or services acquired will generate future economic benefits.

The Company periodically evaluates its prepaid expenses to determine the probability that they will cease to generate future economic benefits and to assess their recoverability. Irrecoverable prepaid expenses are recognized as impairment losses in the income statement. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of prepaid expenses, to the extent that such changes are of a permanent nature. These reversals are recognized affecting the statement of comprehensive income of the current period.

l) Property, and equipment

Property and equipment are initially recognized at their acquisition value.

Those assets requiring a substantial period of time to get ready for their intended use, the acquisition (construction) cost includes: the acquisition cost of the asset and capitalized borrowing costs incurred during the acquisition period (construction and installation) of the asset.

The cost of acquiring property, plant and equipment includes the costs initially incurred to acquire or build the asset, plus costs subsequently incurred to replace the asset or enhance its service capability. For machinery and equipment made up of components with different estimated useful lives, the major individual components are depreciated over their individual useful lives. Repair and maintenance costs are expensed as incurred.

Depreciation of property and equipment is calculated on the asset's acquisition cost less the residual value of property and equipment on a straight-line basis (since management considers that this method best reflects the use of these assets) and over the estimated useful lives of the assets, as follows:

	Estimated useful life
Buildings	20 - 40 years
Flight equipment	6.25 years
Transportation equipment	4 years
Office furniture and equipment	10 years
Computer equipment	3.34 years
Tools	2.87 years

Prepayments to suppliers are capitalized in property and equipment at the time the risks and rewards of ownership of the goods have been transferred to the Company.

Capitalized financing costs are determined by applying the weighted average capitalization rate of financing costs to the weighted average amount of investments in qualifying assets made during the acquisition period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of comprehensive income, when the asset is derecognized.

The carrying amount of property, plant and equipment is reviewed whenever there are indicators of impairment in the value of such assets. When the recoverable amount of an asset, which is the higher of the asset's expected net selling price and its value in use (the present value of future cash flows) is less than its net carrying amount, the difference is recognized as an impairment loss.

For items of property, plant and equipment, when the circumstances that caused the impairment loss are favorably resolved and there are observable indications that the net carrying amount of the asset has increased, the impairment loss is reversed. When an impairment loss is reversed, the amount recognized shall be net of depreciation for the year in which the reversal occurs.

For the years ended as of December 31, 2023 and 2022, there were no indicators of impairment.

m) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If not, it is a service contract.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (based on its materiality). The Company recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i) Right of use assets

The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation or amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred by the lessee, and lease payments made at or before the commencement date less any lease incentives received . Right of use assets are depreciated or amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Company's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation or amortization is calculated using the estimated useful life of the asset.

The right of use assets are also subject to impairment. Refer to the accounting policies in Note 1i) Use of estimates, specifically about the impairment in the value of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are presented separately in the statement of financial position.

iii) Short-term leases and leases in which the underlying asset is of low value

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

n) Provisions, contingents and commitments

Provisions are recognized when (i) the Company has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is mostly certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The recognized amounts as provisions are management's best estimates of expenditures required to settle the obligation at the time the consolidated financial statements were prepared.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, commitments are only recognized when they will generate a loss. As of December 31, 2022, the Company did not have any contingent liabilities

Contingent assets are recognized when the realization of income is mostly certain.

Trade advances in foreign currency are translated using the exchange rate prevailing on the day of the initial transactions, and are not adjusted for subsequent changes in exchange rates. Trade advances are recognized as current liabilities and recognized as expenses as the products are sold or the services are rendered.

o) Net employee defined benefit liabilities

Seniority premiums are paid to workers as required by Mexican Labor Law. Additionally, under Mexican Labor Law, the Company is liable to make certain payments to workers who terminate employment or are dismissed in certain circumstances.

The Company annually recognizes the liability for seniority premiums and termination benefits for so-called "pre-existing obligations", based on independent actuarial calculations applying the projected unit credit method, using financial assumptions net of inflation.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets, are immediately recognized in profit or loss].

Past service costs are recognized at the earlier of the following dates:

- When the plan amendment or curtailment occurs
- When the Company recognizes related restructuring costs

p) Compensated absences

The Company creates a provision for the costs of compensated absences, such as paid annual leave, which is recognized using the accrual method.

q) Employee profit sharing (EPS)

Current and deferred employee profit sharing are presented as part of costs or expenses in the statement of comprehensive income.

Deferred employee profit sharing is determined using the asset and liability method. Under this method, deferred employee profit sharing is determined by applying the 10% rate to all temporary differences between the values of assets and liabilities for financial and tax reporting purposes. The Company periodically evaluates the possibility of recovering deferred employee profit sharing assets and if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.
Deferred employee profit sharing that has not yet been realized are recognized in equity and reclassified to profit or loss immediately as accrued. See Note 15

o) Exchange differences

Transactions in foreign currencies are initially translated using the exchange rates prevailing on the day of the initial transactions. Foreign currency denominated assets and liabilities are translated using the exchange rate ruling at the reporting date.

Exchange differences from the transaction date to the time foreign currency denominated assets and liabilities are settled, as well as those arising from the translation of foreign currency denominated balances at the reporting date, are recognized in the statement of income.

See Note 13 for the Company's foreign currency position at the end of each period and the exchange rates used to translate foreign currency denominated balances.

p) Comprehensive income

Comprehensive income represents the increase or decrease in earned capital from net income or loss for the year, components of other comprehensive income (OCI) and the Company's share in the OCI of other entities. Other comprehensive income (OCI) consists of income, cost and expense items recognized in equity that are expected to be realized in the medium (long) term and whose amounts may change due to changes in the fair value of the assets and liabilities that gave rise to them, making their realization uncertain. For the years ended December 31, 2023 and 2022, there are no OCI items.

q) Income tax

Current income tax

Current income tax is recognized as a current liability, net of prepayments made during the year. Current income tax is recognized as an expense in profit or loss, except to the extent that it arises from transactions or other events recognized outside profit or loss, either in comprehensive income or directly in equity.

Deferred income tax

Deferred income tax is calculated using the asset and liability method. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities, applying the income tax rate as of the date of the statement of financial position, or the enacted rate at the date of the statement of financial position that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized. In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements.

r) Statement of comprehensive income presentation

Costs and expenses shown in the statement of comprehensive income are analyzed by their function in order to present cost of sales separately from other costs and expenses, since such classification allows for a more accurate evaluation of the Company's operating and gross profit margins.

Although not required to do so under Mexican FRS, the Company includes operating income/(loss) in the income statement, since this item is an important indicator for evaluating the Company's operating results, given that this is a common disclosure in the industry in which the Company operates.

s) Equity

Changes in the Company's equity, legal reserve, share premiums and cumulative gains (losses) are recognized in terms of historical cost as of January 1, 2008. These changes were restated for inflation through December 31, 2007.

Contributions for future capital increases that meet the requirements of Mexican FRS C-11 "Equity" (those for which there are firm shareholder commitments, for which a fixed number of shares has been established in exchange for a predetermined contribution amount, among others) are recorded as part of contributed capital. Contributions for future capital increases that do not meet these requirements must be recognized as liabilities in the statement of financial position.

t) Financial risk management objectives and policies

The Company's main financial liabilities, comprise loans, trade and other payables. The main purpose of these financial liabilities is to is to acquire Assets (mainly Aircraft), to finance the Company's operations and to provide guarantees to support its operations. The Company's main financial assets include loans, trade and other receivables, as well as cash and short-term deposits that derive directly from its operations.

The Company is exposed to (i) market risk (which includes interest rate risk and foreign currency risk), (ii) credit risk, and (iii) liquidity risk.

(i) Market risks

Interest rate risk – This risk results from fluctuations in market interest rates, which affect the value of the Company's contracted debt and lease obligations.

Foreign currency risk – This risk results from volatility in the foreign currency market, which affects the value of the Company's foreign currency holdings, and its foreign-currency denominated in cash, accounts receivable, supplier accounts and other accounts payable and debt.

Commodities price risk – This risk arises from the fact that the Company needs high volumes of certain fuels (such as gas and electricity) to carry out its business activities.

(ii) Credit risk

Credit risk is the risk that the counterparty (customer, supplier, related party or financial company) will default on its payment of obligations with the Company.

(iii) Liquidity risk

Liquidity risk is the risk that debt and equity market conditions will impede the Company from having the financial resources it needs for its business activities.

Concentration of risk

Concentrations arise when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's results to events affecting the Aviation Industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

v) New accounting pronouncements

1) Standards, Interpretations and Improvements to Mexican FRS issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issue of the Company's financial statements are disclosed below.

The Company intends to adopt these standards, if applicable, when they become effective.

Mexican Financial Reporting Standard (Mexican FRS) A-1 Conceptual Framework in Mexican FRS (effective for annual periods beginning on or after January 1, 2023)

Mexican FRS A-1 Conceptual Framework in Mexican FRS was issued by the Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A.C. or CINIF) in November 2021 to define and set out the Conceptual Framework that supports each specific Financial Reporting Standard and address concerns arising from the accounting recognition of transactions and any other events that have an economic impact on an entity.

New Mexican FRS A-1 supersedes the eight individual standards contained in the previous Mexican FRS Series A Conceptual Framework for the purpose of achieving maximum convergence to International Financial Reporting Standards (IFRS), under which, unlike Mexican FRS, the Conceptual Framework is not a standard.

In addition, the Conceptual Framework has been revised to be consistent with the specific standards issued in recent years.

In order for this Conceptual Framework to be more practical and functional, the new Mexican FRS A-1 is divided into ten chapters. Some of the main changes, compared to the previous Conceptual Framework, include adjustments to the definition of an asset and liability, the restructuring of the hierarchy and description of the qualitative characteristics of financial statements, changes to valuation concepts, and the inclusion of CINIF Technical Reports as an integral part of Mexican FRS, among others.

New Mexican FRS A-1 is effective for annual periods beginning on or after January 1, 2023, with early application permitted.

No important effects are expected upon the adoption of this new standard.

Mexican Financial Reporting Standard (Mexican FRS) C-15 Impairment of Long-lived Assets (effective for annual periods beginning on or after January 1, 2022)

Mexican FRS C-15 Impairment of Long-lived Assets was issued by the CINIF in December 2020 and sets out the framework for the accounting recognition of impairment losses on the value of long-lived assets, and their reversal.

Mexican FRS C-15 will supersede Bulletin C-15 Accounting for the Impairment or Disposal of Long-lived Assets. The most important changes contained in the new standard are as follows: Mexican FRS C-15 provides new examples to assess whether there is any indication that an asset may be impaired, for the purpose of impairment testing, the term net selling price is now replaced by the term fair value less costs to sell, entities now have the option to use an estimate of future cash flows and a real discount rate, to determine the recoverable amount, new guidelines for the accounting treatment of foreign currency future cash flows, new guidelines for the allocation of goodwill at a cash-generating unit (CGU) level and recognition of an impairment loss, impairment tests will no longer be determined using the perpetuity value for intangible assets with indefinite useful lives and, as a result, such impairment tests have been modified, new guidelines that address the impairment of corporate assets, and as a result of the aforementioned changes, the disclosure guidelines have been modified.

Mexican FRS C-15 is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

No important effects are expected upon the adoption of this new standard.

Improvements to Mexican FRS for 2022

The improvements that give rise to accounting changes related to valuation, disclosures or presentation in the financial statements are as follows:

(i) Mexican FRS D-3 *Employee Benefits*

Mexican FRS D-3 establishes a procedure to determine deferred employee profit sharing in the cases in which it is deemed that employee profit sharing will be paid at a rate lower than the current rate in future periods, as a result of changes in the calculation of current employee profit sharing arising from the labor outsourcing reform.
Under the aforementioned procedure, entities are required to prepare financial and tax projections to make the best possible estimate of the rate that will be in effect when temporary differences are expected to be realized in order to calculate deferred employee profit sharing. An estimate may also be made based on the current employee profit sharing rate for the period.
This improvement is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted for annual periods beginning on or after January 1, 2021. Any accounting changes arising from the adoption of these improvements are to be recognized prospectively.

The effects of the adoption of this Mexican FRS D-3 improvement are described in Note 15.

(ii) **Mexican FRS B-1 Accounting Changes and Error Corrections**

Entities are no longer required to disclose proforma financial information when there is a change in the entity's financial structure. In addition, when there is a change in an entity's financial structure, such entity is required to disclose the effect of this change on its revenue, as well as on its net profit and comprehensive income or in the net changes in equity and, if applicable, on its earnings per share for each of the comparative periods reported in respect of the period in which the change is made.

This improvement is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted for annual periods beginning on or after January 1, 2021. Any accounting changes arising from the adoption of these improvements are to be recognized prospectively.ounting pronouncements are effective for annual periods beginning on or after January 1, 2021:

The adoption of this improvement had no effect on the Company's consolidated financial statements.

(iii) Mexican FRS B-10 Effects of Inflation

Inflation disclosures for entities that operate in a non-inflationary economic environment are now limited to relevant scenarios, e.g., it is expected that an increase in inflation rates could eventually lead to a change in the inflationary economic environment.

This improvement is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted for annual periods beginning on or after January 1, 2021. Any accounting changes arising from the adoption of these improvements are to be recognized prospectively.

The adoption of this improvement had no effect on the Company's consolidated financial statements.

2)New Standards, Interpretations and Improvements to Mexican FRS effective as of January 1, 2021

The Company applied for the first-time certain standards, interpretations and amendments, which are effective for annual periods beginning on or after January 1, 2021.

The nature and effect of the changes arising from the adoption of these new accounting standard(s) are described below.

The following new accounting pronouncements are effective for annual periods beginning on or after January 1, 2021:

Interpretation to Mexican FRS 24 Recognition of the effect of the application of new benchmark interest rates (effective for annual periods beginning on or after January 1, 2021)

Interpretation to Mexican FRS 24 Recognition of the effect of the application of new benchmark interest rates was issued by the CINIF in October 2020 to establish guidelines regarding the effects of adopting the new benchmark interest rates applicable to financial assets and liabilities or hedging relationships. The referred benchmark interest rates replace the 'IBOR' rates (e.g. TIIE, LIBOR, EURIBOR, Prime Offering Rate, etc.) applied under the previous guidance. The Interpretation also addresses whether the adjustments arising from the replacement or change in interest rates shall cause the financial instrument to be derecognized or the hedging relationship to be discontinued.

The new Interpretation also establishes new disclosures related to the adoption of the new benchmark interest rates.

Interpretation to Mexican FRS 24 is effective for annual periods beginning on or after January 1, 2021, with early application permitted. The effects of the change to benchmark interest rates must be recognized prospectively.

The adoption of Interpretation to Mexican FRS 24 had no effect on the Company's financial statements.

Improvements to Mexican FRS for 2021

The improvements that give rise to accounting changes related to valuation, disclosures or presentation in the financial statements are as follows:

(i) Mexican FRS B-1 Accounting Changes and Error Corrections

Entities are now required to recognize prospectively the initial effect of an accounting change or error correction when it is impracticable to determine such initial effect using the retrospective approach.

This improvement is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted for annual periods beginning on or after January 1, 2020. Any accounting changes arising from the adoption of this improvement are to be recognized prospectively.

The adoption of this improvement had no effect on the Company's financial statements.

ii) Mexican FRS B-3 Statement of Comprehensive Income: Mexican FRS C-2 Investment in Financial Instruments; Mexican FRS C-19 Financial Liabilities; and Mexican FRS C-20 Financial Assets

Entities are now required to separately recognize, as part of operating results in the statement of comprehensive income, any gains and losses arising on derecognition of liabilities as well as the effects of renegotiation of financial assets to collect principal and interest ("IFCPI" as it stands for in Spanish) or financial assets to collect or sell ("IFCV" as it stands for in Spanish), known as "loan reduction".

This improvement is effective for annual periods beginning on or after January 1, 2021, with early adoption permitted for annual periods beginning on or after January 1, 2020.

The adoption of this improvement had no effect on the Company's financial statements.

(iii) Mexican FRS D-5 Leases

a) Lease recognition exemption disclosures

Mexican FRS D-5 clarifies certain issues surrounding the expense related to short-term leases and leases of low-value assets, for which no right-of-use asset is recognized.

b) Sale-leaseback transactions

Mexican FRS D-5 explains and clarifies certain issues surrounding the determination of the lease liability arising in a sale and leaseback transaction. Consequently, the illustrative example of a sale and leaseback transaction provided in Mexican FRS D-5 has been modified.

These improvements are effective for annual periods beginning on or after January 1, 2021, with early adoption permitted for annual periods beginning on or after January 1, 2020.

The adoption of these improvements had no effect on the Company's financial statements.

3)New Standards, Interpretations and Improvements to Mexican FRS effective as of January 1, 2020

The following new accounting pronouncements are effective for annual periods beginning on or after January 1, 2020:

Mexican FRS B-11 Disposal of Long-lived Assets and Discontinued Operations

In November 2018, the CINIF issued Mexican FRS B-11 Disposal of Long-lived Assets and Discontinued Operations, the purpose of which is to separate the requirements for presentation and disclosure of disposals of long-lived assets (or disposal groups) classified as held for sale, as well as discontinued operations, from the requirements for measurement of long-lived assets were established as of December 31, 2019, in Bulletin C-15 Accounting for the Impairment or Disposal of Long-lived Assets.

Mexican FRS B-11 establishes that long-lived assets and certain assets that an entity would normally regard as non-current that are acquired exclusively with the view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with Mexican FRS B-11. In addition, for assets classified according to a liquidity presentation of the statement of financial position, under Mexican FRS B-11, non-current assets are those assets expected to be recovered more than twelve months after the reporting date (or within the entity's normal business cycle if it exceeds twelve months).

Mexican FRS B-11 is effective for annual periods beginning on or after January 1, 2020. Early application is not permitted. Under Mexican FRS B-11, initial adoption can be applied on a prospective basis.

The adoption of Mexican FRS B-11 had no effect on the Company's financial statements.

Guidance on Mexican FRS 5 Alternatives for Transitioning to Mexican FRS D-5 Leases

Guidance on Mexican FRS 5 Alternatives for Transitioning to Mexican FRS D-5 Leases contains guidance on accounting for the transition to Mexican FRS D-5 upon initial adoption and provides a number of illustrative examples.

The adoption of Guidance on Mexican FRS 5 had no effect on the Company's financial statements.

Guidance on Mexican FRS 6 Discount rate, lease term and certain disclosures under Mexican FRS D-5 Leases

Guidance on Mexican FRS 6 Discount rate, lease term and certain disclosures under Mexican FRS D-5 Leases provides guidelines related to determination of the discount rate and lease term and certain disclosures arising from application of Mexican FRS D-5.

The adoption of Guidance on Mexican FRS 6 had no effect on the Company's financial statements.

Improvements to Mexican FRS for 2020

The improvements that give rise to accounting changes related to valuation, disclosures or presentation in the financial statements are as follows:

(i) Mexican FRS C-16 Impairment of Financial Assets

Mexican FRS C-16 was amended to include the requirement that entities must use the original effective interest rate (EIR) for subsequent measurement of a financial asset to collect principal and interest, that was not derecognized as a result of a renegotiation or modification of the contractual cash flows.

When this occurs, the original EIR should only be adjusted to include the unamortized renegotiation costs.

This improvement was effective for annual periods beginning on or after January 1, 2020, with early adoption permitted for annual periods beginning on or after January 1, 2019.

The adoption of this improvement had no effect on the Company's consolidated financial statements.

(iii) Mexican FRS D-4 Income Taxes and Mexican FRS D-3 Employee Benefits

Entities are now required to account for the effects of uncertain tax treatments on their income tax and employee profit sharing. The improvements address matters such as: whether an entity should consider uncertain tax treatments separate or combined basis, the assumptions an entity must make when determining whether the tax treatment will be reviewed by the tax authorities, how an entity should determine its taxable profit, tax base, unused tax losses, unused tax credits and tax rates, methods for estimating the uncertainty, and how an entity should evaluate changes in facts and circumstances.

Since employee profit sharing is determined based on the same tax laws and using practically the same tax base as income tax, the above-mentioned considerations related to the effects of uncertainty are also applicable to current and deferred employee profit sharing.

These improvements were effective for annual periods beginning on or after January 1, 2020, with early adoption permitted for annual periods beginning on or after January 1, 2019.

The adoption of these improvements had no effect on the Company's consolidated financial statements.

(ii) Mexican FRS D-4 Income taxes

Entities are now required to recognize the tax effects of distributions of dividends in equity, so when an entity recognizes a liability for distribution of dividends, it must also recognize the corresponding income tax liability, if applicable.

These improvements are effective for annual periods beginning on or after January 1, 2020, with early adoption permitted for annual periods beginning on or after January 1, 2019.

The adoption of these improvements had no effect on the Company's financial statements.

(ii) Mexican FRS D 5 Leases

a) Use of a risk free rate to discount future lease payments

Mexican FRS D-5 now includes an option for lessees to measure the lease liability at the commencement date of the lease, at the present value of the lease payments that are not paid at that date using a risk free rate. Lessees must elect whether to apply this option to each lease agreement and, if this option is elected, it must be applied until the end of the lease term.

Mexican FRS D-5 establishes that a risk free rate is the rate that reflects the time value of money under prevailing market conditions established for government bonds with specific maturities; a risk free rate does not take any other risks into account.

b) Separating components of a lease

Limitations were imposed on the use of the practical expedient set forth in Mexican FRS D-5 related to the separation of non-lease components or relatively insignificant components when determining the right of use asset and the lease liability.

The practical expedient establishes that, when it is difficult to separate the components, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. Lessees still may not apply this practical expedient to embedded derivates that meet the separation criteria in Mexican FRS C-10.

These improvements are effective for annual periods beginning on or after January 1, 2020, with early adoption permitted for annual periods beginning on or after January 1, 2019.

The adoption of these improvements had no effect on the Company's financial statements.

2. Cash and cash equivalents

The cash and cash equivalents balance as of December 31, 2023 and 2022 is comprised mainly of cash funds, bank deposits, foreign currency balances and temporary investments payable on demand, all highly liquid and subject to unimportant risk of change in value.

The balance is comprised as follow:

	2023	2022
Cash	$ 16,061	$ 13,955
Banks deposits	17,643,962	7,706,128
Investments	4,883	3,861
Total Cash and cash equivalents	$ 17,664,906	$ 7,723,944

3. Accounts receivable:

The Company's main customers are listed below with certain significant data:

Name of de customer	% of revenues at December 31		Payment terms
	2023	2022	
Pemex Exploración y Producción	54%	52%	120 days
Comisión Federal de Electricidad	22%	21%	45 days
Other customers	24%	27%	45 days
	100%	100%	

The air service market has grown favorably In recent years. This growth is reflected in the demand of the service, which enables the Company to expand its customer base in the public sector, as well as in the private sector.

The Company is exposed to a concentration risk in its two main clients. However, as of December 31, 2023, it has signed contracts with PEMEX up to 2027 and with CFE up to 2025

4. Prepaid expenses

An analysis of prepaid expenses as of December 31, 2023 and 2022 is as follows:

	2023	2022
Short term:		
Prepaid insurance	$ 1,766,542	$ 2,015,309
Advanced payments to providers	827,831	526,559
Total prepaid expenses	$ 2,594,373	$ 2,541,868
Long term:		
Advance payment of property and equipment	$ 6,845,843	$ 5,532,600

5. Property and equipment

The balance as of December 31, 2023 and 2022 is integrated as shown below:

Component subject to depreciation	December 31 2023	December 31 2022	Annual depreciation rate
Buildings	$ 4,045,917	$ 4,045,917	5%
Flight equipment	225,989,717	232,489,717	16%
Office furniture and equipment	570,588	570,588	10%
Computer equipment	568,415	567,110	30%
Transportation equipment	593,891	625,189	25%
Tools	276,917	258,248	35%
	$232,045,445	$238,556,769	
Accumulated depreciation	($172,052,640)	($157,364,044)	
	$ 59,992,805	$ 81,192,725	
Components not subject to depreciation:			
Land	$ 273,011	$ 273,011	
Spare parts	19,634,879	14,349,796	
Total Property and equipment - Net	$ 79,900,695	$ 95,815,532	

Depreciation expense for the years ended December 31, 2023 and 2022 was $ 22,582,032 and $ 18,468,368, respectively, which was recognized in profit and loss as part of cost of services.

Some of the assets included in the item "flight equipment", whose net book value as of December 31, 2022 amounts to $56,418,686, is in guarantee of certain credits included in Note 6

Depreciation and amortization aplied, which is recognized in the cost of services line

	2023	2022
Flight equipment	$ 22,381,944	$ 18,255,272
Transportation equipment	8,431	5,063
Office equipment and furniture	24,915	25,059
Ground equipment and tools	5,904	22,919
Data processing equipment	5,963	5,180
Other assets	154,875	154,875
	$ 22,582,032	$ 18,468,368

6. Flight Equipment

At December 31, 2023 and 2022 the Company's flight equipment at its original value, net value and market value, all in dollars, are as follows:

2023		Acquisition date	Year construction	Acquisition value	Net book value	Market value
1	BO 105, XA-MBB S-676	Dec-1985	1985	$ 1,537,272	$ 1	$ 300,000
2	BK 117 BM, XA-UBN S-7550	Sep-2003	2003	3,867,000	1	750,000
3	BK 117 BM, XA-UBP S-7555	Aug-2004	2004	3,885,477	1	750,000
4	BK 117 BM, XA-UBO S-7551	Sep-2004	2004	4,434,759	1	1,350,000
5	EC-135 BM, XA-UDO S-400	Nov-2004	2005	3,250,000	1	1,000,000
6	BK 117 BM, XA-UEU S-7514	Jan-2006	1995	2,800,000	1	700,000
7	CESSNA TURBO, XB-ANI S-8655	Mar-2007	2006	465,430	1	450,000
8	EC-145 BM, XA-UJA S-9142	Oct-2007	2007	5,460,000	1	1,600,000
9	EC-145 BM, XA-UJE S-9144	Oct-2007	2007	5,460,000	1	1,600,000
10	EC-145, XA-UNK S-9321	Jan-2010	2010	6,534,936	1	2,800,000
11	EC-145, XA-UOQ S-9387	Oct-2010	2010	6,503,710	1	2,900,000
12	EC-130, XA-KUZ S-4901	Feb-2011	2009	2,536,240	1	1,200,000
13	BK 117 C2, XA-THI S-9491	Jun-2012	2012	6,336,732	1	3,000,000
14	BK 117 C2, XA-THK S-9500	Jun-2012	2012	6,494,384	1	3,000,000
15	EC145 XA-URX S-9485	Dec-2012	2012	7,100,000	1	3,000,000
16	EC155 XA-USY S-6972	Aug-2013	2013	12,500,000	1	5,200,000
17	EC155 XA-UTT S-6990	Apr-2014	2014	12,500,000	1	2,600,000
18	LEAR JET 45 XA-ZZZ S-45-45243	Nov-2015	2004	2,950,000	1	2,100,000
19	AW139 XA-KRY S-41357	Jul-2018	2017	12,611,820	2,080,751	7,000,000
20	EC175 XA-ZRA S-5032	Jul-2018	2017	16,214,232	2,175,053	14,500,000
21	AW139 XA-DIA S-41551	Jan-2019	2018	13,042,355	2,840,845	13,042,355
22	EC175 XA-EZM S-5040	Jan-2020	2019	16,385,561	5,898,808	13,200,000
23	EC145 XA-UFU S-20298	Feb-2020	2019	8,577,340	3,202,211	7,800,000
24	EC145 XA-TIB S-20329	Jul-2020	2020	8,909,650	4,039,045	8,200,000
25	EC175 XA-TAP S-5047	Jan-2021	2020	18,331,651	9,517,735	16,500,000
26	AW139 XA-VFH S-31485	Jan-2022	2013	3,135,000	2,173,600	3,135,000
27	H145 XA-NAN S-21140	Jul-2022	2022	8,425,819	6,403,623	8,000,000
28	H145 XA-JEZ S-21141	Jul-2022	2022	8,425,819	6,403,623	8,000,000
29	H145 XA-ANM S-21142	Jul-2022	2022	8,657,265	6,579,521	8,000,000
30	H145 XA-TPE S-21145	Jul-2022	2022	8,657,265	6,579,521	8,000,000
	Total Flight Equipment			$ 225,989,717	$ 57,894,354	$ 149,677,355

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2022		Acquisition date	Year construction	Acquisition value	Net book value	Market value
1	BO 105, XA-MBB S-676	Dec-1985	1985	$ 1,537,272	$ 1	$ 300,000
2	BK 117 BM, XA-UBN S-7550	Sep-2003	2003	3,867,000	1	1,350,000
3	BK 117 BM, XA-UBP S-7555	Aug-2004	2004	3,885,477	1	1,350,000
4	BK 117 BM, XA-UBO S-7551	Sep-2004	2004	4,434,759	1	1,350,000
5	EC-135 BM, XA-UDM S-389	Nov-2004	2005	3,250,000	1	1,700,000
6	EC-135 BM, XA-UDN S-391	Nov-2004	2005	3,250,000	1	1,700,000
7	EC-135 BM, XA-UDO S-400	Nov-2004	2005	3,250,000	1	1,700,000
8	BK 117 BM, XA-UEU S-7514	Jan-2006	1995	2,800,000	1	1,400,000
9	CESSNA TURBO, XA-ANI S-8655	Mar-2007	2006	465,430	1	450,000
10	EC-145 BM, XA-UJA S-9142	Oct-2007	2007	5,460,000	1	3,200,000
11	EC-145 BM, XA-UJE S-9144	Oct-2007	2007	5,460,000	1	3,200,000
12	EC-145, XA-UNK S-9321	Jan-2010	2010	6,534,936	1	3,200,000
13	EC-145, XA-UOQ S-9387	Oct-2010	2010	6,503,710	1	3,600,000
14	EC-130, XA-KUZ S-4901	Feb-2011	2009	2,536,240	1	1,200,000
15	BK 117 C2, XA-THI S-9491	Jun-2012	2012	6,336,732	1	3,300,000
16	BK 117 C2, XA-THK S-9500	Jun-2012	2012	6,494,384	1	3,300,000
17	EC145 XA-URX S-9485	Dec-2012	2012	7,100,000	1	3,300,000
18	EC155 XA-USY S-6972	Aug-2013	2013	12,500,000	1	6,800,000
19	EC155 XA-UTT S-6990	Apr-2014	2014	12,500,000	1	3,800,000
20	LEAR JET 45 XA-ZZZ S-45-45243	Nov-2015	2004	2,950,000	1	2,100,000
21	AW139 XA-KRY S-41357	Jul-2018	2017	12,611,820	4,174,221	11,500,000
22	EC175 XA-ZRA S-5032	Jul-2018	2017	16,214,232	4,767,850	14,500,000
23	AW139 XA-DIA S-41551	Jan-2019	2018	13,042,355	4,931,270	13,042,355
24	EC175 XA-EZM S-5040	Jan-2020	2019	16,385,561	8,520,497	15,800,000
25	EC145 XA-UFU S-20298	Feb-2020	2019	8,577,340	4,574,585	7,800,000
26	EC145 XA-TIB S-20329	Jul-2020	2020	8,909,650	5,464,589	8,200,000
27	EC175 XA-TAP S-5047	Jan-2021	2020	18,331,651	12,373,052	17,500,000
28	AW139 XA-VFH S-31485	Jan-2022	2013	3,135,000	2,675,200	3,135,000
29	H145 XA-NAN S-21140	Jul-2022	2022	8,425,819	7,751,754	8,425,819
30	H145 XA-JEZ S-21141	Jul-2022	2022	8,425,819	7,751,754	8,425,819
31	H145 XA-ANM S-21142	Jul-2022	2022	8,657,265	7,964,684	8,425,842
32	H145 XA-TPE S-21145	Jul-2022	2022	8,657,265	7,964,684	8,425,842
	Total Flight Equipment			$ 232,489,717	$ 78,914,160	$ 173,480,677

7. Suppliers

An analysis of suppliers as of December 31, 2023 and 2022 is as follows:

	2023	2022
Airbus Helicopters	$ 11,746,936	$ 7,793,363
Safran Helicopter Engines USA	2,487,924	2,506,268
Agusta Westland Philadelphia Corporation	3,095,133	2,081,711
Sundry suppliers	4,842,174	2,459,371
Total suppliers	$ 22,172,167	$ 14,840,713

8. Other accounts payable

An analysis of sundry creditors as of December 31, 2023 and 2022 is as follows:

	2023	2022
Seguros Afirme, S.A. de C.V.	$ 3,884,853	$ 4,033,127
Aeropuertos y Servicios Auxiliares	589,435	592,563
VAT not collected	66,201	3,437,723
Advances from customers	5,321,293	97,915
Sundry creditors	10,075,784	3,274,182
Total other accounts payable	$ 19,937,566	$ 11,435,510

9. Taxes payable

An analysis of taxes payable as of December 31, 2023 and 2022 is as follows:

	2023	2022
Income tax	$ 466,745	$ 272,933
Withholding taxes	952,999	285,075
VAT payable	3,067,771	7,738,561
Employer's taxes and social security contributions	275,545	184,832
Total taxes payable	$ 4,763,060	$ 8,481,401

10. Leases

Company as a lessee

a) Flight equipment:

For the development of its operations, the Company uses flight equipment under operating lease as follows:

Dic-2023

Suppliers	Registration and serial number of equipment		Fixed monthly payment	Variable monthly payment
Westlake Aviation, LLC	XA-WEL S-9090	$	36,500	750 Hr
Westlake Aviation, LLC	XA-USM S-9194	$	36,500	750 Hr
Westlake Aviation, LLC	XA-EAZ S-9305	$	30,000	750 Hr

Dic-2022

Suppliers	Registration and serial number of equipment		Fixed monthly payment	Variable monthly payment
Westlake Aviation, LLC	XA-WEL S-9090	$	73,000	750 Hr
Westlake Aviation, LLC	XA-USM S-9194	$	73,000	750 Hr
Westlake Aviation, LLC	XA-NAT S-7124	$	26,000	750 Hr

Since the non-cancellable lease term of these lease contracts are 12 months or less, the Company applies the 'short-term lease' recognition exemptions for these leases.

b) Property Lease

The Company has a lease contract with Operadora de Aviación General de Toluca, S.A. de C.V. for the hangar used in its operation and main offices. The lease term is 10 years.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Land in Toluca International Airport
As at 1 January 2022	$ 1,412,743
Amortization expense	(364,294)
As at 31 December 2022	**$ 1,048,449**
Amortization expense	(388,960)
As at 31 December 2023	**$ 659,489**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

		2023	2022
Liabilities:			
Current	**jul-2026**	$ 400,178	$ 380,949
Non-current	**jul-2026**	259,311	667,500
Total		**$ 659,489**	**$ 1,048,449**

11. Long term debt

An analysis of long-term debt as at December 31, 2023 and 2022 is as follows:

Current portion of long-term debt:

	Maturity	2023	2022
Bayern LB	**Jul-2032**	$ 2,299,548	$ 2,299,548
Air Finance / Apple Bank for Savings	**Apr-2025**	$ -	$ 1,565,277
Air Finance / Apple Bank for Savings	**Feb-2028**	1,225,958	1,171,195
Sum Air Finance / Apple Bank for Savings		$ 1,225,958	$ 2,736,472
Pico Aviation Designated Activity Company	**Dec-2029**	$ 944,141	$ 903,227
Pico Aviation Designated Activity Company	**Dec-2029**	492,114	470,775
Pico Aviation Designated Activity Company	**Jul-2030**	489,848	466,765
Pico Aviation Designated Activity Company	**Dec-2030**	1,020,594	972,527
Sum Pico Aviation Designated Activity Company		$ 2,946,697	$ 2,813,294
Airbus Helicopters Leasing Services Ltd.	**Jul-2027**	$ 1,392,280	$ 1,392,280
Total current portion of long-term liabilities		**$ 7,864,483**	**$ 9,241,594**

Long-term portion:

	Maturity	2023	2022
Bayern LB	Jul-2032	$ 17,821,498	$ 19,782,663
Air Finance / Apple Bank for Savings	Apr-2025	$ -	$ 2,208,357
Air Finance / Apple Bank for Savings	Feb-2028	4,272,942	5,498,900
Sum Air Finance / Apple Bank for Savings		$ 4,272,942	$ 7,707,257
Pico Aviation Designated Activity Company	Dec-2029	$ 7,928,790	$ 8,872,931
Pico Aviation Designated Activity Company	Dec-2029	4,027,485	4,519,599
Pico Aviation Designated Activity Company	Jul-2030	4,483,575	4,973,422
Pico Aviation Designated Activity Company	Dec-2030	9,528,187	10,548,781
Sum Pico Aviation Designated Activity Company		$ 25,968,037	$ 28,914,733
Airbus Helicopters Leasing Services Ltd.	Jul-2027	$ 3,828,769	$ 5,221,048
Total long-term portion		**$ 51,891,246**	**$ 61,625,701**
Net employee defined benefit liabilities		**$ 2,988,334**	**$ 2,585,689**

Total of long-term liabilities:

	Maturity	2023	2022
Bayern LB	Jul-2032	$ 20,121,046	$ 22,082,211
Air Finance / Apple Bank for Savings	Apr-2025 and Feb-2028	5,498,900	10,443,729
Pico Aviation Designated Activity Company	Dec-2029 and Jul-2030	28,914,734	31,728,027
Airbus Helicopters Leasing Services Ltd.	Jul-2027	5,221,049	6,613,328
Total of long-term liabilities:		**$ 59,755,729**	**$ 70,867,295**
Net employee defined benefit liabilities		**$ 2,988,334**	**$ 43,197,495**

The above loans are for original terms between 7 to 10 years and generate interest mainly at a variable rate, taking as a reference the Libor Rate plus 1.70 to 2.90 percentage points.

12. Foreign Currency Balances:

a) At December 31, 2023 and 2022, the Company had monetary assets and liabilities in Euros (€), as follows:

	2023	2022
Assets	EUR $ 13,346,855	EUR $ 5,614,075
Liabilities	EUR -	EUR -
Net short position	EUR $ 13,346,855	EUR $ 5,614,075

At December 31, 2023 and 2022, the exchange rate was $1.10485 and $1.06665 to the US dollar per euro, respectively.

13. Net employee defined benefit liabilities

An analysis of the net periodic benefit cost, the net defined benefit liability and the fair value of the plan assets associated with the Company's post-employment benefits (seniority premiums and termination benefit plan) for the year ended December 31, 2023, is as follows:

a) Net periodic benefit cost

	2023		
	Retirement benefits	Termination benefits	Total
Analysis of net periodic benefit cost for 2023:			
Current year service cost	$ 52,250	$ 208,003	$ 260,253
Net interest cost on net defined benefit liability/(asset)	28,574	152,752	181,326
Past service cost **(includes the effects of vacation reform)**	817	(35,751)	(34,934)
			-
Net periodic benefit cost for 2023	$ 81,641	$ 325,004	$ 406,645

	2022		
	Retirement benefits	Termination benefits	Total
Analysis of net periodic benefit cost for 2022:			
Current year service cost	$ 28,239	$ 199,464	$ 227,703
Net interest cost on net defined benefit liability/(asset)	19,362	145,736	165,098
Past service cost **(includes the effects of vacation reform)**	26,144	(64,230)	(38,086)
Net periodic benefit cost for 2022	$ 73,745	$ 280,970	$ 354,715

b) An analysis of changes in the Company's net defined benefit liability is as follows:

	2023		
	Retirement benefits	Termination benefits	Total
Net defined benefit liability:			
Net defined benefit liability as at January 1, 2023	$ 321,885	$ 2,259,804	$ 2,581,689
Past service cost	-	-	-
Current year service cost	81,641	325,004	406,645
Net interest on net defined benefit liability)			-
Remeasurements of net defined benefit liability			-
Benefits paid			-
Translation effect			-
Net defined benefit liability/(asset) as at December 31, 2023	$ 403,526	$ 2,584,808	$ 2,988,334

	2022		
	Retirement benefits	Termination benefits	Total
Past service cost	$ 231,005	$ 1,879,567	$ 2,110,572
Current year service cost	28,238	199,464	227,702
Net interest on net defined benefit liability)	19,362	145,736	165,098
Remeasurements of net defined benefit liability	26,144	(64,230)	(38,086)
Benefits paid	(12,956)	(13,179)	(26,135)
Translation effect	30,092	112,446	142,538
Net defined benefit liability/(asset) as at December 31, 2022	$ 321,885	$ 2,259,804	$ 2,581,689

c) An analysis of the net defined benefit liability is as follows:

	2023		
	Retirement benefits	Termination benefits	Total
Provisions for:			
Unvested benefit obligation	$ 403,526	$ 2,584,808	$ 2,988,334
Vested benefit obligation	-	-	-
Net defined benefit liability	$ 403,526	$ 2,584,808	$ 2,988,334

	2022		
	Retirement benefits	Termination benefits	Total
Provisions for:			
Unvested benefit obligation	$ 321,885	$ 2,259,804	$ 2,581,689
Vested benefit obligation	-	-	-
Net defined benefit liability	$ 321,885	$ 2,259,804	$ 2,581,689

d) The key assumptions used in the actuarial study, expressed in absolute terms, were as follows:

	2023	2022
Financial assumptions:		
Discount rate	9.13%	9.13%
Expected salary increase rate	5.04%	5.04%
Inflation rate	4.00%	4.00%
Biometric assumptions:		
Mortality rate	**EMSSA 2009**	**EMSSA 2009**
Disability in active employees	**IMSS -97**	**IMSS -97**

14. Equity

a) Capital stock is comprised as follows at December 31,2023 and 2022:

Shares	**Description**	**Total Amount**
10,000	Series "A" (Common nominative shares): Representing the fixed portion of capital stock without withdrawal rights	$ 1,271,340
Capital stock at December 31, 2023 and 2022		$ 1,271,340

b) In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. As of December 31, 2023 and 2022, the legal reserve is $ 172,533.

c) At regular shareholders' meetings held on 2023 and 2022 the shareholders declared dividends of $690,847 and $647,529, respectively.

No dividends have been declared between the reporting date and the date of approval of the financial statements.

d) Earnings distributed in excess of the Net reinvested taxed profits account (CUFINRE by its acronym in Spanish) and Net taxed profits account (CUFIN by its acronym in Spanish) balances will be subject to the payment of corporate income tax at the statutory rate at that time. The payment of this tax may be credited against the Company's current income tax.

Dividends paid to individuals and foreign corporations from earnings generated as of January 1, 2014 shall be subject to an additional 10% withholding tax.

In the event of a capital reduction, the procedures established by the Income Tax Act (LISR) provide that any surplus of stockholders' equity over the balances of the accounts of contributed capital shall be given the same tax treatment as that applicable to dividends.

Year of dividend or distribution of utilities	**Percentage applicable to the amount of dividend or distributed profit**
2021	4
2022	2

15. Income tax

a) The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal years 2023 and 2022.

Income tax for the year is calculated by applying the statutory income tax rate to the Company's taxable income for the year.

The MITL establishes requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the Company but that should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

The tax income differs from the accounting income, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes, by the recognition of the inflation effects for tax purposes, as well as such items only affecting either the accounting or tax in income.

For the Years ended December 31, 2023 and 2022, the Company reported taxable income of $ 2,943,293 and $ 6,388,270, respectively, on which income tax was $ 882,988 and $ 1,963,657, respectively.

b) Employee profit sharing (EPS)

The MITL establishes that entities are to calculate their EPS on the basis of their taxable earnings for the year determined for income tax purposes, plus or minus the effects of certain adjustments specified in the MITL.

As a result of the labor outsourcing reform, the method used to calculate employee profit sharing was modified in 2021. New requirements are imposed, which establish that the amount of employee profit sharing allocated to each employee cannot exceed the higher of the equivalent of three months of the employee's current salary or the average employee profit sharing received by the employee in the three prior years.

If the amount of employee profit sharing determined by applying the 10% rate to taxable profit is higher than the sum of the employee profit sharing allocated to each and all employees, the latter must be considered as the amount of employee profit sharing payable for the period. In accordance with the Mexican Labor Law, the difference between these two amounts does not generate a payment obligation either in the current or future periods.

An analysis of employee profit sharing for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Current Employee Profit Sharing	$ 315,070	$ 692,291
Deferred Employee Profit Sharing	-	(715,319)
Total Employee Profit Sharing	$ 315,070	($ 23,028)

c) An analysis of income tax recognized in profit and loss for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
Current income tax	$ 882,988	$ 1,963,657
Deferred income tax	-	(1,908,818)
Total income tax	$ 882,988	$ 54,839

A reconciliation of the statutory income tax rate to the effective income tax rate recognized by the Company is as follows:

	2023	2022
Profit before income tax	$ 10,861,649	$ 5,568,928
Plus (minus):		
Annual inflation adjustment	197,302	2,750,922
Depreciation	(7,295,079)	(15,117)
Spare parts	(29,058,749)	(20,624,862)
Other items	25,851,094	12,174,783
Advanced payments	2,387,076	(37,451)
Profit before income tax	$ 2,943,293	($ 182,797)
Statutory income tax rate	**30%**	**30%**
Total income tax	$ 882,988	($ 54,839)
Effective income tax rate	**8%**	**-1%**

d) Tax Balances

	2023	2022
Restated Contributed Capital Account (CUCA)	$ 3,383,828	$ 2,809,330
Net Taxed Profits Account (CUFIN)	$ 25,815,471	$ 19,567,143

16. Analysis of Net Financing Cost

The comprehensive financing result is comprised as follows:

	2023	2022
Interest expense	($ 7,136,787)	($ 3,244,733)
Interest earned	222,791	128,781
Foreign exchange loss, net	3,558,410	819,558
Total recognized in profit and loss	($ 3,355,586)	($ 2,296,394)

17. Other Income

The other income is comprised as follows:

	2023	2022
Insurance recovery	$ 7,224,335	$ 15,117
Implementation of fiscal stimulus	105,443	128,758
Profit from sale of fixed assets	750,001	3,025,000
Others, net	16,766	(664)
Total	$ 8,096,545	$ 3,168,211

18. Contingencies and Commitments

a) The tax authorities have the power to verify the Company's compliance with its tax obligations as a taxpayer and withholder for the last five fiscal years and may determine differences in the tax results declared that, in their judgment, could result in the payment of tax credit.

b) In accordance with the Income Tax Law, companies that carry out transactions with related parties are subject to tax limitations and obligations regarding the determination of the agreed prices, since these must be comparable to those that would be used with or between independent parties in comparable transactions.

19. Subsequent Events

Between January 1, 2022 and the date of issuance of these financial statements there were no events that, in the opinion of the Company's management, could have a significant effect on these financial statements that have not been disclosed in these financial statements except for the one described below:

Outsourcing

On- April 23, 2021, a new reform to the Federal Labor Law was published in the Official Gazette of the Federation; the Social Security Act; the Law on the Institute of the National Workers' Housing Fund; the Federal Tax Code; the Income Tax Act; the Value Added Tax Law; the Federal Law on Workers in the Service of the State, Regulations of Article 123 (B) of the Constitution; of the Regulatory Law of Section XIII Bis of Section B, of Article 123 of the Political Constitution of the United Mexican States, all of them in matters of Labor Subcontracting "Outsourcing".

Vacation reform

The vacation reform published in the Official Gazette on December 27, 2022 and effective as of January 1, 2023 amends Articles 76 and 78 of the Federal Labor Law, which address vacation periods.

The vacation reform increases the number of vacation days to which workers are entitled (and, in turn, increases the amount of vacation premium payable), provided that such modifications are more favorable to the workers' existing benefits.

Workers who have more than one year of service are now entitled to twelve paid vacation days per year, increasing by two days for each additional year of service until the fifth year (20 days). As of the sixth year, the number of vacation days granted to employees will increase by two days for each additional five years of service.

The accounting effects of the increase in compensated absences payable for the year ended December 31, 2023 and 2022, as well as the increase in vacation premium, are disclosed in Note 17 Short-term Employee Benefits, while the effects on provisions for long-term employee benefits and post-employment benefits determined using the salary applied in the calculation of the vacation premium are disclosed in Note 16 Net Defined Benefit Obligation

C. P. C. Juan Carlos Elosa Zepeda
CFO

C. P. Noemí Saavedra Bello
Management Accountant