

AEROMEXICO REPORTS 2Q20 RESULTS



Mexico City, Mexico, July 28th, 2020 - Grupo Aeromexico S.A.B. de C.V. ("Aeromexico") (BMV: AEROMEX), today reported its unaudited consolidated results for the second quarter 2020.

KEY FINANCIAL HIGHLIGHTS FOR THE SECOND QUARTER 2020

- Aeromexico announced on June 30th that it and certain of its affiliates have filed voluntary Chapter 11 petitions in the United States ("Chapter 11") to implement a financial restructuring, while continuing to serve customers. The Company intends to use the Chapter 11 process to strengthen its financial position and liquidity, protect and preserve its operations and assets, and implement necessary operational changes to address the impact of the ongoing COVID-19 pandemic.
- Grupo Aeromexico's second quarter capacity, measured in available seat kilometers (ASKs) decreased by 77.8% year-on-year, resulting from the impact of the COVID-19 pandemic.
- Grupo Aeromexico's second quarter 2020 revenue reached \$2.6 billion pesos, an 84.5% year-on-year decrease. During the quarter, revenue per ASK (RASK) in pesos decreased by 30.3% while yield decreased by 7.2%.
- During the quarter, Aeromexico recognized total one-off non-cash adjustments of \$20.0 billion pesos from which \$16.8 billion pesos impacted operating profit, mainly associated to impairment and accelerated depreciation and amortization of property and equipment and intangible assets, early redeliveries of flight equipment and deferred taxes reserve of tax loss carryforwards. As a result, second quarter 2020 operating loss amounted to \$23.4 billion pesos. EBITDAR for the period amounted to negative 5.0 billion pesos. Excluding one-off non-cash items operating loss amounted to \$6.6 billion pesos, while EBITDAR was negative \$2.7 billion pesos.
- Cost per ASK (CASK) in pesos reached \$9.18 pesos, a year-on year increase of \$7.86 pesos. CASK in dollars reached \$0.393, a year-on-year increase of \$0.323 dollars. Excluding one-off non-cash items CASK in pesos increased by \$1.93 pesos, while CASK in dollars increased by \$0.07 dollars, mainly due to the reduced operations derived from the impact of the COVID-19 pandemic.
- Aeromexico's cash position as of June 30th, 2020, including restricted cash, amounted to \$5.8 billion pesos equivalent to approximately \$250 million dollars. Aeromexico's cash including restricted cash to last-twelve-month revenue ratio was 11.0%. Excluding restricted cash, Aeromexico's cash position was \$3.7 billion pesos, equivalent to \$160 million dollars. As of June 30th, 2020, Grupo Aeromexico's operating fleet comprised 118 aircraft excluding the six Boeing 737 MAX aircraft temporarily grounded.

MANAGEMENT DISCUSSION AND ANALYSIS

Aeromexico announced on June 30th that it and certain of its affiliates have filed voluntary Chapter 11 petitions in the United States ("Chapter 11") to implement a financial restructuring, while continuing to serve customers. The Company intends to use the Chapter 11 process to strengthen its financial position and liquidity, protect and preserve its operations and assets, and implement necessary operational changes to address the impact of the ongoing COVID-19 pandemic.

The airline industry faces unprecedented challenges due to significant declines in demand for air transportation globally. Hence, Aeromexico is committed to taking the necessary measures so it can operate effectively in this new landscape and be well prepared for a successful future, during and when the COVID-19 pandemic is behind us.

Aeromexico will continue to operate in accordance with existing permits and concessions throughout this process and remains committed to continuing to safely expand flight service in the coming months, in line with local regulations and customer demand, in full compliance with the highest health standards and protocols.

Aeromexico has been successful in managing its network on a flight by flight basis ensuring that its operations are cash generative. By the end of the quarter domestic capacity increased by 40.7% and international capacity by 55.6% compared to April 2020.

As part of restructuring, Aeromexico is in the process of obtaining additional financing for the Company known as "Debtor-In-Possession (DIP) Financing". Aeromexico is confident that it will finalize formal commitments for DIP Financing such that, along with the Company's available cash and subject to Court approval, Aeromexico expects there to be sufficient liquidity to meet its obligations going forward in a timely and orderly fashion.

Financial Standards

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



Three Months Ended June 30th			
Financial Highlights	2020	2019	Var 2020 vs 2019
Total Revenue (MXP million)	2,608	16,835	(84.5%)
EBITDAR (MXP million) *	(5,019)	3,089	NA
Operating Profit (MXP million) **	(23,414)	119	NA
Consolidated Net Loss (MXP million)	(27,422)	(1,106)	NA
Profit/(loss) per share (pesos)	(40.20)	(1.60)	NA
Operating Highlights			
Total ASKs (millions)	2,835	12,749	(77.8) %
Total RPKs (millions)	796	10,698	(92.6) %
Load factor on scheduled flights (%)	57.8%	83.9%	(26.1) p.p.
Passengers ('000)	529	5,217	(89.9) %
On-Time departure performance within 15 minutes (%)	96.9%	84.3%	12.6 p.p.
Total liters of fuel ('000)	84,375	425,663	(80.2) %
Yield (pesos)***	1.244	1.341	(7.2) %
Total revenue / ASK (pesos)	0.920	1.321	(30.3) %
Passenger revenue / ASK (pesos)	0.712	1.104	(35.5) %
Total cost / ASK (pesos)****	9.186	1.325	NA
Total cost / ASK (USD)****	0.393	0.069	NA
Total cost / ASK excluding fuel (pesos)****	8.986	0.932	NA
Total cost / ASK excluding fuel (USD)****	0.384	0.049	NA

Figures may not sum to total due to rounding.

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

** Operating Profit.

*** Estimated as passenger revenues divided by RPKs of itinerary flights.

**** Including One-Off non-cash Items.



Six Months Ended June 30th			
Financial Highlights	2020	2019	Var 2020 vs 2019
Total Revenue (MXP million)	16,682	33,196	(49.7%)
EBITDAR (MXP million) *	(3,508)	5,909	NA
Operating Profit (MXP million) **	(25,205)	(259)	NA
Consolidated Net Loss (MXP million)	(29,930)	(2,377)	NA
Profit/(loss) per share (pesos)	(43.85)	(3.44)	NA
Operating Highlights			
Total ASKs (millions)	14,206	25,263	(43.8) %
Total RPKs (millions)	9,430	20,962	(55.0) %
Load factor on scheduled flights (%)	74.1%	83.0%	(8.9) p.p.
Passengers ('000)	4,708	10,291	(54.3) %
On-Time departure performance within 15 minutes (%)	86.7%	85.1%	1.6 p.p.
Total liters of fuel ('000)	463,361	840,037	(44.8) %
Yield (pesos)***	1.350	1.344	0.4 %
Total revenue / ASK (pesos)	1.174	1.314	(10.6) %
Passenger revenue / ASK (pesos)	0.991	1.095	(9.5) %
Total cost / ASK (pesos)****	2.949	1.341	NA
Total cost / ASK (USD)****	0.136	0.070	NA
Total cost / ASK excluding fuel (pesos)****	2.641	0.954	NA
Total cost / ASK excluding fuel (USD)****	0.122	0.050	NA

Figures may not sum to total due to rounding.

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

** Operating Profit.

*** Estimated as passenger revenues divided by RPKs of itinerary flights.

**** Including one-off non-cash items.



Market Conditions

Grupo Aeromexico operated in an environment characterized by the following market conditions during the second quarter of 2020:

- **COVID-19.** The evolution of the COVID-19 pandemic and associated government measures to curb the spread of the virus, which included varying degrees of self-quarantine and border closure, led to a material and rapid decline in demand for air transport since the third week of March resulting in a drop in Revenue Passenger Kilometers (RPKs) of 92.6% for the second quarter compared to the same period of 2019. Based on the uncertainty regarding the recovery period, the company undertook an impairment review which impacted the company's financial results at a non cash level.
- **Exchange rate depreciation.** Compared to the second quarter of 2019, the Mexican peso depreciated an average of 22.3% relative to the U.S. dollar, from an average exchange rate of \$19.13 pesos to \$23.40 pesos to the dollar. By the end of the second quarter of 2020, the peso had depreciated by 20.2% year-on-year relative to the dollar, from \$19.21 pesos to \$23.09 pesos to the dollar.
- **Fuel Price.** Compared to the second quarter of 2019, fuel cost per liter in pesos decreased by 42.9% from \$11.77 to \$6.72.
- **Inflation.** The annual inflation rate as of June 2020 was 3.3%¹.
- **Economic activity.** Mexican economic activity continues to show softness. The Global Economic Indicator (IGAE) decreased by 21.6% in May 2020².

Revenue

Second quarter 2020 revenue reached \$2.6 billion pesos; an 84.5% decrease compared to the same period last year. This was primarily due to a decrease in capacity resulting from the COVID-19 pandemic.

Year-on-year ASKs decreased by 77.8% in the second quarter of 2020. International ASKs decreased by 78.3% while domestic capacity decreased by 76.2% year-on-year. International ASKs accounted for 71.0% of Grupo Aeromexico's total ASKs, 1.9 p.p. lower than the second quarter of 2019.

Total passenger revenue reached \$1.0 billion pesos during the second quarter of 2020, a 93.2% decrease year-on-year. Grupo Aeromexico transported 529 thousand passengers; an 89.9% decrease compared to the second quarter of 2019. The number of passengers on international routes decreased by 96.9%, while the number of passengers on domestic routes decreased by 85.6% compared to the second quarter of 2019. Second quarter 2020 passenger ticket revenue on international flights represented 44.4% of total passenger ticket revenue, with domestic passenger ticket revenues accounting for the remaining 55.6%.

Second quarter cargo revenue increased by 35.5% year-on-year to \$1.4 billion pesos reflecting increased demand for medical supplies related to the COVID-19 pandemic and market adjustment as long haul passenger services reduced.

During the first half of 2020, total revenue reached \$16.7 billion pesos, a decrease of 49.7% compared to the same period of 2019.



¹BANXICO June 2020

² INEGI. June 2020

Operating Expenses

Due to the uncertainty regarding the recovery period associated with the COVID-19 pandemic, the Company performed impairment tests on its fixed assets. These tests are carried out as a matter of course when specific events or circumstances arise which may lead to a permanent reduction in the net book value of certain assets. These assets are immediately adjusted to their market or fair value. As a result of this analysis, the Company recognized one-off non-cash adjustments in its quarterly results. These adjustments included, among others, an impairment in the net value of property & equipment and intangibles including the acceleration of depreciation and amortization of \$14.5 billion, an acceleration for early return of flight equipment of \$1.9 billion pesos, other operating cost one-off non-cash impacts of \$364 million pesos, financial cost and deferred taxes reserve of tax loss carryforwards for \$3.2 billion pesos, net.

Second quarter 2020 operating expenses, including aircraft leases, depreciation and amortization, totaled \$26.0 billion pesos, a 55.7% year-on-year increase. Excluding accounting adjustments, Aeromexico's total operating expenses reached \$9.2 billion pesos.

As a result of the 89.9% drop in passenger demand and the associated 77.8% reduction in capacity, second quarter consolidated unit cost (CASK) in Mexican pesos increased \$7.86 pesos year-on-year. Excluding one-off non-cash items CASK increased by \$1.93 pesos. CASK in US dollars increased by \$0.32 dollars year-on-year; adjusting for one-off non-cash items CASK in US dollars increased by \$0.07 dollars. Second quarter 2020 peso-denominated CASK excluding fuel increased \$8.05 year-on-year, excluding one-off non-cash items CASK excluding fuel increased by \$2.12 pesos. CASK excluding fuel in dollar terms increased by \$0.34 dollars versus the second quarter 2019, excluding one-off non-cash items CASK excluding fuel in dollar terms increased by \$0.082 dollars.

Second quarter fuel expenses amounted to \$567 million pesos, an 88.7% decrease year-on-year, driven by 42.9% lower year-on-year peso-denominated fuel prices per liter, and an 80.2% decrease in fuel consumption year-on-year.

Second quarter 2020 salaries and related expenses decreased by 36.0%, year-on-year. Maintenance expenses increased by \$1.7 billion pesos year-on-year, mainly due to a one-off non-cash impact from an increase in the estimated cost of returning aircraft for \$1.9 billion pesos. Communications and traffic expenses decreased year-on-year by 67.0%, principally due to capacity reductions.

Associated company equity income totaled \$5.0 million pesos, a \$193 million peso decrease year-over-year, mainly resulting from the negative impact of COVID-19 on our associated companies.

Second quarter leasing, depreciation, amortization and impairment expenses totaled \$18.4 billion pesos. This represented a \$15.4 billion-peso increase compared to the second quarter 2019. During the quarter Aeromexico recognized a one-off impact of \$14.5 billion pesos due to property and equipment and intangible assets impairment, and the acceleration of depreciation and amortization.

During the first half of 2020, total operating expenses including leases and depreciation reached \$41.9 billion pesos, a 25.2% year-on-year increase. CASK in US dollars increased by \$0.07 dollars year-on-year. Excluding one-off non-cash impacts CASK in dollars increased by \$0.01 dollars. CASK expressed in pesos increased \$1.61 pesos, excluding one-off non-cash impacts CASK in pesos increased by \$0.42 pesos. US dollar denominated CASK excluding fuel increased \$0.07 dollars year-on-year. Excluding one-off non-cash impacts CASK excluding fuel US denominated increased by \$0.02 dollars. CASK excluding fuel expressed in pesos increased by \$1.69 pesos year-on-year, excluding one-off non-cash impacts CASK excluding fuel expressed in pesos increased by \$0.50 pesos.



EBITDAR

Second quarter EBITDAR was negative \$5.0 billion pesos. Excluding one-off non-cash items EBITDAR was negative by \$2.7 billion pesos.

Operating Income

Second quarter 2020 operating loss was \$23.4 billion pesos. Excluding one-off non-cash items Operating loss was \$6.6 billion pesos.

Net Income / Loss

Grupo Aeromexico reported a net loss of \$27.4 billion pesos for the second quarter of 2020. Excluding one-off non-cash items net loss was \$7.4 billion pesos for the quarter.

During the quarter the company recorded net \$156 million pesos of exchange-related gains. This net effect includes functional currency adjustments and the impact of exchange rate related operating adjustments.

During the second quarter of 2020, the Company also recognized a net effect, besides operating results of \$3.2 billion pesos, which includes the reversal effect of tax losses carryforwards to be utilized in future years (\$5.1 billion pesos) and expenses in interest rate swaps derivatives \$1.1 billion pesos, associated with the incorporation of B737 MAX equipment, whose dates of receipt have been indefinitely deferred, with which the original hedging relationship is broken and therefore the corresponding effects must be taken immediately to the results of the quarter. The income tax effect (benefit) of all the one-off adjustments was \$3 billion pesos.



Comments to the Consolidated Statements of Financial Position and Cash Flow

Grupo Aeromexico ended the second quarter 2020 with a cash balance of \$5.8 billion pesos, equivalent to \$250 million dollars and 11.0% of total annual revenues, including restricted cash. Excluding restricted cash, Aeromexico's cash balance amounted to \$3.7 billion pesos, equivalent to \$160 million dollars. Cash flow required for operating activities during the quarter was \$848 million.

Cash flow summary (figures in millions of pesos)

Description	2Q20	YTD June
Cash and cash equivalents at the beginning of the period	13,239	9,072
Net cash flow from operating activities	(848)	2,407
Net cash flow from investing activities	(2,696)	(4,633)
Net cash flow from financing activities	(3,979)	(693)
Increase/(Decrease) in cash and cash equivalents	(7,523)	(2,919)
Effect of exchange rate changes on cash and cash equivalents	36	(401)
Net increase/(decrease) in cash and cash equivalents	(7,487)	(3,320)
Cash and cash equivalents at the end of period	5,752	5,752

Majority stockholders' equity was a deficit of \$21.7 billion pesos at the end of second quarter 2020.

As of June 30th, 2020, Grupo Aeromexico had a total of 682,119,793 common shares outstanding, with 60,628,147 shares repurchased by the Company as part of its share repurchase program. The Company also had a total of 23,102,153 treasury shares outstanding.



Fleet

Aeromexico continued operating with six fewer 737 MAX aircraft, grounded since March 2019. As of June 30th, 2020, Grupo Aeromexico's operating fleet comprised 118 aircraft excluding the six Boeing 737 MAX aircraft temporarily grounded.

As of June 30th, 2020, the average age of Grupo Aeromexico's operating fleet was 9.7 years.

Operating Fleet

Fleet	2Q19	4Q19	2Q20
B-787	18	19	19
B-737-700	11	11	9
B-737-800	36	39	34
B-737 MAX 8	*_	*_	*_
Aeromexico	65	69	62
E-170	10	9	9
E-190	47	47	47
Aeromexico Connect	57	56	56
Grupo Aeromexico	122	125	118

*Aeromexico has six 737 MAX aircraft grounded.



Analyst Coverage

Bank	Analyst	E-mail
Actinver	Ramon Ortíz	rortiz@actinver.com.mx
Bradesco	Victor Mizusaki	victor.mizusaki@bradescobbi.com.br
Deutsche Bank	Michael Linenberg	michael.linenberg@db.com
Invex	Valeria Romo	VROMO@invex.com
GBM	Mauricio Martínez Vallejo	mmartinez@gbm.com.mx
HSBC	Alexandre Falcao	alexandre.p.falcao@us.hsbc.com
Santander	Rubén López	rlopezro@santander.com.mx
Vector	Marco Montañez	mmontane@vector.com.mx

2Q20 RESULTS



Consolidated Statement of Comprehensive Income

Millions of pesos	Three months ended June 30th				
	2020	%	2019	%	VAR
Total Revenue	2,608	100.0%	16,835	100.0%	(84.5%)
Domestic Passenger Ticket Revenue	532	20.4%	5,605	33.3%	(90.5%)
International Passenger Ticket Revenue	424	16.3%	8,473	50.3%	(95.0%)
Ancillary Passenger Revenue	80	3.1%	1,186	7.0%	(93.3%)
Total Passenger Ticket Revenue	1,036	39.7%	15,264	90.7%	(93.2%)
Air Cargo	1,443	55.3%	1,065	6.3%	35.5%
Other Revenues	58	2.2%	506	3.0%	(88.5%)
Operating Costs	6,446	247.2%	12,185	72.4%	(47.1%)
Salaries and Related Costs	2,162	82.9%	3,379	20.1%	(36.0%)
Aircraft Fuel	567	21.7%	5,010	29.8%	(88.7%)
Maintenance	2,868	110.0%	1,169	6.9%	145.2%
Aircraft, Communication and Traffic Services	719	27.6%	2,179	12.9%	(67.0%)
Passenger Services	130	5.0%	448	2.7%	(70.9%)
Selling & Administrative Expenses	1,186	45.5%	1,760	10.5%	(32.6%)
Effects from Associated Companies	(5)	(0.2%)	(198)	(1.2%)	(97.7%)
Total Operating Expenses	7,627	NA	13,746	81.7%	(44.5%)
EBITDAR	(5,019)	NA	3,089	18.3%	NA
Leases, Depreciation & Amortization	4,895	NA	2,970	113.9%	NA
Impairment	13,500	NA	0	0.0%	NA
Total Expenses	26,022	NA	16,716	99.3%	55.7%
Operating Profit (Loss)	(23,414)	NA	119	0.7%	NA
Financial Income and Losses	3,284	125.9%	1,560	9.3%	110.6%
Exchange Rate Impact	(156)	(6.0%)	(0)	(0.0%)	NA
Financial Net Costs	3,128	119.9%	1,559	9.3%	100.6%
Income Before Taxes	(26,542)	NA	(1,441)	(8.6%)	NA
Taxes	880	33.7%	(335)	(2.0%)	NA
Net Income	(27,422)	NA	(1,106)	(6.6%)	NA



Consolidated Statement of Comprehensive Income

Millions of pesos	Six months ended June 30th				
	2020	%	2019	%	VAR
Total Revenue	16,682	100.0%	33,196	100.0%	(49.7%)
Domestic Passenger Ticket Revenue	5,078	30.4%	10,950	33.0%	(53.6%)
International Passenger Ticket Revenue	7,500	45.0%	16,707	50.3%	(55.1%)
Ancillary Passenger Revenue	1,164	7.0%	2,566	7.7%	(54.6%)
Total Passenger Ticket Revenue	13,741	82.4%	30,222	91.0%	(54.5%)
Air Cargo	2,452	14.7%	2,149	6.5%	14.1%
Charter Flights	71	0.4%	3	0.0%	2,351.7%
Other Revenues	418	2.5%	822	4.9%	(49.1%)
Operating Costs	17,507	104.9%	24,315	73.2%	(28.0%)
Salaries and Related Costs	5,741	34.4%	6,885	20.7%	(16.6%)
Aircraft Fuel	4,378	26.2%	9,779	29.5%	(55.2%)
Maintenance	4,101	24.6%	2,375	7.2%	72.7%
Aircraft, Communication and Traffic Services	2,749	16.5%	4,368	13.2%	(37.1%)
Passenger Services	538	3.2%	909	2.7%	(40.8%)
Selling & Administrative Expenses	2,673	16.0%	3,392	10.2%	(21.2%)
Effects from Associated Companies	9	0.1%	(420)	(1.3%)	(102.2%)
Total Operating Expenses	20,190	121.0%	27,287	82.2%	(26.0%)
EBITDAR	(3,508)	(21.0%)	5,909	17.8%	NA
Leases, Depreciation & Amortization	8,196	NA	6,168	37.0%	32.9%
Impairment	13,500	NA	0	0.0%	NA
Total Expenses	41,887	NA	33,455	100.8%	25.2%
Operating Profit (Loss)	(25,205)	NA	(259)	(0.8%)	NA
Financial Income and Losses	5,015	30.1%	2,857	8.6%	75.6%
Exchange Rate Impact	(333)	(2.0%)	141	0.4%	NA
Financial Net Costs	4,682	28.1%	2,998	9.0%	56.2%
Income Before Taxes	(29,887)	NA	(3,257)	(9.8%)	NA
Taxes	44	0.3%	(880)	(2.6%)	NA
Net Income	(29,930)	NA	(2,377)	(7.2%)	NA

2Q20 RESULTS



Consolidated Statement of Financial Position

ITEMS	As of June 30th	As of December 31st	Var 2020 vs 2019	
	2020	2019	\$	%
Assets				
Cash & Cash Equivalents	3,720	6,975	(3,255)	(46.7)
Restricted Cash	1,907	2,097	(190)	(9.1)
Financial Assets and Short Term Investments	125	0	125	NA
Derivative Financial Assets	10	47	(37)	(78.7)
Accounts Receivable Net	3,536	5,950	(2,414)	(40.6)
Related Parties	104	113	(9)	(8.0)
Prepaid Expenses	346	317	29	9.1
Inventories	1,944	1,600	344	21.5
Total Current Assets	11,692	17,099	(5,407)	(31.6)
Fixed Assets & Right of Use, Net	58,391	63,867	(5,476)	(8.6)
Others	25,245	20,022	5,223	26.1
Total Assets	95,328	100,988	(5,660)	(5.6)
Liabilities				
Current Liabilities				
Financial	9,305	9,356	(50)	(0.5)
Leases	6,661	6,273	387	6.2
Operating				
Others	29,172	26,051	3,121	12.0
Total Current Liabilities	45,138	41,680	3,458	8.3
Long Term Liabilities				
Financial	37,140	25,567	11,573	45.3
Lease	25,203	22,224	2,979	13.4
Operating				
Others	9,520	5,740	3,780	65.9
Total Long Term Liabilities	71,863	53,531	18,332	34.2
Total Liabilities	117,001	95,211	21,790	22.9
Stockholders Equity	(21,673)	5,777	(27,450)	(475.2)
Total Liabilities and Stockholders Equity	95,328	100,988	(5,660)	(5.6)

