

## AEROMEXICO REPORTS 1Q17 RESULTS

Mexico City, April 25, 2017 - Grupo Aeromexico S.A.B. de C.V. ("Aeromexico") (BMV: AEROMEX), today reported its unaudited consolidated results for the first quarter 2017.

### KEY FINANCIAL HIGHLIGHTS FOR THE FIRST QUARTER 2017

- Grupo Aeromexico's first quarter 2017 revenues reached \$14.2 billion pesos, a 17.5% year on-year increase. During the quarter, Revenue per ASK (RASK) increased by 8.9% compared to the same period of 2016.
- First quarter 2017 financial results reflect the negative impact of a 64.4% increase in fuel prices and a 12.5% depreciation of the Mexican peso against the US dollar. CASK in pesos increased by 18.0%, year-on-year, while CASK in dollars increased 4.9%. CASK excluding fuel in pesos increased by 8.5%, year-on-year, while CASK excluding fuel in dollars decreased 3.6%, highlighting Grupo Aeromexico's ongoing focus on optimizing unit costs.
- Grupo Aeromexico reported an operating profit of \$533 million pesos with operating margin reaching 3.8%. This represents the 28<sup>th</sup> consecutive quarter of positive EBIT results.
- During the quarter, EBITDAR reached \$3.6 billion pesos a 16.4% increase compared to the prior year. EBITDAR margin amounted to 25.3%, a 0.2 percentage point decrease compared to the same period of 2016.
- Aeromexico reported a net loss of \$258 million pesos with a negative margin of 1.8% margin for the first quarter of 2017.
- These financial results include a non-recurrent (net of deferred taxes) \$561 million peso benefit derived from a non-monetary transaction associated with an agreement to develop Aeromexico's new Corporate Headquarters in Mexico City.
- The total cash balance at the end of the quarter reached \$9.1 billion pesos, equivalent to 16.2% of annual revenues.
- During the quarter, the Company added three aircraft to its fleet: one Boeing 787-9 and two Embraer-190s. At the end of the quarter, Grupo Aeromexico's operating fleet comprised 133 aircraft.

## MANAGEMENT DISCUSSION AND ANALYSIS

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).

The International Accounting Standard 1 (IAS 1) "Presentation of Financial Statements" establishes that in the Consolidated Statement of Comprehensive Income additional items, headings and subtotals can be presented when they are relevant to understanding the financial performance of the entity.

The following information provides an overview of selected consolidated financial and operating results, comparing the Company's unaudited consolidated financial statements for the first quarter 2017 with those of the first quarter 2016.



Financial Highlights	Three Months Ended March 31 <sup>st</sup>		
	2017	2016	Var 2017 vs 2016
Total Revenue (MXP million)	14,169	12,061	17.5%
EBITDAR (MXP million)*	3,583	3,077	16.4%
EBITDAR Margin* (% of Revenue)	25.3%	25.5%	(0.2) p.p.
Operating Profit (MXP million)*	533	642	(16.9%)
Operating Margin (% of Revenue)**	3.8%	5.3%	(1.5) p.p.
Net Profit (MXP million)	(258)	161	(259.6%)
Net Margin (% of Revenue)	(1.8%)	1.3%	(3.2) p.p.
Earnings per share (pesos)	(0.36)	0.23	NA
Operating Highlights			
Total ASKs (millions)	11,204	10,386	7.9%
Total RPKs (millions)	8,734	7,917	10.3%
Load factor on scheduled flights (%)	78.0%	76.3%	1.7 p.p.
Passengers ('000)	4,777	4,493	6.3%
On-Time departure performance within 15 minutes (%)	83.7%	80.6%	3.1 p.p.
Total liters of fuel ('000)	384,507	365,644	5.2%
Yield (pesos)***	1.406	1.399	0.5%
Total revenue / ASK (pesos)	1.265	1.161	8.9%
Passenger revenue / ASK (pesos)	1.078	1.049	2.8%
Total cost / ASK (pesos)	1.309	1.110	18.0%
Total cost / ASK (USD)	0.064	0.061	4.9%
Total cost / ASK excluding fuel (pesos)	0.984	0.907	8.5%
Total cost / ASK excluding fuel (USD)	0.048	0.050	(3.6%)

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, and depreciation, amortization, and rental costs.

\*\* Operating Income.

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



## Market Conditions

Grupo Aeromexico operated in an environment characterized by the following during the first quarter of 2017:

- **Partnership with Delta Air Lines.** On March 10, 2017, Delta Air Lines completed its tender offer for an additional 32 percent of the outstanding capital stock of Grupo Aeromexico S.A.B. de C.V.. Delta Air Lines now has a direct holding of approximately 36 percent of Grupo Aeromexico's outstanding shares and holds options to acquire an additional 13%, for a total of approximately 49%.
- **Exchange rate depreciation.** Compared to the first quarter of 2016, the Mexican peso depreciated an average of 12.5% relative to the U.S. dollar, from an average exchange rate of \$18.06 pesos to \$20.32 pesos per dollar. By the end of the first quarter of 2017, the peso had depreciated by 7.5% year-on-year relative to the dollar, from \$17.43 pesos to \$18.73 pesos per dollar.
- **Increase in Mexican peso-denominated fuel prices.** Due to a higher dollar denominated fuel price and the impact of exchange rate depreciation, Grupo Aeromexico's first quarter 2017 fuel price denominated in pesos increased by 64.4% year-on-year. First quarter 2017 U.S. dollar denominated fuel prices increased by approximately 55.0%, year-on-year.
- **Stable economic activity.** The economic outlook for Mexico remained consistent with previous quarters. In January-February 2017, Mexico's IGAE Economic Activity Indicator grew by 2.3%<sup>1</sup>.
- **Increased passenger traffic in Mexican airline industry.** Mexico's Directorate General of Civil Aviation reported that total air passenger traffic increased by 11.2% in the Mexican market during the January-February 2017 period. Domestic passenger traffic increased 14.0%, while international passenger traffic increased 8.9% compared to the same period in 2016<sup>2</sup>.

## Revenues

First quarter 2017 revenues reached \$14.2 billion pesos, a 17.5% increase compared to the same period last year. This was primarily due to an increase in passenger revenues, higher ancillary revenues and higher cargo revenue.

Total ASKs increased by 7.9% during the first quarter of 2017 compared to the same period last year, mainly driven by our upgauging strategy that allows us to incorporate more cost efficient aircraft while ensuring a better customer experience. International ASKs increased by 6.8% while domestic capacity increased by 9.9%. The increase in ASKs was driven by the addition of four Boeing 787-9s and three 737-800s, eight Embraer 190s and one Embraer 170 and was partially offset by the redelivery of one Boeing 777, three Embraer-175s and five Embraer-145s for a net addition of seven aircraft. International ASKs accounted for 66.3% of Grupo Aeromexico's total ASKs, which is flat compared to the first quarter of 2016.

First quarter passenger revenues reached \$12.1 billion pesos, a 12.6% year-on-year increase. Grupo Aeromexico transported 4 million 777 thousand passengers, a 6.3% increase compared to the first quarter of 2016. The number of passengers on international routes increased by 5.6%, while the number of passengers on domestic routes increased by 6.7% compared to first quarter of 2016. First quarter 2017 passenger revenue on international flights represented 57.8% of total passenger revenue, with domestic passenger revenues representing 42.2%.

First quarter cargo revenue increased by 27.9% year-on-year to \$963 million pesos resulting from the incorporation of four Boeing 787-9s.

<sup>1</sup> IGAE. INEG. April 2017.

<sup>2</sup> Source: DGAC

Aeromexico's first quarter 2017 charter flight revenues totaled \$41 million pesos, an 82.2% decrease from the first quarter 2016. This decrease in charter flight revenues is in line with the Company's continuing focus on its core business of optimizing scheduled operations.

Revenue per ASK increased by 8.9% compared to the first quarter 2016, reflecting the increased attractiveness of Aeromexico's global network and connecting proposition as Mexico's only full service network carrier. Both load factors and yield increased compared to the same period of 2016, with load factor growing by 1.7 percentage points from 76.3% to 78.0% and yields increasing from 1.399 to 1.406 Mexican pesos per Revenue Passenger Kilometer; a 0.5% increase.

First quarter 2017 other revenues totaled \$1.1 billion pesos, a 739 million peso year on year increase. This increase resulted from the Company's ongoing strategy of driving ancillary revenue streams, which includes upgrades, co-brand related revenues associated with our new Santander and American Express relationships, ticketing-related service fees and administrative fees, among others.

## Operating Expenses

First quarter 2017 operating expenses, including aircraft leases and depreciation and amortization, totaled \$13.6 billion pesos, a 19.4% year-on-year increase mainly due to the significant increase in peso-denominated fuel price and the negative impact of the depreciation of the peso on several U.S. dollar cost items and the increase in capacity.

First quarter consolidated unit cost (CASK) in Mexican pesos increased 18.0% year-on-year. CASK in US dollars increased by 4.9% year-on-year. First quarter 2017 dollar denominated CASK excluding fuel decreased 3.6% year-on-year, while CASK excluding fuel in peso terms increased by 8.5%, despite the negative impact coming from the 12.5% Mexican peso depreciation. This reflects Grupo Aeromexico's commitment to maintaining strict cost control.

First quarter fuel expenses were \$3.6 billion pesos, a 72.9% year-on-year decrease driven by the 64.4% increase in peso-denominated fuel prices per liter.

In order to mitigate the risk of fuel price increases, Grupo Aeromexico maintains a hedging policy with call type and call spread options equivalent to approximately 50% of the Company's estimated fuel consumption for 2017. Coverage levels start at US \$1.75 per gallon, hedged up to US \$2.35 per gallon. The maximum cost of the hedging policy is capped to the value of the premiums paid for said options.

First quarter 2017 salaries and related expenses increased by 11.7%, year-on-year. This is related primarily to the growth in Aeromexico's operations and associated headcount plus the negative impact of exchange rate depreciation on training, crew travel and hotel expenses.

First quarter maintenance expenses and communications and traffic expenses increased by 14.9% and 12.2%, respectively, year-on-year, primarily due to the increased operation and Mexican peso depreciation partially offset by the lower maintenance costs associated with a younger fleet and operating cost benefits associated with the Company's upgauging strategy.

First quarter 2017 sales and administrative expenses increased by 19.7% compared to 2016 primarily driven by increased sales and the depreciating Mexican peso.

Associated company income reached \$114 million pesos; a \$13 million peso increase compared to the first quarter 2016. This is due to increased profits from Grupo Aeromexico's Club Premier loyalty program and the increasing attractiveness of the Company's frequent flyer offering, particularly the launch of the new Santander co-branded credit card and the renewal of the American Express co-branded card, as well as improved performance from Queretaro's Aeromexico/Delta joint venture maintenance facility.

Other revenues/costs totaled \$921 million pesos of income for the quarter. This result was primarily driven by a one-off benefit of \$873 million pesos related to a non-monetary transaction associated with the development of the site of Aeromexico's new Headquarters in Mexico City. Aeromexico

has entered into an agreement with a renowned Mexican real estate group to develop Aeromexico's existing site whereby Aeromexico will retain a real estate position in a portion of a newly developed property. This non-monetary transaction has produced a profit for Aeromexico due to the fair value of the new asset being higher than the net book value of the current property.

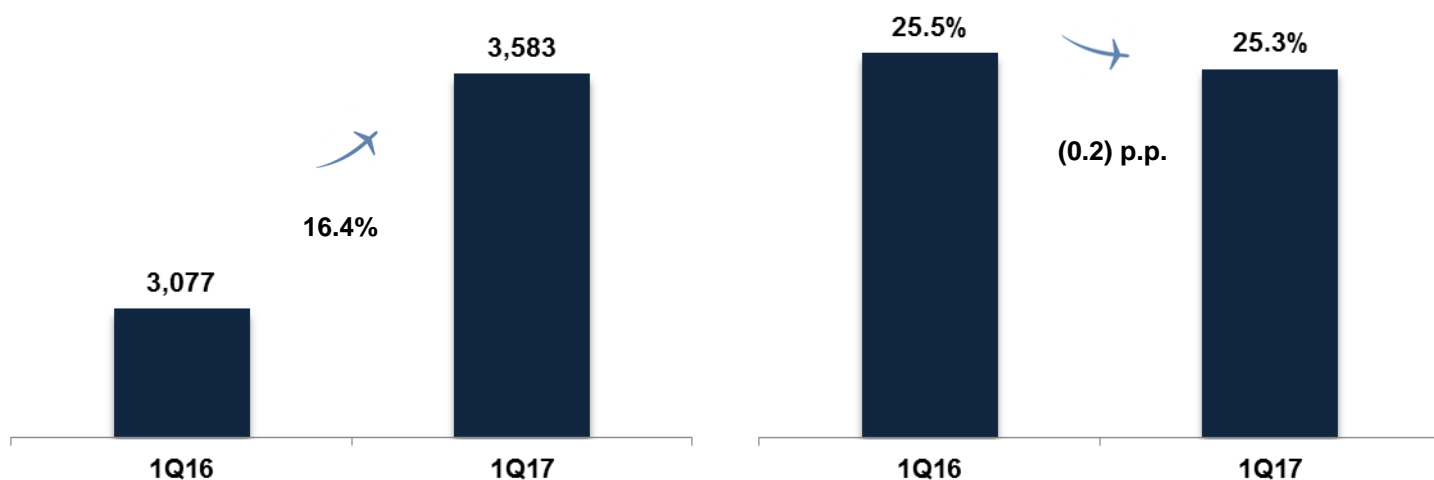
First quarter aircraft leasing expenses totaled \$2.0 billion, an 18.6% increase compared to first quarter 2016, primarily due to the impact of more modern and larger aircraft being incorporated into the Aeromexico fleet plus exchange rate depreciation.

First quarter depreciation and amortization totaled \$1.0 billion, a 40.5% increase compared to first quarter 2016, again due to the impact of more modern and larger aircraft being incorporated into Aeromexico's fleet, as well as this reflecting the Company's strategy of moving to a more balanced fleet of owned vs. leased aircraft over time.

## EBITDAR

First quarter 2017 EBITDAR<sup>3</sup> reached \$3.6 billion pesos, a 16.4% year-on-year increase. First quarter EBITDAR margin reached 25.3%, a 0.2 percentage point year-on-year decrease.

**EBITDAR and EBITDAR Margin**  
(In millions of pesos and as a percentage of income)



## Operating Income

First quarter 2017 operating income reached \$533 million pesos.

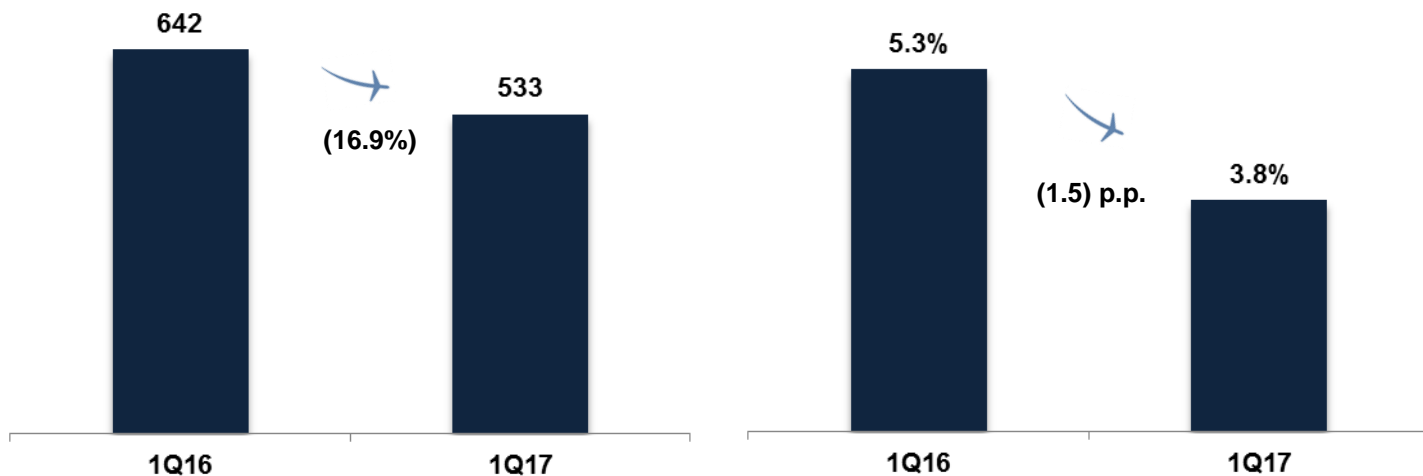
First quarter operating margin reached 3.8%, a 1.5 percentage point year-on-year decrease.

IFRS regulations do not define the "Operating Income" metric. However, this indicator has been included in Aeromexico's financial results due to its relevance in analyzing the Company's operating performance.



<sup>3</sup> EBITDAR: earnings before interest, taxes, depreciation, amortization, and rental costs.

## Operating Income and Operating Margin (In millions of pesos and as percentage of revenue)



### Net Income

Grupo Aeromexico reported a \$258 million peso net loss for the first quarter of 2017 with a negative margin of 1.8%.

During the quarter the Company registered a positive foreign exchange impact of \$312 million pesos as the U.S. dollar strengthened against the Mexican peso. This was due to the fact that the Company uses the U.S. dollar as its functional currency, while the Mexican peso is used for registration and reporting.

During the quarter, Aeromexico realized a \$72 million peso mark-to-market loss in its fuel hedging position.

Aeromexico recognized a one-off deferred tax provision for \$312 million pesos associated with the non-monetary transaction for its Head Office as described above.



## Comments to the Consolidated Statements of Financial Position and Cash Flow

During the first quarter of 2017, incremental cash flow generated from operating activities amounted to \$22 million pesos.

Aeromexico's cash position, including short term investments as of March 31, 2017, was \$9,086 million pesos. This brings Aeromexico's cash to revenue (for the last twelve months) ratio to 16.2%.

### Cash flow summary (figures in millions of pesos)

DESCRIPTION	1Q17
Cash and cash equivalents at the beginning of period	10,089
Net cash flow from operating activities	22
Net cash flow from investing activities	560
Net cash flow from financing activities	(1,619)
Decrease in cash and cash equivalents	(1,037)
Effect of exchange rate changes on cash and cash equivalents	34
Net decrease in cash and cash equivalents	(1,003)
Cash and cash equivalents at the end of period	9,086

Majority stockholders' equity was \$12.1 billion pesos at the end of March 2017.

As of March 31, Grupo Aeromexico had a total of 712,572,938 common shares outstanding; with 24,800,482 shares repurchased by the Company as part of its share repurchase program. The Company also has a total of 233,075,222 treasury shares outstanding.



## Fleet

Grupo Aeromexico added three aircraft to its fleet during the first quarter of 2017: one Boeing 787-9 and two Embraer-190s. Aeromexico also retired three Embraer 145s.

Grupo Aeromexico's operating fleet comprised 133 aircraft, the same number of aircraft as the prior quarter.

As at March 31, 2017, the average age of Grupo Aeromexico's operating fleet was 8.5 years.

### Operating Fleet

Fleet	1Q16	4Q16	1Q17
<b>B-777</b>	4	3	3
<b>B-787</b>	9	12	13
<b>B-737-700</b>	19	19	19
<b>B-737-800</b>	31	34	34
<b>Aeromexico</b>	<b>63</b>	<b>68</b>	<b>69</b>
<b>ERJ-145</b>	17	15	12
<b>E-170/175</b>	15	13	13
<b>E-190</b>	31	37	39
<b>Aeromexico Connect</b>	<b>63</b>	<b>65</b>	<b>64</b>
<b>Grupo Aeromexico</b>	<b>126</b>	<b>133</b>	<b>133</b>



## CONFERENCE CALL DETAILS

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<ul style="list-style-type: none"><li>• <b>DATE</b></li></ul>	<p>April 26, 2017. 11:00 AM ET 10:00 AM Mexico City Time &amp; Central Time</p>	<ul style="list-style-type: none"><li>• <b>SPEAKERS</b></li></ul>	<p>Andrés Conesa Labastida <b>CEO</b></p> <p>Ricardo Sánchez Baker <b>CFO</b></p>
<ul style="list-style-type: none"><li>• <b>DIAL-IN NUMBERS</b></li></ul>	<p>Toll Free US      1 – 866-682-6100</p> <p>Toll International 1- 862-255-5401</p>		

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## Analyst Coverage

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## Consolidated Statement of Comprehensive Income

Millions of pesos	Three Months Ended March 31st				
	2017	%	2016	%	VAR
<b>Revenues</b>	<b>14,169</b>	<b>100.0%</b>	<b>12,061</b>	<b>100.0%</b>	<b>17.5%</b>
Domestic Passengers	5,090	35.9%	4,694	38.9%	8.4%
International Passengers	6,966	49.2%	6,015	49.9%	15.8%
Air Cargo	963	6.8%	753	6.2%	27.9%
Charter Flights	41	0.3%	229	1.9%	(82.2%)
Other Revenues	1,109	7.8%	370	3.1%	199.8%
<b>Operating Costs</b>	<b>10,073</b>	<b>71.1%</b>	<b>7,799</b>	<b>64.7%</b>	<b>29.2%</b>
Salaries and Related Costs	2,913	20.6%	2,608	21.6%	11.7%
Aircraft Fuel	3,644	25.7%	2,107	17.5%	72.9%
Maintenance	1,145	8.1%	997	8.3%	14.9%
Aircraft, Communication and Traffic Services	2,004	14.1%	1,785	14.8%	12.2%
Passenger Services	368	2.6%	301	2.5%	22.3%
<b>Selling and Administrative Expenses</b>	<b>1,547</b>	<b>10.9%</b>	<b>1,292</b>	<b>10.7%</b>	<b>19.7%</b>
Effects from Associated Companies	(114)	(0.8%)	(101)	(0.8%)	12.7%
Other Revenues/ Costs	(921)	(6.5%)	(7)	(0.1%)	NA
<b>Total Operating Expenses</b>	<b>10,586</b>	<b>74.7%</b>	<b>8,984</b>	<b>74.5%</b>	<b>17.8%</b>
<b>EBITDAR</b>	<b>3,583</b>	<b>25.3%</b>	<b>3,077</b>	<b>25.5%</b>	<b>16.4%</b>
Aircraft Leasing	2,014	14.2%	1,698	14.1%	18.6%
<b>EBITDA</b>	<b>1,569</b>	<b>11.1%</b>	<b>1,379</b>	<b>11.4%</b>	<b>13.8%</b>
Depreciation & Amortization	1,036	7.3%	737	6.1%	40.5%
<b>Total Expenses</b>	<b>13,635</b>	<b>96.2%</b>	<b>11,419</b>	<b>94.7%</b>	<b>19.4%</b>
<b>Operating Profit (loss) Before Financial Expenses</b>	<b>533</b>	<b>3.8%</b>	<b>642</b>	<b>5.3%</b>	<b>(16.9%)</b>
Financial Income and Losses	704	5.0%	482	4.0%	46.1%
Exchange Rate Impact	(312)	(2.2%)	(59)	(0.5%)	428.1%
Derivate Fair Market Value	72	0.5%	3	0.0%	NA
Financial Net Cost	465	3.3%	426	3.5%	9.1%
<b>Income Before Taxes</b>	<b>68</b>	<b>0.5%</b>	<b>215</b>	<b>1.8%</b>	<b>(68.3%)</b>
Taxes	326	2.3%	54	0.4%	504.5%
<b>Net Income</b>	<b>(258)</b>	<b>(1.8%)</b>	<b>161</b>	<b>1.3%</b>	<b>(259.6%)</b>



## Consolidated Statement of Financial Position

(millions of pesos)

ITEMS	As at March	As at December	VAR	
	31st 2017	31st 2016	\$	%
<b>Assets</b>				
Cash & Cash Equivalents	7,995	8,971	(976)	(10.9)
Restricted Cash	273	372	(99)	(26.6)
Financial Assets & Short Term Investments	819	746	73	9.8
Derivable Financial Assets	141	215	(74)	(34.4)
Accounts Receivable Net	5,703	5,112	591	11.6
Related Parties	285	306	(21)	(6.9)
Prepaid Expenses	1,460	1,029	431	41.9
Inventories	1,279	1,429	(150)	(10.5)
<b>Total Current Assets</b>	<b>17,955</b>	<b>18,180</b>	<b>(225)</b>	<b>(1.2)</b>
Net Fixed Assets	35,666	35,306	360	1.0
Others	16,666	17,350	(684)	(3.9)
<b>Total Assets</b>	<b>70,287</b>	<b>70,836</b>	<b>(549)</b>	<b>(0.8)</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Financial	8,366	6,938	1,428	20.6
Operating	22,422	22,304	118	0.5
<b>Total Current Liabilities</b>	<b>30,788</b>	<b>29,242</b>	<b>1,546</b>	<b>5.3</b>
<b>Long Term</b>				
Financial	23,599	23,741	(142)	(0.6)
Operating	3,801	3,537	264	7.5
<b>Total Long Term</b>	<b>27,400</b>	<b>27,278</b>	<b>122</b>	<b>0.4</b>
<b>Total Liabilities</b>	<b>58,188</b>	<b>56,520</b>	<b>1,668</b>	<b>3.0</b>
Controlling Interest	12,099	14,316	(2,217)	(15.5)
<b>Total Liabilities and Shareholders</b>	<b>70,287</b>	<b>70,836</b>	<b>(549)</b>	<b>(0.8)</b>

