



## SECOND QUARTER RESULTS 2017

### KEY RESULTS

- \* In the 2Q17 Interjet total revenues added \$5,274.4 million pesos that represented an increase of 28.3% over the income generated in the 1Q16.
- \* In the 2Q17, operating income of \$ 169.0 million pesos, with a margin of 3.2%.
- \* In 2Q17, EBITDAR reflected \$ 1,173.9 million pesos compared to \$ 992.3 million pesos in the same period of 2016 with margins of 22.3% and 24.1% respectively.
- \* INTERJET recorded a net profit of \$ 113.6 million pesos in 2Q17, compared to \$ 61.6 million pesos in the same period of 2016.

2Q= Second quarter



Below is a summary of the selected consolidated and operative information, which is derived from the comparison of Interjet's unaudited, internal, consolidated financial information for the second quarter of 2017 vs. 2016.

ITEM	SELECTED FINANCIAL AND OPERATING INFORMATION		
	SECOND QUARTER		
	2017	2016	% OF VAR
ASK'S (million)	4,799	3,772	27.2%
RPK'S (million)	3,677	2,908	26.4%
LOAD FACTOR	76.6%	77.0%	(0.4) pp
PASSENGERS (thousand)	3,107	2,686	15.7%
TOTAL REVENUE (million)	5,274	4,112	28.3%
REVENUE PAX (million)	4,584	3,709	23.6%
YIELD (pesos)	1.247	1.275	(2.2%)
RASK (pesos)	1.099	1.090	0.8%
CASK (pesos)	1.064	1.047	1.6%
CASK EXCLUDING FUEL (pesos)	0.783	0.788	(0.7%)
EBITDAR (million)	1,174	992	18.3%
EBITDAR MARGIN (as % of total revenues)	22.3%	24.1%	(1.9) pp
OPERATING INCOME (million)	169	161	4.8%
OPERATING MARGIN (as % of total revenues)	3.2%	3.9%	(0.7) pp
NET INCOME (million)	114	62	84.3%
NET MARGIN (as % of total revenues)	2.2%	1.5%	0.7 pp
PP: Porcentual Points			



<b>SELECTED FINANCIAL AND OPERATING INFORMATION</b>				
<b>ITEM</b>	<b>SIX MONTHS</b>			
	<b>2017</b>	<b>2016</b>	<b>% OF VAR</b>	
ASK (million)	9,320	7,263	28.3%	
RPK (million)	6,985	5,468	27.7%	
LOAD FACTOR	74.9%	75.1%	(1.4) pp	
PASSENGERS (thousand)	11,122	10,483	6.1%	
TOTAL REVENUE (million)	9,696	7,963	21.8%	
REVENUE PAX (million)	8,614	7,272	18.5%	
YIELD (pesos)	1.233	1.330	(7.3%)	
RASK (pesos)	1.040	1.096	(5.1%)	
CASK (pesos)	1.073	1.037	3.5%	
CASK EXCLUDING FUEL (pesos)	0.771	0.801	(3.7%)	
EBITDAR (million)	1,705	2,096	(18.7%)	
EBITDAR MARGIN (as % of total revenues)	17.6%	26.3%	(8.7) pp	
OPERATING (LOSS) INCOME (million)	(309)	432	NR	
OPERATING MARGIN (as % of total revenues)	(3.2%)	5.4%	(8.6) pp	
NET (LOSS) INCOME (million)	(483)	266	NR	
NET MARGIN (as % of total revenues)	(5.0%)	3.3%	(8.3) pp	
PP: Porcentual Points		NR: No Representative		



## Market environment

INTERJET operated during the 2Q17 in an environment defined by the following factors:

- **Depreciation of the average exchange rate.** The closing exchange rate for the quarter reflected a depreciation of the peso against the US dollar of 2.8% compared to the same period of 2016, going from \$ 18.0817 pesos per US dollar at 2Q16 to \$ 18.5864 pesos per US dollar at 2Q17.
- **Increase in fuel prices in pesos.** During the period April-June 2017 the weighted average price of fuel per liter paid by INTERJET increased by 16.4% when compared to the same period in 2016, reaching a weighted average price per liter of \$ 8.09 compared to \$ 6.95 weighted average per liter in 2Q16.
- **Slight economic growth.** During the 2017 the Mexican economy showed a recovery in the pace of economic growth. The General Indicator of Economic Activity (IGAE) in April, 2017 grew 2.8% compared to the same period of 2016.
- **Growth of passenger traffic in the domestic industry.** According to figures published by the DGAC, (General Direction of Civil Aviation) the passenger market for Mexican airlines increased by 15.7% in the 2Q17 over the same period of the previous year. The volume of passengers in the domestic market increased 13.3%, while the international market volume grew 25.0%.



## Revenue

In the 2Q17 INTERJET total revenue increased 28.3% from \$ 4,111.8 million pesos in the 2Q16 to \$5,274.4 million pesos in the 2Q17. This increase was mainly due to an increase in passenger revenue.

Passenger revenue increased 23.6% from \$ 3,708.7 million pesos in the 2Q16 to \$4,583.8 million pesos in 2Q17, mainly due to a higher volume of passengers transported, given the airline's international expansion and to the results of the strategy of charging for ancillaries not included in the basic rate, implemented in the 1Q17.

The seats supply (ASK's) increased by 27.2% in the 2Q17 compared to the same period of 2016, mainly due to the opening of new routes and to an increase of operations by the planned expansion of the Company through incorporating new fleet.

Other income increased 71.3%, from \$ 403.1 million pesos in the 2Q16 to \$ 690.6 million pesos in the 2Q17, mainly due to higher income as a result of the strategy of charging for ancillaries not included in the basic rate.

## Operating expenses

Operating expenses increased 29.2%, from \$3,950.5 million pesos in the 2Q16 to \$5,105.3 million pesos in the 2Q17. This increase was mainly due to an increase in operations because of the addition of aircrafts that caused higher expenses of: maintenance, airport operating and landing fees, aircraft rent and expenses inherent to the expansion of operations, as well as the impact of the devaluation of the peso against the dollar. At the end of the 2Q17 the company operated 22 S737, 48 A320's and 3 A321's.



The unit cost per ASK in pesos (CASK) increased 1.6% in relation to 2Q16, as a result of higher expenses for additional operations, a larger fleet, international expansion and the effect of the increase in fuel prices described above. On the other hand, the CASK excluding fuel decreased 0.7% over the same period of the previous year, as a result of the implementation of the control of expenses program, and a greater supply of ASK's.

Fuel expenses on the 2Q17 increased by 37.9% from \$978.7 million pesos in 2Q16 to \$1,349.6 million pesos in the same period of 2017, mainly due to the increase of 16.4% in the weighted average price per liter of fuel paid by the Company reaching an weighted average price per liter of \$8.09 in the 2Q17 compared to \$6.95 of 2Q16, mainly due to the increase of operation specially in the international routes and the impact of the devaluation of the peso against the dollar.

Maintenance expenses increased 5.9% from \$612.8 million in 2Q16 to \$649.0 million in 2Q17 as a result of higher services to our fleet, the increase of operations for new routes and the increase in our fleet. The increase was partially offset by the positive effect of the control of expenses program.

The costs for Airport operating and landing fees increased 54.2% from \$538.2 million pesos in the 2Q16 to \$829.6 million pesos in the 2Q17 as a result of an increase in the number of operations during the 2Q17 mainly in the international market compared to the same period of 2016.

Expenses for wages, salaries and crew benefits increased 33.9%, from \$335.6 million pesos in 2Q16 to \$449.4 million in 2Q17, mainly due to the increase of 31.5% in number of crew employees, going from 1,394 in 2Q16 to 1,833 in the same period of 2017, that included an increase in training and travel expenses, as a result of the additional aircraft that were added in this period.

Selling and advertising expenses increased 22.5% from \$351.6 million pesos in the 2Q16 to \$430.6 million pesos in the 2Q17 as a result of an increase in



advertising to promote new routes and of higher bank fees due to the increase in sales.

The technology and administrative expenses increased 20.4% from \$250.3 million pesos in the 2Q16 to \$301.4 million pesos in the 2Q17 as a result of an increase in operations, a higher expense related to informatics and to the depreciation of the peso against the dollar.

Aircraft and engine rents increased 30.8% from \$513.5 million pesos in the 2Q16 to \$671.5 million pesos in the 2Q17 reflecting the increase in the leased fleet and the effect of the depreciation of the peso against the dollar, considering that the aggregate of our rents is in dollars.

Depreciation expenses increased 5.0% from \$317.5 million pesos in the 2Q16 to \$333.4 million pesos in the 2Q17 as a result of an increase in our fleet and the effect of the exchange rate depreciation mentioned before.

## **EBITDAR**

EBITDAR increased 18.3% from \$992.3 million pesos in the 2Q16 to \$1,173.9 million pesos in the 2Q17. The EBITDAR margin reached 22.3% in the 2Q17 compared to the 24.1% regarding the same period of 2016.

## **Operating Income**

In 2Q17, operating income increased 4.8% from \$161.3 million pesos in 2Q16 to \$169.0 million pesos in 2Q17. This was mainly due to the increase in the Company's revenues, partially offset by increases in costs and expenses mentioned above.



### **Comprehensive financing cost**

Comprehensive financing cost decreased 51.1%, from a cost of \$97.7 million pesos in 2Q16 to a cost of \$47.8 million in 2Q17, mainly as a result of favorable exchange rate effects.

### **Net Income**

INTERJET reflected a net profit of \$113.6 million pesos in 2Q17, compared to a net profit of \$61.6 million pesos regarding the same period of 2016.

### **Comments to the statement of financial position and liquidity**

As of June 30 2017, the Company had \$962.2 million pesos in cash and cash equivalents.

The net cash generated by operating activities in 2Q17 amounted \$377.7 million pesos.

Net cash used in investing activities mainly reflects payments for maintenance, aircraft and engines investments in accordance with the Company's business plan.

The net cash used in financing activities reflects favorable exchange rate results and payments of financing interests.



### **Previously announced capitalization update**

The capitalization which was announced during 1Q17 of US \$ 200 million, which was approved at a general meeting of shareholders of the Company held in the same quarter. Such capitalization will finally be concluded in August 2017, date which at the same time was initially set up as a limit term for effectively contributing those capital additions into the Company. Certain technical and practical circumstances caused these capital additions not to have been completed previously.

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<b>ABC Aerolíneas, S.A. de C.V. and Subsidiaries</b>		
<b>Consolidated Statements of Financial Position</b>		
As of June 30, 2017 and December 31, 2016		
(In thousands of Mexican pesos)		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
		<u>(Audited)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$962,213	\$1,390,741
Accounts receivable	2,706,487	1,057,816
Recoverable taxes, mainly income tax and value-added tax	329,276	267,954
Inventories	206,763	159,248
Prepaid expenses	593,116	511,231
Total current assets	<u>4,797,855</u>	<u>3,386,990</u>
Advance payments to purchase flight equipment	1,511,180	1,636,087
Flight equipment, leasehold improvements, and furniture and equipment - Net	18,560,905	21,545,951
Prepaid maintenance	6,376,047	6,967,318
Deferred tax assets	39,276	57,930
Other assets - Net	185,790	180,425
Concession	43,797	43,797
Deposits on aircraft leases	1,150,773	1,220,649
Total	<u>\$32,665,623</u>	<u>\$35,039,147</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Notes payable to financial institutions	\$6,825,559	\$6,912,395
Provision of maintenance and retirement conditions	716,578	857,747
Accounts payable	3,181,071	3,339,696
Other accounts payable and accrued expenses	2,107,950	907,420
Payable taxes other than income taxes	642,220	239,703
Air traffic liability	1,888,253	1,277,572
Total current liabilities	<u>15,361,631</u>	<u>13,534,533</u>
Notes payable to financial institutions	9,617,970	12,083,702
Long-term debt	1,654,554	1,896,501
Employee benefits and other deferred liabilities	11,423	11,423
Provision of maintenance and retirement conditions	2,398,980	2,871,588
Total liabilities	<u>29,044,558</u>	<u>30,397,747</u>
Stockholders' equity:		
Capital stock	900,000	900,000
Contributions for future capital increases	5	5
Translation effects of foreign operation	367,698	904,984
Retained earnings	2,312,531	2,796,975
Controlling interest	3,580,234	4,601,965
Noncontrolling interest	40,831	39,435
Total stockholders' equity	<u>3,621,065</u>	<u>4,641,400</u>
<b>Total</b>	<u><b>\$32,665,623</b></u>	<u><b>\$35,039,147</b></u>



**ABC Aerolíneas, S.A. de C.V. and Subsidiaries**  
**Unaudited Consolidated Statements of Profit or Loss**

For the three and six months ended June 30, 2017 and 2016  
(In thousands of Mexican pesos)

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating revenues:				
Passengers	4,583,758	3,708,676	8,613,980	7,272,138
Other	690,598	403,110	1,081,893	690,484
	<u>5,274,356</u>	<u>4,111,786</u>	<u>9,695,873</u>	<u>7,962,622</u>
Operating expenses:				
Aircraft fuel	1,349,645	978,655	2,816,011	1,713,768
Maintenance and return conditions	648,995	612,766	1,115,977	1,028,296
Airport operating and landing fees	829,600	538,164	1,579,035	1,115,525
Wages, salaries and benefits	449,403	335,590	861,832	652,762
Insurance and passenger service	90,852	52,478	188,937	98,259
Selling	430,556	351,559	784,104	684,300
Administrative and other	301,360	250,322	645,461	573,638
Flight equipment rentals	671,526	513,506	1,353,649	1,029,279
Depreciation and amortization	333,390	317,492	659,575	634,659
	<u>5,105,327</u>	<u>3,950,532</u>	<u>10,004,581</u>	<u>7,530,486</u>
Gross Profit (Loss)	169,029	161,254	(308,708)	432,136
Comprehensive financing cost:				
Interest income	12,895	8,974	23,712	17,194
Interest expense	(230,736)	(201,334)	(499,312)	(396,888)
Exchange gain-net	170,068	94,645	313,149	215,950
	<u>(47,773)</u>	<u>(97,715)</u>	<u>(162,451)</u>	<u>(163,744)</u>
Profit (Loss) before income taxes	121,256	63,539	(471,159)	268,392
Income taxes expense	7,658	1,904	11,889	2,850
Consolidated net profit (loss)	<u>\$ 113,598</u>	<u>\$ 61,635</u>	<u>\$(483,048)</u>	<u>\$ 265,542</u>



**ABC Aerolíneas, S.A. de C.V. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity**  
For the periods ended June 30, 2017 and December 31, 2016  
(In thousands of Mexican pesos)

	Capital Stock	Contributions for future capital increases	Cumulative translation adjustments	Retained earnings	Non controlling interests	Total
<b>Balances as of December 31, 2015</b>	\$900,000	\$5	\$275,219	\$258,447	\$30,938	\$3,734,609
Comprehensive Income:						
Cumulative translation adjustments of foreign operations	-	-	629,765	-	-	629,765
Consolidated Net income for the year	-	-	-	268,528	8,497	277,025
	-	-	\$629,765	\$268,528	\$8,497	\$906,790
<b>Balances as of December 31, 2016</b>	\$900,000	\$5	\$904,984	\$2,796,975	\$39,435	\$4,641,399
Comprehensive Income:						
Cumulative translation adjustments of foreign operations (loss)	-	-	-\$537,286	-	-	-\$537,286
Consolidated Net result (loss) profit for the period	-	-	-	-484,444	1,396	-483,048
	-	-	(537,286)	(484,444)	1,396	(1,020,334)
<b>Balances as of June 30, 2017</b>	\$900,000	\$5	\$367,698	\$2,312,531	\$40,831	\$3,621,065



**ABC Aerolíneas, S.A. de C.V. and Subsidiaries**  
**Unaudited Consolidated Statements of Cash Flows**  
For the six months ended June 30, 2017 and 2016  
(In thousands of Mexican pesos)

	<u>Six months ended</u> <u>June 30, 2017</u>	<u>Six months ended</u> <u>June 30, 2016</u>
<b>Cash flows from operating activities:</b>		
Net result (loss) profit for the period	(483,048)	265,541
Adjustments for:		
Income tax expense recognized in net result	11,889	(32)
Depreciation and amortization for non-current assets	659,575	634,659
Provision of maintenance and retirement conditions	(366,876)	364,568
Interest expense	499,312	396,900
Unrealized foreign exchange (loss) gain	(235,512)	256,034
Changes in working capital:		
(Increase) decrease in accounts receivables	(1,648,671)	(693,459)
(Increase) decrease recoverable taxes, mainly income tax and value-added tax	(61,322)	(2,557)
(Increase) decrease in inventories	(47,515)	87,427
(Increase ) decrease in prepaid expenses	(81,885)	13,110
Decrease (Increase ) in deposits on aircraft leases	69,876	(95,289)
(Decrease) Increase in accounts payables	(158,625)	24,166
Increase (decrease) in other accounts payable and accrued expenses	1,207,294	115,253
Increase (decrease) in income taxes paid	402,517	47,625
Increase (decrease) in air traffic liability	610,681	513,225
Increase (decrease) in employee benefits	0	(4,895)
Net cash generated by operating activities	<u>377,690</u>	<u>1,922,276</u>
<b>Cash flows from Investing activities:</b>		
Flight equipment, adaptatations, leasehold improvements, and furniture and equipment	(76,467)	(921,657)
Advance payments to purchase aircraft	(91,514)	(151,837)
Other assets	(5,365)	(15,600)
Prepaid maintenance	(222,119)	(837,513)
Net cash used in investing activities	<u>(395,465)</u>	<u>(1,926,607)</u>
<b>Cash flows from financing activities:</b>		
Loans received (paid) - net	88,559	(248,747)
Interest paid	(499,312)	(396,900)
Net cash (used) generated by financing activities	<u>(410,753)</u>	<u>(645,647)</u>
Effects from exchange rate changes	<u>0</u>	<u>0</u>
Net (decrease) in cash and cash equivalents	(428,528)	(649,978)
Cash and cash equivalents at the beginning of the year	<u>1,390,741</u>	<u>2,014,379</u>
Cash and cash equivalents at end of the year	<u>\$ 962,213</u>	<u>\$ 1,364,401</u>



## Glossary

### ASK

Means, (available seat kilometer).

Represents the total number of seats flown by an airline multiplied by the number of kilometers flown.

### RPK

Means, (revenue passenger kilometer)

Represents the number of kilometers flown by paying customers.

### Load Factor

It means the total seats filled, airplane seats average.

It is determined by dividing the total RPK's between ASK's.

### YIELD

It means performance indicator of pesos per kilometer.

### YIELD POR RPK

It is determined by dividing passenger revenues by RPK's.

### RASK

Means, (Revenues per Available Seat Kilometer)

It is determined by dividing the TOTAL REVENUE between ASK's.

### CASK

Means (Cost of Available Seat Kilometer)

Unitary average cost is calculated by dividing total operating expenses by ASKs

### CASK excluding fuel

It is determined by dividing total expenses, less fuel consumption expense, by ASK's.