



# 3<sup>rd</sup> Quarter 2020 Earnings Release GRUPO VIVA AEROBUS

*Enhancing air travel options through a strong  
focus on profitability and innovation*

QUEREMOS  
QUE VIVAS MÁS



## AS Q3 ENDS, VIVA AEROBUS HAS RESPONSIBLY MANAGED THE COVID-19 CRISIS AND SHIFTS TO LEAD THE REBOUND

Mexico City, October 23, 2020 - Grupo Viva Aerobus, S.A. de C.V. ("Grupo Viva") holding of Aeroenlaces Nacionales S.A. de C.V. ("Viva Aerobus"), the carrier with the lowest costs in Latin America and affordable fares for all Mexico, today announced third-quarter 2020 financial results. The figures presented in this report have been prepared in accordance with IFRS (considering the USD as functional currency and MXP as reporting currency) and are expressed in millions of current nominal Mexican pesos, unless otherwise stated, which may vary slightly due to rounding.

### Keeping our Passengers and "Gente Viva" Safe

- We remained fully committed to the initiatives and measures of our 'Viva Contigo' program that contains protocols aligned to the World Health Organization, Ministry of Health and Federal Agency of Civil Aviation recommendations. These procedures are implemented without exception at each aircraft, airport counters and kiosks, and workspaces, making us one of the 10 safest airlines to travel in North America according to the Safe Travel Barometer® (a global monitoring tool used to analyze the implementation of COVID-19 traveler safety and health measures in aviation, tourism and lodging). To access this ranking, please click on the following link: <https://safetravelbarometer.com/press-release-safe-travel-score-america/> (\*)
- These measures include: 1) daily cleaning procedures for aircrafts, using technologies approved by aircraft manufacturers, and local and international agencies, outstanding the strategic partnership with CLORALEX®; (2) installation of medical-grade HEPA filtration systems for the entire fleet, designed to purify cabin air every 3 minutes; (3) air recycling between flights; (4) reduced personal interaction at each contact point; and, (5) mandatory wearing of face masks, gloves and application of antibacterial gel by our crew and counter staff. For further details, please visit our website: <https://www.vivaaerobus.com/en/info/actions-covid-19>

### Bolstering and Protecting our Liquidity

- To protect our Company's financial health, we established a committee that meets on a weekly basis, for the main purpose of monitoring cash levels and decide on the most significant transactions
- We expect minimal capital expenditures for the remainder of 2020 and 2021, as no significant aircraft maintenance expenses are scheduled, given the average age of our fleet (the most modern in Mexico)
- As of September 30, 2020, Viva Aerobus had approximately Ps.3,070 million in cash and cash equivalents, Ps.670 million (+27.9%) more than 2Q20, reflecting the operating environment normalization, the rebound in air travel demand, and savings generated from the initiatives deployed to eliminate discretionary expenses

### Variabilizing our Cost Structure

- We have successfully completed an off-court restructuring plan to streamline our cost and expense structure, as well as to match it with the growing business activity given our gradual recovery from the effects of the pandemic, highlighting: 1) the agreements reached with our lessors to adjust payments to operating activities; 2) the positive negotiations with key suppliers, such as airports and fuel suppliers, aiming to secure the best input prices; 3) the deferral of aircraft predelivery payments ("PDPs") with Airbus, implying a ~USD\$78 million decrease in the estimated bank debt for 2021; 4) a lower cost of jet fuel, in line with an incremental consumption of imports; and, 5) the hiring freeze for non-essential services and staff; and, 6) temporary salaries reductions, that have been recovering in line with the business'.
- In 3Q20, operating expenses, excluding depreciation and amortization, was Ps.1,801 million, down 29.1% year-over-year. Versus the previous quarter, operating expenses increased at a much lower rate than operating revenue (67.1%, vs. ~4X)

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## Searching for New Revenue Streams and Protecting Our Passengers' Wallets

- We continue providing greater flexibility to our passengers, especially through 'Reembolso Total', an affordable specialized insurance that fully refunds flight tickets in case of unexpected events
- We continued deploying great efforts to adapt our operations to current demand trends, such as: the optimization of fleet capacity, and strengthening of cargo and charter services. Likewise, we developed new demand stimulation strategies, such as '*Tarifa Zero*', preferential fare for waving the right to carry handy bags and/or documented baggage, and '*TU Aliado*', an alternative to defer payment of the Airport Departure Fee, from the time of purchase until check-in; and, to deliver a more comfortable travel experience, we launched 'VIP Priority' and 'Space+ seats'

## Recovery of our Route Network and Launching of New Destinations

- We moved forward with the progressive reopening of routes started at mid-2Q20, from 52 at the end of June to 95 in September. The route network recovery was paired with more flights at each route, as reflected by a larger number of available seat-kilometer (ASKs), from 747 million in 2Q20 to 2,852 million this quarter
- During the pandemic, we have launched 20 new routes, of which 13 are domestic, thus capitalizing on the reactivation of economic activities. Most of these routes are from/to Mexico City, as we seek to strengthen our position at Mexico's most important airport

## Social Responsibility

- Striving to proactively contribute in the addressing of Mexico's most urgent needs from the health contingency, Viva Aerobus has deployed a number of initiatives, highlighting: 1) the offering of free flights for health professionals during May and June, helping them to travel safely to perform their duties; 2) the launch of the '*Heroes Viva*' campaign, to find, nominate, and reward (with all-expense-paid trips) 15 people who have stood out for their supporting spirit; 3) the "*Juntos Despegaremos*" campaign, to advertise, for free, through our social networks and digital media, the services of tourism-oriented SMEs, to help them to speed up their recovery; 4) the cargo flight from Toulouse, France to Monterrey, in which up to 200,000 face masks were carried, and later donated to the Mexican Red Cross by the Airbus Foundation; and, 5) dedicated flights that, as of mid-March, had already conducted over 50 special services for repatriation purposes, while also addressing the needs related to essential activities. In this sense, Viva has aided over 4 thousand citizens of Argentine, Brazilian, Cuban, Chilean, Ecuadorian, Honduran, Mexican, Peruvian, and Uruguayan nationality to return home



## 3Q20 Highlights

- 3Q20 passengers carried surged about 4 times (+1,358,211) compared to 2Q20, reaching 1,849,526, in line with the progressive reopening of routes. In an annual basis, passengers carried were down 44.7%, following the effects of the sanitary contingency
- 3Q20 operating revenue was Ps.1,831 million, decreasing 53.8% year-over-year, but increasing > 100% on a sequential basis, driven by similar growth rates at both fare revenue (Ps.785 million, vs. Ps.168 million in 2Q20) and ancillary revenue (Ps.1,046 million, vs. Ps.310 million in 2Q20), whose contributions to total operating revenue were 42.9% and 57.1%, respectively. This performance follows the strategy implemented to boost our reactivation (highly competitive fares to stimulate demand), which has been possible to successfully execute thanks to our strong focus on ancillary services of our ultra-low-cost model
- Following the sequential growth in operating revenue that increased at a faster pace than operating expenses, 3Q20 EBITDAR was positive at Ps.272 million; and, a Ps.734 million net loss was recorded, primarily due to non-cash valuation effects
- On the financial position, the growth recorded in cash & cash equivalents balance, coupled with the 21.1% quarter-on-quarter contraction in financial debt (reflecting the amortizations made on local notes in the 3Q20), brought the Company's net debt back to negative zone (-Ps.416 million). However, financial leverage increased to 13.69x (vs. 7.43x in 2Q20), largely explained by the 63.1% reduction in LTM EBITDAR (given the pandemic), which we expect to normalize in next quarters; and, to a lesser extent, by a 40.5% annual growth in lease liabilities

## 3Q20 Operational Considerations

- From January to August 2020, the Federal Agency of Civil Aviation (*Agencia Federal de Aviacion Civil* or "AFAC", by its Spanish acronym) reported an annual decrease of ~18.2 million (-51.5% year-over-year) in total passengers carried in the domestic market. Amid this backdrop, and driven by a speedy economic reactivation, Viva Aerobus raised its domestic market share by 2.9 percentage points, to 22.1% as of August 2020, from 19.2% in the same period 2019
- During 3Q20, the average reference cost per gallon of jet fuel was down USD\$0.90 (-46.5% year-over-year), amounting to USD\$1.03
- Partly reflecting the impact of COVID-19 on the Mexican economy, the USD/MXP average exchange rate depreciated 15.6% year-over-year, to Ps.22.11/USD
- As of September 30, 2020, the Company's fleet was comprised of 39 aircraft (18 Airbus 320ceo, 20 Airbus 320neo and 1 Airbus 321neo), standing as the most modern in Mexico due to its average age of 3.8 years, and whose inherent technology edge enable Viva Aerobus to arise as the Mexican airline with lowest CO<sub>2</sub> emissions per passenger providing a privileged position to operate under more efficient costs than the industry's average, key factor in the new normal

## Change in Functional Currency

- As of January 1, 2020, the Company determined that its functional currency was the US Dollar (USD). Until December 31, 2019, the Company adopted the Mexican Peso (MXP) as its functional currency. The change in functional currency applies prospectively in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". Therefore, the interim financial statements as of September 30, 2020 are not comparable with 2019 financial statements



## Financial Information

Financial Indicators (MXP Million)	3Q20	3Q19	Ch. %	9M20	9M19	Ch. %
<b>Total Revenue</b>	1,831	3,964	(53.8%)	4,984	9,146	(45.5%)
<b>EBITDAR*</b>	272	1,519	(82.1%)	415	2,753	(84.9%)
<b>EBITDAR Margin *</b>	14.9%	38.3%	(23.5 p.p.)	8.3%	30.1%	(21.8 p.p.)
<b>Operating (loss) income [EBIT]*</b>	(751)	597	(>100.0%)	(2,192)	620	(>100.0%)
<b>EBIT Margin*</b>	(41.0%)	15.1%	(56.1 p.p.)	(44.0%)	6.8%	(50.8 p.p.)
<b>Earnings Before Taxes (EBT)*</b>	(1,041)	303	(>100.0%)	(3,091)	(79)	>100.0%
<b>EBT Margin*</b>	(56.9%)	7.7%	(64.5 p.p.)	(62.0%)	(0.9%)	(61.1 p.p.)
<b>Net (loss) income*</b>	(734)	226	(>100.0%)	(2,168)	50	(>100.0%)
<b>Net Margin*</b>	(40.1%)	5.7%	(45.8 p.p.)	(43.5%)	0.5%	(44.0 p.p.)

\*Items not comparable with 2019 due to change in the functional currency conducted in 2020.

## Operational Information

Operational Indicators	3Q20*	3Q19	Ch. %	9M20	9M19	Ch. %
<b>ASKs (million)</b>	2,852	4,267	(33.2%)	7,367	10,927	(32.6%)
<b>RPks (million)</b>	2,207	3,753	(41.2%)	5,993	9,732	(38.4%)
<b>Total Passengers (thousands)</b>	1,850	3,347	(44.7%)	5,178	8,737	(40.7%)
<b>Load Factor (%)</b>	77.4%	88.0%	(10.6 p.p.)	81.4%	89.1%	(7.7 p.p.)
<b>RASK (MXP)</b>	0.64	0.93	(30.9%)	0.68	0.84	(19.2%)
<b>Adjusted** RASK (MXP)</b>	0.55	0.77	(29.1%)	0.57	0.69	(17.9%)
<b>Fare Revenue per Passenger (MXP)</b>	424	730	(41.8%)	445	584	(23.7%)
<b>Ancillary Revenue per Passenger (MXP)</b>	565	455	24.3%	517	463	11.7%
<b>Operating Revenue per Passenger (MXP)</b>	990	1,185	(16.4%)	963	1,047	(8.0%)
<b>CASK* (MXP)</b>	0.91	0.79	14.7%	0.97	0.78	24.8%
<b>CASK* ex-fuel (MXP)</b>	0.68	0.49	37.7%	0.73	0.47	56.5%
<b>Adjusted** CASK* (MXP)</b>	0.77	0.66	17.8%	0.82	0.65	26.8%
<b>Adjusted** CASK* ex-fuel (MXP)</b>	0.58	0.41	41.3%	0.62	0.39	59.0%
<b>Stage Length (km)</b>	1,172	1,113	5.4%	1,139	1,104	3.2%

\*Considering USD as functional currency for 3Q20; and MXP as recording currency.

\*\*Adjusted to 1,609 km.

## Financial Ratios

Financial Ratios*	3Q20	3Q19
<b>Liquidity Ratio**</b>	0.57x	0.75x
<b>Current Ratio***</b>	0.59x	0.77x
<b>Cash as % of LTM Revenue****</b>	35.2%	31.2%
<b>Total Debt / Shareholders' Equity**</b>	2.89x	1.58x
<b>Adjusted Net Leverage***** / EBITDAR*</b>	13.69x	3.56x

\* Considering USD as functional currency for 3Q20; and MXP as recording currency

\*\*Liquidity Ratio= (Current Assets - inventory) / Current Liabilities

\*\*\*Current Ratio = Current Assets / Current Liabilities

\*\*\*\*Includes Restricted Cash

\*\*\*\*\*Adjusted Net Leverage: Net Debt (Total Financial Debt minus Cash) plus Operational Leases



## Message from the CEO

The COVID-19 crisis required us to act prudently and responsibly, prioritizing, above all, the safety of our passengers and staff by running an operation under the most rigorous standards of prevention and sanitation. For this reason, our program "Viva Contigo" stands out as a key pillar of our responsible recovery strategy.

Alongside with our health commitment, to consolidate our position as one of the most resilient players and capitalize on the recovery of the sector, we have taken responsible steps to enhance our cash position, completely contain the cash burn during the beginning of the pandemic. Consequently, we have successfully completed an off-court restructuring process with the support of 100% of our stakeholders, that will allow us to preserve a lean cost structure, protect our liquidity and position our business to lead the rebound.

Likewise, this quarter, we have successfully implemented a series of demand stimulation strategies along with a clear passenger communication of our "Viva Contigo" program, which has enabled Viva to successfully resume operations, with a much faster recovery than expected and the firm determination of meeting Mexico's connectivity needs. Our commitment lies in the continuous strengthening of air connectivity to key destinations at low prices, a fundamental element for the recovery of tourism, air travel and overall economy of Mexico.

As of quarter-end, we were operating at over 80% of our network capacity, with 95 routes, while remain working to serve our passengers with a safe, streamlined and affordable flight alternative that include more and more destinations. For October, we already had 97 routes available, including 20 new destinations announced amid the new normal: 13 domestic and 7 internationals; highlighting our enhanced connectivity in Mexico City that is present at 15 of these new routes.

We are prepared for a progressive recovery, without losing the scope of our fleet expansion. This quarter an Airbus A320 was delivered and in early October we received our second Airbus A321, representing the third and fourth aircraft deliveries out of the five scheduled for 2020: 3 A321neo and 2 A320neo. Consequently, as of the date of this report, Viva Aerobus' fleet is composed of 40 aircraft: 18 Airbus 320ceo, 20 Airbus 320neo, and 2 Airbus 321neo.

Amid the re-opening of the sector, with lower prices and more routes, the passengers have backed Viva with their preference. In 3Q20, Viva Aerobus carried more than 1.8 million passengers, almost 4 times higher than the figure reported in 2Q20; and, in September, Viva was the second Mexican airline with the highest number of passengers carried.

Finally, since it could not be otherwise at the middle of COVID-19 pandemic, where solidarity is paramount, Viva Aerobus has deployed initiatives to help those who need it the most, outstanding the humanitarian cargo flight from France to Monterrey that carried more than 200,000 face masks donated by the Airbus Foundation to the Mexican Red Cross; and, the campaign 'Viva por México' that help in the promotion of national destinations with preferential fares and advertisement of tourist attractions.

I conclude by extending my most sincere gratitude to our "Gente Viva", our suppliers, and investors, who have allowed us to face these challenging times with stability and resilience, leveraging on our ultra-low-cost model; and, all our passengers who choose Viva as their flight option in the new normal: your preference is our engine to keep flying.

**Juan Carlos Zuazua**  
CEO



## Message from the CFO

Viva Aerobus continues advancing at a gradual, but steady recovery all over its operating results (passengers, flights, fares, cash levels, among others), driven by the strength of its business model, operating flexibility, swift reaction, value proposal for passengers and sound financial health. Consequently, we have maintained a prudent management, minimizing expenses in several fronts and progressing in the reopening of routes guided by the market trends.

These results would have not been possible without the planning functions of our recently established Committee of New Normal. This corporate body is responsible for outlining and overseeing the execution of action plans in staff, operations, commercialization, communication, and finance; and, include other key functions, such as the thorough monitoring of the industry, for a flexible and comprehensive adjustment of the operation towards the passengers' priorities that, in turn, resulted in a progressive recovery of our route network and number of flights, month after month.

The higher number of routes and weekly flights, as well as the incorporation of 2 new aircraft, 1 Airbus A320 and 1 A321 (the former after the reporting period), was reflected in the growth of the fleet capacity measured by available seat kilometers (ASKs) that increased to 2,852 million, compared to 747 million in 2Q20, in line with the rising demand supported by our value proposal. Consequently, the load factor was 77.4% (an outstanding metric within the industry considering how COVID-19 effects have weighed on demand).

As a result of all the above, Fare Revenue was Ps.785 million and Ancillary Revenue was Ps.1,046 million, each posting a sequential growth of more than 100%. The foregoing led to a 2.8 times surge in Operating Revenue vs. 2Q20, surpassing the Ps.1,831 million-mark, a level that practically ensures a sustainable operation in terms of EBITDAR generation.

Similarly, driven by a higher revenue and the multiple measures implemented to streamline the cost and expense structure (creation of a cash committee that meets on a weekly basis, agreements reached with suppliers, restructuring of the portfolio of hedges, among others), quarterly EBITDAR was positive, at Ps.272 million, vs. the negative Ps.464 million in 2Q20.

With regards to our cash position, it closed the quarter above the Ps.3,000 million mark, a similar level to that recorded prior to the pandemic, reflecting the rebound in our operating revenue; and, although our leverage ratio increased to 13.69X (vs. 7.43X in 2Q20) affected by the LTM EBITDAR performance, the cash balance growth, coupled with the 21.2% year-over-year decrease in total debt (mostly derived from > Ps.670 million annual decrease in debt securities), contributed to record a negative net debt of Ps.416 million.

Here, it is important to remind that, since the beginning of the pandemic, we have conducted successful negotiations with all suppliers (airports, jet fuel, among others) and creditors (banking facilities and leases). In this sense, thanks to the support of all our stakeholders (to whom we are deeply grateful and committed) we were able to restructure our main liabilities, while thoroughly covering our commitments, as shown by the annual contraction of debt, without having to explore any major restructuring, as happened in other cases in the industry. All-in-all, under a sound operating and financial ground, we are ready to move forward along the new normal and strengthen our market positioning for the long haul.

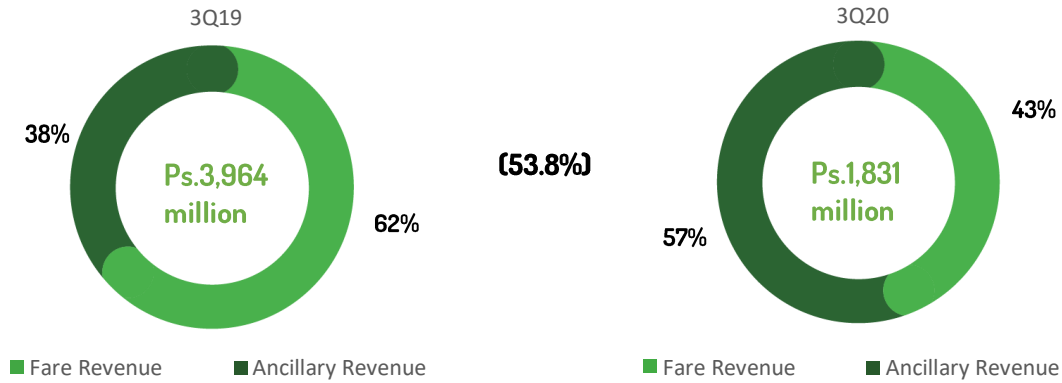
Finally, 3Q20 performance reflects our speed and determination in the deployment of our recovery strategy, which has allowed us to consolidate a leading position. Therefore, we will remain diligently advancing with our endeavors, despite the magnitude of the challenge, as the solid commitment of the Viva People, preference of passengers and confidence of investors, allow Viva Aerobus to continue improving its performance, to return into its pre pandemic growth track.

**Jose Golfier**  
CFO



## Income Statement Analysis (P&L)

### Total Revenue

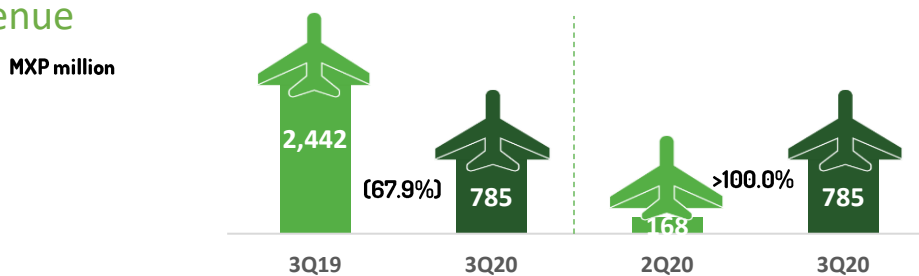


3Q20 Total Revenue was Ps.1,831 million, a 53.8% contraction when compared to the Ps.3,964 million reported in 3Q19, mainly explained by a lower operating volume given the effects of the pandemic, but posting a sequential growth, surging in a factor of about 4X, benefited by the gradual and strategic reactivation process of the route network.

Amid this context and pursuing to stimulate passengers to flight, Viva Aerobus has combined a number of promotions (Viva por Mexico, Heroes Viva, among others) with the lowest fares in the market; leveraging on the underlying fundamentals of its ultra-low cost model (robust approach on ancillary revenues that softens pressure on fares). 3Q20 revenue mix was composed by 57.1% of ancillary revenue and 42.9% of fare revenue.

YTD, Total Revenue decreased 45.5%, to Ps.4,984 million, with a share of 46.2% and 53.8% of fare revenue and ancillary revenue, respectively.

### Fare Revenue



Following a lower number of passengers carried (-44.7% YoY) and an aggressive pricing strategy to boost demand, fare revenue for the third quarter 2020 decreased 67.9% in an annual basis, totaling Ps.785 million, but surged in a factor of over 4X quarter over quarter. Year to date, fare revenue amounted to Ps.2,305 million, vs. Ps.5,099 million of the 9M19.

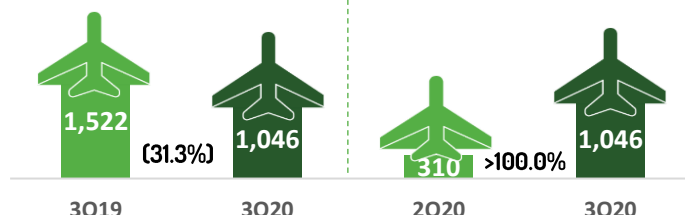
It is relevant to point that, despite the annual contraction in operating revenue, a positive absorption of our domestic flights has been observed, a highly relevant factor when considered the constrained flight options in the domestic market (given the hard time of certain competitors), which our Company has been able to capitalize, as it happened in September when Viva Aerobus stood as the second airline with the highest number of passengers carried in the domestic market.





## Ancillary Revenue

MXP million

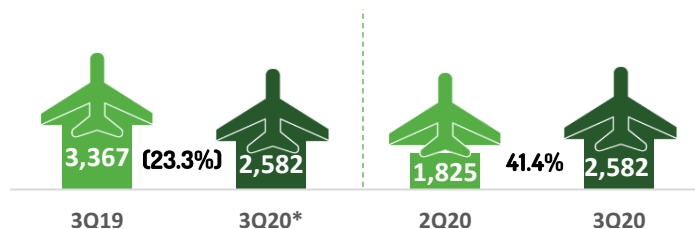


Ancillary revenue decreased to Ps.1,046 million (-31.3%) this quarter, from Ps.1,522 million in the same period last year, as a result of a lower number of flights, given the effects of the contingency, but posting a significant sequential recovery, as it was 3 times higher than that of 2Q20. YTD, ancillary revenue decreased 33.8% YoY, to Ps.2,680 million, given the same dynamics of the quarter. The magnitude of the annual decline in ancillary revenue, both in 3Q20 and 9M20, lies below than that recorded in fare revenue.

The foregoing derived from: i) a positive acceptance of our insurance products, outstanding 'Protección Viva' and 'Reembolso Total', launched during the sanitary contingency, aware of the increasing needs of flights reschedules; ii) our unbundling strategy, that provides passengers with a tailored-made experience, enabling them to select only needed services; and, iii) Viva Cargo, which has provided a stable revenue stream throughout the contingency, partially offsetting the effects of a limited operation of commercial flights.

## Operating Expenses

MXP million



Operating Expenses totaled Ps.2,582 million, 23.3% lower than the Ps.3,367 million of 3Q19, as a result of: i) > 40% decrease in jet fuel and rights for air space, from a lower operating volume; ii) a lower amount of expenses in SG&A (-26.7%, or Ps.139 million); and, iii) a 27.4% (Ps.106 million) decline in salaries, wages and other benefits, as the Company has limited the engagement of temporary employees, at the light of a weak demand. It is relevant to highlight that these achievements, to adjust expenses to lower revenues, have been possible by the support of all our suppliers.

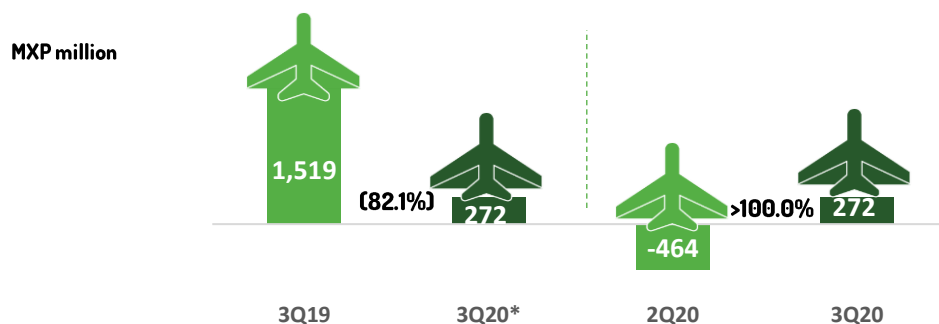
Here, it is important to recall that to mitigate fuel price risk, Viva Aerobus follows a risk management policy that uses a portfolio of instruments composed by forwards, call and call spread options to hedge approximately 50% of its forecasted jet fuel requirements for the following two months, 40% for the third month, 30% for the fourth month, continuing iteratively until reaching 5% of the forecasted consumption for the twelfth month. In this sense, we have also conducted adjustments to hedges, to soften their costs.

(MXP million)	3Q20*	3Q19	Ch. %	9M20*	9M19	Ch. %
Jet Fuel	649	1,267	(48.8%)	1,779	3,411	(47.9%)
Maintenance	201	171	17.4%	447	399	12.1%
Supplemental rents	243	94	>100.0%	434	247	75.4%
Salaries, wages and other benefits	280	385	(27.4%)	1,051	998	5.4%
Depreciation and amortization	781	829	(5.8%)	2,174	1,885	15.3%
Rights for the usage of air space	96	160	(40.2%)	247	408	(39.3%)
Selling, administrative & advertising expenses	380	519	(26.7%)	1,121	1,331	(15.8%)
Other operating expenses	(47)	(58)	(18.2%)	(76)	(153)	(50.1%)
<b>Total Operating Expenses</b>	<b>2,582</b>	<b>3,367</b>	<b>(23.3%)</b>	<b>7,177</b>	<b>8,526</b>	<b>(15.8%)</b>
<b>Operating-expenses-to-revenue ratio (%)</b>	<b>141.0%</b>	<b>84.9%</b>	<b>56.1 p.p.</b>	<b>144.0%</b>	<b>93.2%</b>	<b>50.8 p.p.</b>

\*Items not comparable with 2019 due to the change in the functional currency conducted in 2020.



## EBITDAR



3Q20 EBITDAR was Ps.272 million, vs. Ps.1,519 million of the same quarter last year, explained by lower revenues from a decreased passengers' volume, which could not be totally offset by the measures deployed to mitigate expenses. As all lines of P&L, EBITDAR also posted an important sequential recovery of > 100%, increasing by over Ps.700 million.

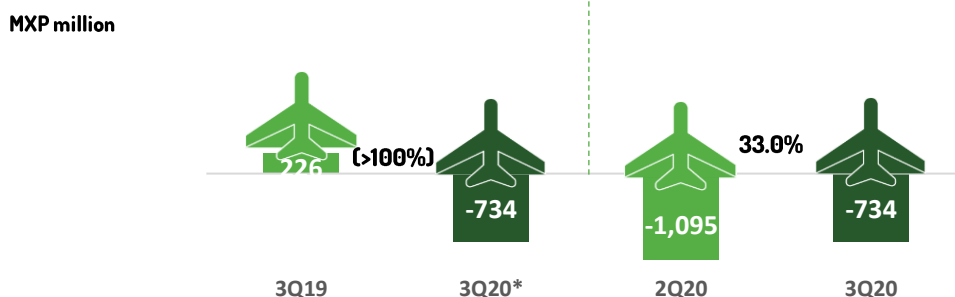
(MXP million)	3Q20	3Q19	9M20	9M19
Operating (Loss) Income*	(751)	597	(2,192)	620
Depreciation and Amortization*	781	829	2,174	1,885
Rents	243	94	434	247
EBITDAR*	272	1,519	415	2,753
EBITDAR Margin*	14.9%	38.3%	8.3%	30.1%

\*Items not comparable with 2019 due to the change in the functional currency conducted in 2020.

## Income Tax

In the quarter, a tax benefit of Ps.307 million was recorded, positively compared to the Ps.78 million tax payable registered in 3Q19.

## Net (Loss) Income



3Q20 Net Income was -Ps.734 million, mostly from the lower revenue and certain valuation effects. It is worth noting that a large proportion of this loss did not imply any cash outflow, as it was related to virtual accounting effects.

(MXP million)	3Q20	3Q19	9M20	9M19
Net (Loss) Income*	(734)	226	(2,168)	50
Net Margin*	(40.1%)	5.7%	(43.5%)	0.5%

\*Items not comparable with 2019 due to the change in the functional currency conducted in 2020.



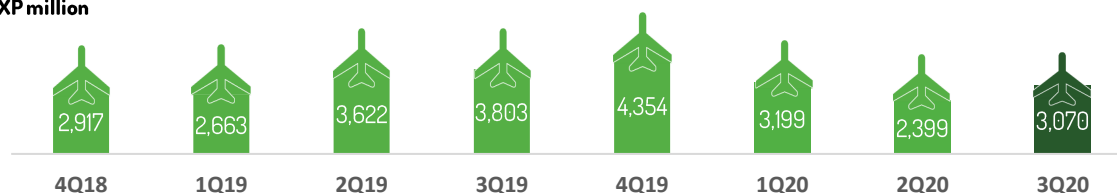
## Financial Position

### Cash & Cash Equivalents

Cash & cash equivalents balance was up Ps.670 million, or 27.9% when compared to the Ps.2,399 million in 2Q20, favored by the progressive operational reactivation that has already started to generate sustainable cash flows; and, to a lesser extent, by the agreements reached with suppliers and creditors, to preserve the Company's cash.

In this sense, it is relevant to remind that, if necessary, our preapproved local notes program represents a swift instrument to access additional resources (we have up to Ps.3,125 million pending of issuance, Ps.2,000 million in long-term and Ps.1,125 million in short-term).

MXP million



### Financial Debt

(MXP million)	Sep-20	Sep-19	Ch. %
<b>Bank Debt (mostly for PDP financing)</b>	1,325	1,370	(3.3%)
<b>Debt Securities</b>	1,329	2,000	(33.6%)
<b>Short-term</b>	1,220	1,773	(31.2%)
<b>Long-term</b>	1,434	1,596	(10.2%)
<b>Total Debt</b>	<b>2,654</b>	<b>3,370</b>	<b>(21.2%)</b>
<b>Net Debt*</b>	<b>(416)</b>	<b>(433)</b>	<b>(4.1%)</b>

\* Net Debt: Total Financial Debt – Cash (including Restricted Cash)

As of September 30, 2020, the Total Debt of Viva Aerobus was Ps.2,654 million, 21.2% below than the Ps.3,370 million reported in 3Q19, reflecting the amortizations made on the short-and-long term local notes issued at the Mexican Stock Exchange (BMV) in March 2019, each one for Ps.1,000 million.

Breaking down debt, 49.9% belongs to banks, for the pre-delivery payments "PDP" of aircraft, which in turn will be repaid through sale & lease back operations upon reception; and, the remaining 50.1% to outstanding securities, comprised of short-term local notes issued over the Institutional Stock Exchange "BIVA" during 1Q20, and the debt securities program established with the BMV.

Furthermore, it is relevant to point that, after two consecutive quarters of recording a positive net debt (in 1Q20 due to an increase in the financial debt and in 2Q20 from a high level of cash burn given a highly reduced revenue), in 3Q20 Viva Aerobus was able to attain a negative net debt level, of Ps.416 million.

Despite the foregoing, the leverage ratio (net debt plus operational leases to LTM EBITDAR), increased by 10.13 times YoY and 6.26 times QoQ, thus ending the quarter at 13.69X, primarily explained by the drop in LTM EBITDAR, following the effects of the pandemic, and the increase in leasing liabilities (in line with the fleet's expansion). We expect this indicator to recover in following quarters, as the operation returns to usual levels.




It is worth noting that Adjusted Net Leverage, calculated under IFRS 16, reflects the Company's leverage more accurately than the previously applied standard that used a lease capitalization ratio of 7x.

	Sep-20	Sep-19
Adjusted net debt / EBITDAR*	13.69x	3.56x

\* Items not comparable with 2019 due to the change in the functional currency conducted in 2020.



## Fleet

	Aircraft	September 2020	December 2019	September 2019
	Airbus 320ceo	18	18	20
	<b>Airbus 320neo</b>	20	18	16
	Airbus 321neo	1*	0	0

During 3Q20, the last A320neo aircraft from the order of 80 aircraft announced in July 2018 was received. The 40 units pending of delivery correspond to the A321neo model (featured by its high efficiency in jet fuel consumption). At the end of the quarter, the fleet was composed of 39 aircraft (18 A320ceo, 20 A320neo and 1 A321neo), compared to that of 36 aircraft (18 A320ceo and 18 A320neo) in the same period 2019. The fleet's average age stood at 3.8 years.

It is worth mentioning that, although 2 A321neo aircraft are scheduled for delivery in 4Q20 (one aircraft of this model was already received on October 1<sup>st</sup>, immediately after the closing of 3Q20) the Company's priority remains to cope with the challenge of the pandemic with the greatest possible stability. Therefore, it will continue prioritizing its cash balance and financial position; leveraging into its operational flexibility to meet the prevailing demand trends of the new normal.

(\* ) As of September 30, 2020, we had 1 Airbus A321neo aircraft; and, in October 1<sup>st</sup>, we received 1 out of the 2 Airbus A321neo aircraft scheduled for 4Q20, already reaching 2 aircraft of this model in our fleet (in line with the Message of the CEO).

\*\*\*\*\*



## Additional Noteworthy Accomplishments

In the third quarter 2020, in line with the reactivation of tourism and commercial flights, Viva Aerobus strived to progress in its strategic route network recovery and launch of new destinations, to meet market trends and passengers' needs.

The quarter's most relevant accomplishments are listed below:

- On July 1, 2020, Viva Aerobus reported a 70% increase in its operating volume for July, vs. that set for June, from 52 routes in June to 88 routes in July. As part of this process of reactivation, two brand new international routes were announced (Mexico City to Houston and Los Angeles), along with the new domestic route Mexico City - Tampico. These enhancements of our network helped to strengthen air connectivity at the lowest prices amid the new normal.
- On July 3, 2020, Viva Aerobus and CLORALEX® - leader in cleaning and disinfection - signed a partnership to encourage best prevention and hygiene practices throughout the flight's different phases, thus protecting the health of all passengers and staff of Viva (these practices inherent to the new normal are paramount to the economic and tourism reactivation of Mexico).
- On July 7, 2020, Viva Aerobus and the Minister of Tourism of Tamaulipas, Fernando Olivera Rocha, announced the new regular route Tampico - Mexico City. Operations started on July 17, with 2 weekly flights.
- On July 14, 2020, Viva Aerobus launched 'Tarifa Zero' and a new payment alternative 'TU Aliado'. 'Tarifa Zero' is a new ticket fare for those who just want to carry a personal item, such as a handbag or backpack. 'TU Aliado' is a new payment alternative that allows to book a flight by postponing the payment of up to 60% of total cost corresponding to the settlement of the Airport Departure Fee (TUA), from the time of purchase until check-in.
- On July 30, 2020, Viva Aerobus announced that, in August, it would operate at 60% of its total capacity. This equaled a 10% growth in the operating volume vs. the previous month, given an increase in flights and routes, as we pursued to meet the needs of Mexico air connectivity, in line with the sector's recovery and prevailing market trends. In this sense, during August, Viva Aerobus set more than 80 routes.
- On August 1, 2020, Viva Aerobus conducted a humanitarian cargo flight, from Toulouse, France to Monterrey, Mexico, carrying more than 200,000 masks donated by the Airbus Foundation to the Mexican Red Cross. The flight was made under the delivery framework of an aircraft Airbus A320neo, registration XA-VIX, from Airbus to Viva.
- On August 13, 2020, Viva Aerobus announced its new international route: Monterrey - Dallas Fort Worth, starting operations on September 17, with two weekly flights. This route provides a strategic bridge in the sector's reactivation, by connecting the second largest city in Mexico with the fourth largest metropolitan area in the United States.
- On August 24, 2020, as a result of the "Viva por México" campaign, aimed at promoting national destinations, to contribute in the responsible reactivation of tourism, Viva Aerobus informed that for one week, it would offer special fares in flights from/to Merida, while advertising the city's tourist attractions throughout its digital channels and social networks, to boost tourism in Yucatan. This endeavor was previously conducted in Cancun and Puerto Vallarta.
- On August 31, 2020, Viva Aerobus informed the ongoing execution of its reactivation strategy, operating 95 routes in September and announcing the launch of its new routes from Mexico City to Veracruz, La Paz and San Antonio (Texas).
- On September 4, 2020, Viva Aerobus, Mexico's ultra-low-cost airline, launched 'Conectividad Total', initiative that seeks to benefit travelers from/to Tijuana towards an integrated solution of air and ground connectivity. In this regard, all Viva passengers traveling to Leon, Guadalajara or Morelia, from Tijuana, or contrarily, will enjoy a 90% discount on bus tickets, applicable on 33 land routes. This benefit started on September 1.
- On September 14, 2020, Viva Aerobus issued a press release that highlighted and celebrated the upgrading and redesigning of the airspace be used by the Metropolitan Airport System (SAM for its Spanish acronym). Through this enhancement, Viva will be able to take full advantage of its advanced fleet and generate operational efficiencies, while SAM ensure air interoperability of the growing system of airports in the Metropolitan Area of the Valley of Mexico and further strengthen security.



- On September 17, 2020, Viva Aerobus, together with Guerrero's Minister of Tourism, Ernesto Rodriguez, announced its new regular route Acapulco - Mexico City, bolstering the air connectivity of one of Mexico's iconic tourist destinations, and moving forward into the New Normal.
- On September 21, 2020, Viva Aerobus, along with the Governor of Quintana Roo, Carlos Joaquin and the Head of the Council of Tourist Promotion of Quintana Roo, Dario Flota, announced the new regular route Chetumal - Mexico City, which will kick-off on November 12, with 4 weekly flights.
- On September 24, 2020, as part of the activities of Mexico's first Digital Tourist Market 2020 (Tianguis Turistico Digital 2020), Viva Aerobus, in company of Luis Humberto Araiza, Baja California Sur's Minister of Tourism, Economy and Sustainability, commemorated the operations kick-off of the new regular route La Paz - Mexico City. The first flight was made on September 25.
- On September 25, 2020, Viva Aerobus, within the framework of Mexico's Digital Tourist Market 2020, in company of Luis Nunez, General Coordinator of the Commission for the Promotion of Tourism of Sonora, announced the opening of the new route Ciudad Obregon - Mexico City. Kick-off operations will be on December 17.
- On September 25, 2020, in line with its operational reactivation, Viva Aerobus announced a total of 15 new routes on its way to the new normal: 9 domestic and 6 internationals. Likewise, on the same date, the airline celebrated the operations startup of routes from Mexico City to La Paz, Veracruz and San Antonio.

## Noteworthy Accomplishments After the Reporting Period

- On October 1, 2020, our second Airbus A321neo landed in Monterrey, turning into the 40<sup>th</sup> aircraft of Viva Aerobus' fleet. This aircraft is the fourth of five expected to be delivered this year.
- On October 2, 2020, Viva Aerobus, the Governor of Durango, Jose Rosas and the state's Minister of Tourism, Eleazar Gamboa, announced through a virtual conference, the opening of the new route Durango - Mexico City that will start operations on December 17, with 2 weekly flights.
- On October 2, 2020, Viva Aerobus, joined to the Governor of Campeche, Carlos Miguel Aysa and the state's Minister of Tourism, Jorge Manos, announced the new routes Mexico City - Campeche, which will start on November 12, with 3 weekly flights and the route Mexico City - Ciudad del Carmen, that will be starting on November 13, with 3 weekly flights.
- On October 2, 2020, Viva Aerobus announced the opening of its new route: Mexico City - Los Mochis, which will start operations on December 17, with 2 weekly flights.
- On October 2, 2020, Viva Aerobus reported that during that month it would operate 97 routes, as part of the responsible reactivation of the tourism and commercial airlines sector, and reaffirmed the reopening of the routes Mexico City - Oaxaca, Chihuahua - Guadalajara and Hermosillo - Los Cabos. It was also stated that connectivity from/to Mexico's capital has been reinforced with 14 new routes.
- On October 6, 2020, Viva Aerobus and Humberto Javier Montero, Minister of Tourism of Aguascalientes, announced that the new start date for the Aguascalientes - Cancun route will be on November 2. The first arrival of Viva to this state (it had been announced early this year and was expected to start in July), but it was postponed due to the sanitary emergency.
- On October 16, 2020, Viva Aerobus announced that the Cancun - Camaguey route will resume operations on October 20 and Cancun - Santiago de Cuba would be having its inaugural flight on October 22. With these routes, Viva Aerobus becomes the first Mexican airline to resume flights to Cuba, while continue working hand-in-hand with local authorities to further increase its route network and weekly flights, for an efficient, reliable and competitively priced connectivity in the Caribbean.

## About Grupo Viva Aerobus

Grupo Viva Aerobus is a holding Company of several businesses, among those is the airline Viva Aerobus.



## About Viva Aerobus

Viva Aerobus is Mexico's low-cost airline. It started operations in 2006 and today operates one of the most modern Latin American fleet with 38 Airbus 320 and 2 Airbus 321 (considering the delivery of the Airbus A321 aircraft on October the 1<sup>st</sup>, subsequent to the period covered by this report) . With a clear vision of giving all people the opportunity to fly, Viva Aerobus has democratized the airline industry with the lowest rates in Mexico, making their flights the best value offer, which in 2018 enabled Viva to carry more than 10 million passengers in one year for the first time since its foundation and during all months of 4Q19 to carry more than 1 million passengers, exceeding the 12 million mark for 2019.

## Fixed-income Analysts

Institution	Credit Rating	Analyst	E-mail
HR Ratings	HR AA- (E) – HR3	Samuel Egure-Lascano	<a href="mailto:samuel.egurelascano@hrratings.com">samuel.egurelascano@hrratings.com</a>
Verum	A/M (e) – 4/M	Jonathan Félix	<a href="mailto:jonathan.felix@verum.mx">jonathan.felix@verum.mx</a>

## Passengers Segment

The passengers segment targets the large Mexican market of price-sensitive leisure passengers and passengers visiting friends and relatives ("VFRs"), as well as business travelers from small and medium enterprises ("SMEs"), and have a particular focus on travelers currently traveling by bus, to create opportunities for travelers to trade up from long distance bus travel to air travel. For this purpose, we leverage our long-term, strategic relationship with Grupo IAMSA, which serves millions of bus passengers each year, since Viva Aerobus is the only airline in Mexico that has within its distribution channels over 300 bus stations which sell flight tickets.

## Ancillary Revenue

The ancillary revenue seeks to maximize the satisfaction level of passengers traveling with Viva Aerobus by offering a broad portfolio of products and services adaptable to the unique needs of each passenger, while also being an important source of revenue for the Company.

## Forward-looking Statements

*This earnings release may contain forward looking statements that reflect the vision of the Company's management and are not based on historical facts. Grupo Viva Aerobus cautions readers that the statements or estimations herein contained, or stated by the Company's management team, are subject to risks and uncertainties that might change from time to time as a result of a number of factors that are out of the Company's control.*

## Glossary

**ASKs:** Stands for "available seat kilometers" and represents aircraft seating capacity multiplied by the number of kilometers the seats are flown.

**CASK:** Stands for "cost per available seat kilometer" and represents operating expenses divided by available seat kilometers (ASKs).

**CASK ex-fuel:** Represents operating expenses other than fuel divided by available seat kilometers (ASKs).

**EBITDAR:** Stands for "Earnings before interest, taxes, depreciation, amortization and restructuring and rent costs" and it is calculated as revenue minus expenses, excluding interests, depreciation, amortization, restructuring and rental cost

**Load Factor:** Represents the percentage of aircraft seating capacity that is currently used and is calculated by dividing revenue passenger kilometers (RPKs) by available seat kilometers (ASKs).

**RASK:** Stands for "operating revenue per available seat kilometer" and represents operating revenue divided by available seat kilometers.

**RPKs:** Stands for "revenue passenger kilometers" and represents the number of kilometers flown by passengers.

## Investor Relations Contact

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**Financial Statements**
**Income Statement**
**Grupo Viva Aerobus, S.A. de C.V. and Subsidiaries**

Consolidated Statement of Comprehensive Income  
 Three-and-nine-months period ended September 30, 2020 and 2019  
 (Thousands of Mexican Pesos)

MXP thousand	3Q20*	3Q19	Ch. %.	9M20*	9M19	Ch. %.
Operating Revenue						
Passengers	785,034	2,442,080	(67.9%)	2,304,820	5,098,610	(54.8%)
Ancillary Revenue	1,045,514	1,521,977	(31.3%)	2,679,579	4,047,880	(33.8%)
<b>Total Revenue</b>	<b>1,830,548</b>	<b>3,964,057</b>	<b>(53.8%)</b>	<b>4,984,399</b>	<b>9,146,490</b>	<b>(45.5%)</b>
Operating Expenses						
Jet Fuel	649,078	1,267,300	(48.8%)	1,778,667	3,411,181	(47.9%)
Maintenance	200,732	170,971	17.4%	447,497	399,258	12.1%
Salaries, wages and other benefits	279,876	385,376	(27.4%)	1,051,349	997,683	5.4%
Rights for the usage of air space	95,591	159,724	(40.2%)	247,316	407,502	(39.3%)
Selling, administrative and advertising expenses	380,256	519,090	(26.7%)	1,120,627	1,331,119	(15.8%)
Other operating (income) expenses	(47,171)	(57,674)	(18.2%)	(76,391)	(153,180)	(50.1%)
<b>Total Operating (Income) Expenses</b>	<b>1,558,362</b>	<b>2,444,787</b>	<b>(36.3%)</b>	<b>4,569,065</b>	<b>6,393,563</b>	<b>(28.5%)</b>
<b>EBITDAR</b>	<b>272,186</b>	<b>1,519,270</b>	<b>(82.1%)</b>	<b>415,334</b>	<b>2,752,927</b>	<b>(84.9%)</b>
<b>EBITDAR Margin</b>	<b>14.9%</b>	<b>38.3%</b>	<b>(23.5 p.p.)</b>	<b>8.3%</b>	<b>30.1%</b>	<b>(21.8 p.p.)</b>
Rents	242,530	93,798	>100.0%	433,853	247,395	75.4%
<b>EBITDA</b>	<b>29,656</b>	<b>1,425,472</b>	<b>(97.9%)</b>	<b>(18,519)</b>	<b>2,505,532</b>	<b>(&gt;100.0%)</b>
<b>EBITDA Margin</b>	<b>1.6%</b>	<b>36.0%</b>	<b>(34.3 p.p.)</b>	<b>(0.4%)</b>	<b>27.4%</b>	<b>(27.8 p.p.)</b>
Depreciation and amortization	780,655	828,633	(5.8%)	2,173,639	1,885,310	15.3%
<b>Operating (Loss) Income [EBIT]</b>	<b>(750,999)</b>	<b>596,839</b>	<b>(&gt;100.0%)</b>	<b>(2,192,158)</b>	<b>620,222</b>	<b>(&gt;100.0%)</b>
<b>EBIT Margin</b>	<b>(41.0%)</b>	<b>15.1%</b>	<b>(56.1 p.p.)</b>	<b>(44.0%)</b>	<b>6.8%</b>	<b>(50.8 p.p.)</b>
Net Interest Expenses (Income)	(266,204)	(100,768)	>100.0%	(765,103)	(758,336)	>100.0%
Net FX (Loss) Gain	(23,893)	(192,584)	(87.6%)	(133,519)	58,942	(>100.0%)
<b>Earnings Before Taxes (EBT)</b>	<b>(1,041,096)</b>	<b>303,487</b>	<b>(&gt;100.0%)</b>	<b>(3,090,780)</b>	<b>(79,172)</b>	<b>&gt;100.0%</b>
<b>EBT Margin</b>	<b>(56.9%)</b>	<b>7.7%</b>	<b>(64.5 p.p.)</b>	<b>(62.0%)</b>	<b>(0.9%)</b>	<b>(61.1 p.p.)</b>
Income Taxes	(307,490)	77,842	(>100.0%)	(922,395)	(128,674)	>100.0%
<b>Net (Loss) Income</b>	<b>(733,606)</b>	<b>225,645</b>	<b>(&gt;100.0%)</b>	<b>(2,168,385)</b>	<b>49,502</b>	<b>(&gt;100.0%)</b>
<b>Net Margin</b>	<b>(40.1%)</b>	<b>5.7%</b>	<b>(45.8 p.p.)</b>	<b>(43.5%)</b>	<b>0.5%</b>	<b>(44.0 p.p.)</b>

\*Items not comparable with 2019 due to the change in functional currency to US Dollar conducted in 2020.





**Balance Sheet**
**Grupo Viva Aerobus, S.A. de C.V. and Subsidiaries**

Consolidated Statement of Financial Position  
As of September 30, 2020 and 2019 and December 31, 2019  
(Thousands of Mexican Pesos)

MXP thousand	As of September 30, 2020*	As of September 30, 2019	As of December 31, 2019 (audited)	Ch. % Sep. 20 vs. Sep. 19	Ch. % Sep. 20 vs. Dec. 19
<b>Assets</b>					
Cash and Cash Equivalents	3,069,617	3,802,909	4,353,959	(19.3%)	(29.5%)
Accounts Receivable and Others	766,437	304,551	238,451	>100.0%	>100.0%
Inventories	208,425	149,990	160,528	39.0%	29.8%
Prepayments for Maintenance	1,293,524	930,510	947,638	39.0%	36.5%
Guarantee Deposits and Prepaid Expenses	3,180,188	3,832,316	3,307,767	(17.0%)	(3.9%)
Operating Equipment, Furniture and Equipment, net	1,484,151	1,004,416	1,266,853	47.8%	17.2%
Derivative Financial Instruments	75,816	131,217	209,402	(42.2%)	(63.8%)
Deferred Income Taxes	1,576,073	894,096	586,413	76.3%	>100.0%
Right-of-Use-Assets	18,359,275	13,497,579	14,530,049	36.0%	26.4%
Other Assets	2,210,975	805,391	866,895	>100.0%	>100.0%
<b>Total Assets</b>	<b>32,224,481</b>	<b>25,352,975</b>	<b>26,467,955</b>	<b>27.1%</b>	<b>21.7%</b>
<b>Liabilities</b>					
Short-term Financial Debt	1,219,827	1,773,249	1,973,409	(31.2%)	(38.2%)
Accounts Payable	1,378,933	804,099	826,633	71.5%	66.8%
Accrued Liabilities	963,268	367,910	258,788	>100.0%	>100.0%
Operating Allowances	3,214,037	2,104,326	2,203,811	52.7%	45.8%
Air Traffic Liability	782,955	711,720	741,965	10.0%	5.5%
Long-term Financial Debt	1,434,092	1,596,264	1,217,336	(10.2%)	17.8%
Prepayment for Services	327,670	161,698	306,114	>100.0%	7.0%
Leasing Liabilities	21,450,610	15,265,216	15,907,982	40.5%	34.8%
Other Liabilities	536,032	438,428	52,119	22.3%	>100.0%
<b>Total Liabilities</b>	<b>31,307,424</b>	<b>23,222,910</b>	<b>23,488,157</b>	<b>34.8%</b>	<b>33.3%</b>
<b>Stockholders' Equity</b>					
Capital Stock	933,875	552,187	933,875	69.1%	0.0%
Other Capital Accounts	171,360	32,087	71,570	>100.0%	>100.0%
Retained Profits	(188,178)	1,545,791	1,974,353	(>100.0%)	(>100.0%)
<b>Total Stockholders' Equity</b>	<b>917,057</b>	<b>2,130,065</b>	<b>2,979,798</b>	<b>(56.9%)</b>	<b>(69.2%)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>32,224,481</b>	<b>25,352,975</b>	<b>26,467,955</b>	<b>27.1%</b>	<b>21.7%</b>

\*Items not comparable with 2019 due to the change in functional currency to US Dollar conducted in 2020.

