Aeromexico (Q2 2026 Results)

July 14, 2026

Corporate Speakers:

- Lucero Medina; Aeromexico; Head of Investor Relations
- Andres Conesa; Aeromexico Chief Executive Officer
- Ricardo Sanchez Baker; Aeromexico; Chief Financial Officer

Participants:

- Duane Pfennigwerth; Evercore ISI; Analyst
- Michael Linenberg; Deutsche Bank; Analyst
- Filipe Ferreira Nielsen; Citi; Analyst
- Julia Orsi; JPMorgan; Analyst
- Jens Spiess; Morgan Stanley; Analyst

PRESENTATION

Operator^ Good morning. And welcome to Aeromexico's Second Quarter 2026 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference call is being recorded. Now I'd like to turn the call over to Ms. Lucero Medina, Head of Investor Relations.

Lucero Medina^ Good morning, everyone. Joining me today to discuss our results are Andres Conesa, Chief Executive Officer; and Ricardo Sanchez Baker, our Chief Financial Officer.

Before we get started, I would like to take this opportunity to remind you that during the course of this call we will present results that are based on our unaudited consolidated financials.

Accordingly, the financial results discussed today are based on information available to us as of the date of this call and are not a comprehensive final statement of our financial results for any period presented.

We may make forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act regarding future events under our company's future performance.

We caution you that several important factors could cause actual results to differ materially from plans and expectations expressed in this call including the risk factors disclosed in our SEC filings. During the call we will present certain non-IFRS financial measures.

We have included a reconciliation and explanation of adjustments and other considerations of our non-IFRS measures to the most comparable measures in earnings release. Both our call and the earnings release are available on our website. Now it is my great pleasure to turn the call over to Andres Conesa.

Andres Conesa^ Thank you, Lucero. And good morning, everyone. We appreciate you joining us today to discuss our second quarter 2026 results. The second quarter was characterized by high and volatile jet fuel prices and uncertainty regarding the impact of the World Cup on traffic, particularly in the corporate domestic market.

I want to congratulate all the Aeromexico team for their efforts and commitment that resulting in achieving financial results for the second Q, generally in line with the guidance we provided last April. Revenue performance was strong with track growing 10.5% year-on-year during the quarter, a period that also saw the two best sales weeks in our company's history.

We kept the discipline in nonfuel costs, mitigating the impact of a stronger exchange rate had on peso-denominated spending. Against this backdrop, the second quarter unfolded largely as we anticipated. Demand remained healthy in April and May, supported by solid market fundamentals and strong commercial execution across our network.

In June, demand moderated in the domestic market as travel patterns were temporarily affected by World Cup-related shifts. Despite this temporary change in momentum, our disciplined commercial and operational execution enabled us to deliver record revenues in both June and the second quarter while maintaining profitability within the guidance we shared three months ago. Our ability to respond quickly to changing market conditions continues to be one of our key competitive advantages.

We adjusted our network in anticipation of lower corporate traffic in June around the dates where Mexico's national team play, a strategy that proved successful and allow us to avoid some unprofitable flying. Capacity increased 2% year-over-year during the second quarter, in line with our guidance. Most adjustments were concentrated in the domestic market, while we continue to support growth across our international network.

During the quarter, we launched two new long-haul routes, Mexico City to Barcelona and Monterrey to Paris which are off to a strong start.

We also operated dozens of charter flights connecting Mexico and the United States to transport several national soccer teams during the World Cup. Our premium customer base remains a key differentiator of our commercial strategy.

During the second quarter, premium revenue mix reached 43% up 1 percentage point year-over-year and 17 percentage points compared to 2019, marking the highest level in Aeromexico's history. This performance reflects the continued strength of our premium value proposition, supported by continued investments to enhance our customer experience and build deeper relationships with our clients.

It is important to highlight that this performance was achieved in a high-yield environment. Despite fare increases driven by higher fuel costs, our customers did not trade down within the first-class structure, underscoring the resilience of demand for our premium offering.

As of the end of June, we led oil global full-service carriers in on-time performance according to Cirium. Positioning us in a good spot to achieve the recognition of World's Best On-time Airline for the third consecutive year, a feat that no other airline has obtained.

We are also very proud of the opening of our new best-in-class lounges and checking facilities in Mexico City. We want to recognize AICM authorities for the investments they have made to significantly improve our comm airport facilities.

Also in this quarter, we proudly launched our new Aeromexico Inbursa, cobranded trade part program, providing customers with enhanced benefits and further strengthening our loyal ecosystem. Aeromexico Rewards also continues to gain traction as an increasingly important driver of customer engagement and revenue quality.

During the second quarter, a record 39% of our passengers participated in the program. This is up 7 percentage points year-over-year. These initiatives, together with the quality and reliability of our operation, continue to drive higher customer satisfaction.

Our NPS reached record highs during the second quarter, reinforcing the strong preference customers continue to show for our brand. Ricardo will provide a more detailed review of our financial results shortly. But before that, I would like to highlight a few key points that underscore the strength and resilience of our performance this quarter.

EBIT margin stood at 5% despite fuel costs being approximately 30 million higher than the already high forecast we had at the beginning of the second quarter. Adjusted for this additional impact, EBIT margins would have been at the top of the guidance range.

We ended the second quarter with the same liquidity position we started the quarter highlighting our ability to navigate through turbulent experience without burning cash or contracting debt. This achievement shows the resilience and the strength of our business model. Looking ahead, we are establishing new guidance for the remainder of the year.

We expect higher EBITDA and EBIT for both the third and the fourth quarters compared to the same periods in 2025. Full year 2026 EBIT margin is projected to be in the low double-digit range, a remarkable outcome considering the challenging environment we have faced this year.

Capacity is expected to recover and reach high single-digit year-over-year growth in the 4Q, supported by additional wide-body flying the recent delivery of two 787 aircraft, along with one additional aircraft expected later this year as well as increased narrowbody flying supported by the additional slots that will become available in Mexico City during the next winter IATA season.

This expanded widebody fleet will allow us to further strengthen our European network and increase service to Seul from five to seven weekly frequencies reflecting sustained demand and reinforcing our local growth strategy.

The first half of the year has once again demonstrated our ability to adapt quickly without compromising our long-term strategy. Healthy demand trends disciplined commercial execution, and a more favorable fuel environment give us confidence that the second half 2026 will deliver solid financial performance.

We remain committed to managing capacity with discipline, investing in customer experience and generating premium revenues.

These principles have consistently differentiated Aeromexico and continue to position us to create sustainable value for our customers, our employees and our shareholders. With that, I will turn it over to Ricardo to discuss our financial performance in more detail. Thank you.

Ricardo Sanchez Baker^ Thank you, Andres. And good morning, everyone. I would like to echo Andres' comments and congratulate the entire Aeromexico team on the outstanding performance in a very challenging environment. Delivering operational profitability despite pick fuel price pressure, it's a remarkable achievement and a testament to the team's disciplined execution across service, operational and financial KPI.

Let me now turn to our financial performance and highlight the key factors that shape our second quarter results as well as how we are positioning the business to deliver a stronger second half of the year. Total ASMs increased 1.9% year-over-year, in line with our guidance as we proactively adjusted capacity throughout the second quarter to align with market conditions and protect profitability.

Total revenue reached approximately 1.5 billion in the second quarter, representing 30% year-over-year growth, in line with our guidance. This performance was driven by strong demand across our network continued growth in our premium segment and solid pricing throughout the quarter.

Although we experienced a temporary moderation in domestic demand during June due to World Cup-related travel patterns, we still delivered record second quarter revenue. Total revenue per available seat mile or CASM, increased 10.5% year-over-year, primarily driven by strong international passenger revenue and the appreciation of the Mexican peso.

Passenger revenue per available seat mile or CASM also improved 10% year-over-year. Total operating costs increased by 30%, primarily driven by elevated and volatile fuel prices. During the second quarter, we faced a fuel price headwind of approximately $220 million compared with 2025.

This translated into roughly 30 million of incremental cost pressure relative to the assumptions underlying the guidance we provided in April. As we discussed on our April earnings call our estimation was to recover at least 50% of this incremental field cost through pricing and revenue management initiatives.

We exceeded that target achieving a fuel cost recapture rate of 76%. Excluding fuel, operating expenses increased 13% in reflecting the continued strength of the Mexican peso, inflationary pressure on wages and salaries and higher depreciation associated with fleet growth in 2025.

Adjusted EBITDA totaled $260 million in the second quarter representing a margin of 18%, while operating income reached 68 million, resulting in an operating margin of 5%. Both metrics were within the guidance range we provided in April.

As mentioned earlier, average fuel prices during the quarter were approximately 8% above the assumptions underlying our guidance.

As fuel prices evolve in line with those assumptions, we estimate that our operating margin would have finished at the upper end of our guided range. Turning to the balance sheet.

We ended the second quarter with a strong liquidity position including more than $1 billion in cash and total liquidity above 1.2 billion including a fully undrawn 200 million revolving credit facility.

Usual liquidity position reflects our ability to navigate a challenging environment, while maintaining a strong cash flow generation and avoiding incremental debt.

We generated approximately 362 million in operating cash flow, reduced financial debt by approximately 70 million and closed the second quarter with adjusted net debt below the balance recorded on the same period of last year.

These results reflect our disciplined approach to capital allocation while preserving the financial flexibility to continue investing in the business and further strengthening our balance sheet. Turning to the second half of the year, we are entering the big summer travel season from a position of strength.

Demand trends remain healthy, supported by solid booking activity across both our domestic and international networks. In addition, the pure price curve of volatile has moderated from the elevated levels experienced during April and May, providing a more favorable cost backdrop.

Looking ahead to the third quarter, we expect to deliver another quarter of solid financial performance, with absolute results broadly in line with the strong levels achieved a year ago.

Operating margins are expected to be modestly below last year's except exceptionally strong levels as higher fuel costs are largely being offset by higher revenues, resulting in a higher revenue base and as a result, modestly lower margins.

For the third quarter, we expect revenue between 1.59 billion and 1.62 billion and adjusted EBITDA margin in the mid to high 20s and an operating margin in the mid-teens.

Looking further ahead to the fourth quarter, we expect to deliver our planned capacity growth to higher aircraft utilization, driving greater operating leverage and improved unit costs.

Capacity is expected to increase approximately 6.5% year-over-year supported by expanded operations at Mexico City International Airport, following the authorities approval to increase hourly operations from 44 to 46 beginning with the next IATA Season.

For the fourth quarter of 2026, we expect total revenue growth of 14.5% to 16.5% and adjusted EBITDA margin of 28% to 31% and an operating margin of 15.5% to 18.5%. The Detailed assumptions regarding fuel prices and foreign exchange are included in the guidance section of our earnings release and in our webcast presentation.

For the full year, we expect ASM growth of 2% to 3% and total revenue growth of 13% to 14% versus 2025, and adjusted EBITDA margin of 20.5% to 26.5% and an operating margin of 11% to 13%. Our guidance reflects current market conditions and the assumptions we believe are most reasonable today.

While uncertainty remains, we are confident in our ability to execute, adapt to changing market conditions and continue creating long-term value for our shareholders. With that, we will now open the call for questions. Thank you very much.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Duane Pfennigwerth with Evercore ISI.

Duane Pfennigwerth^ Good morning. I wonder if you could expand on the World Cup impact that you saw over the balance of the quarter.

So maybe what corporate revenue growth looked like in April and May versus the level you saw in June? And then can you speak to what level of recovery you're seeing here in

July and into 3Q? Any metrics you can put around June that would really isolate it to the World Cup impact.

Andres Conesa^ Duane, good morning. The impact of the World Cup on domestic revenue we estimated for June to be around $24 million. So that's a revenue loss for the month despite this, as we mentioned in our initial remarks, we have record revenues in June.

We had our best June and our second quarter in terms of revenues in history. These numbers don't include that we have positive effects on charters, for example, as I mentioned that we transported several teams during the World Cup.

So overall, I would say that it was slightly negative. The impact of the World Cup on our revenues in June. And we've seen a very fast change in patterns after last week. So we see a very strong recovery of corporate traffic and leisure traffic in the domestic market, already for July and very solid numbers for August and September.

So we believe it was a strictly temporary effect and we are back to where we were in April and May. We can follow up this call and give you the details for detailed corporate traffic growth for April and May versus June, but this is the story in general terms.

Duane Pfennigwerth^ Okay. That's helpful. And then just, again, talking about the third quarter or maybe the second half. Where are you seeing the bigger relative improvement? Are you seeing a bigger turn in the domestic market? Or are you seeing a bigger turn or improvement in international?

Andres Conesa^ International pricing reacted very fast once the conflict in the Middle East started. So we were able to start to reflect higher jet fuel prices on yields as every other airline across the world right away in March, April. Domestic was slower.

So, April and May didn't reflect the impact of higher jet fuel in June, we saw better levels of pricing. And going forward, we see international demand very, very strong with no change. And again, that was not affected during the World Cup.

And basically, domestic traffic is expected to recover, both one the World Cup is behind us, and also because yields were not consistent with the level of jet fuel prices during the start of the second Q. So, this is, again, the story.

But going forward, again, as we stressed in the initial remarks, we are projecting very strong revenue numbers for the third Q and 4Q. And the reason behind it is when the project started, we had most of our second Q seats sold, and we have availability for the second half.

So, we have been able to feel the second half seats available with yields that are consistent with, again, the jet fuel prices that we saw after the conflict. So, we are in very good shape for the second half.

Of course, we have significant numbers of seats to sell. We are not fully for the second half. But the demand environment has continued to hold off despite the recent decrease in the price of oil. Again, that was last week.

Today it's -- as you know it's up again this week. So, we are monitoring that very closely, but we feel very confident that we will be able to achieve these targets that we put forward in the guidance.

Ricardo Sanchez Baker^ Duane, this is Ricardo. Just to complement on this. Another element that we think is going to be very helpful for our second half results is the ASK growth that we are planning for the fourth quarter, taking advantage of the assets that we already have and using the operating leverage.

So, we expect to produce additional revenue with the same assets that we have, and this will include also profitability. So, we think this is also an important advantage for the last part of the year, and that advantage will also help.

Operator^ Our next question comes from Michael Linenberg with Deutsche Bank.

Michael Linenberg^ Ricardo, I heard you talk about the increase in slots at Mexico City for the IATA Winter Season. Can you just clarify? I think you said the number of operations per hour are going to go from -- is it 44 to 46 or is it 56? I'm just trying to get a sense of the increase.

Ricardo Sanchez Baker^ Yes, correct, Mike. Yes, 44 to 46 starting the next IATA season. Correct.

Andres Conesa^ That means around 10 pair of slots additional to what we have today. is our share of this increase from 44 to 46 which as Ricardo mentioned, we plan to increase ASKs high single digits for the 4Q.

We will use these slots for the additional ailing that we mentioned plus to recover some capacity we reduced in the domestic market. That's the plan for these slots.

Michael Linenberg^ Okay. So, your slots are going from 44 to 46. So, you're going to get two per hour. What's the airport going? Is that the airport?

Andres Conesa^ Yes. The capacity in the airport is going to increase from 44 to 46 per hour. Our share of that during the day is 10 pairs of slots. Also, as we get our proportion of slots, this will maintain additional pair of slots for the winter season.

Michael Linenberg^ Okay. Okay. That's helpful. And then just another question. This is more on just the accounting. I know in your other revenue it looked like that there was a bit of a bump up there.

Is that -- was that a onetime or an out-of-period type gain? Or what drove that? Or is that the new run rate for other revenue going forward? I know you talked about the new credit card and the rollout with visa. So maybe that's showing up in that number.

Andres Conesa^ Mike, well yes, this line item reflects I think the success that we are having in diversifying our revenue. So here, we have revenue associated to our Mexico rewards. The fact that we have been growing penetration translating into higher revenue here.

We have also revenue associated to VIP lounges. We reopened our VIP lounges during the second quarter of the year. We have been remodeling them for last year. So we didn't have those revenues last year.

We also have, in that line, the revenue associated to the charter operations that we performed during the World Cup, where we transported several national teams within Mexico and also from Mexico to the U.S. and Canada.

So that is reflected there. And the line item also captures all the initiatives that our commercial team is doing on the retailing airline retailing initiatives including car rental insurance and vacation packages.

So it's a combination of all these factors that is into the debt including also the launch of the new credit card.

Operator^ Our next question comes from Filipe Ferreira Nielsen with Citi.

Filipe Ferreira Nielsen^ So just two points here. I would like to understand a little bit more about the impact -- potential impact from fleet utilization in your ex costs.

If you could maybe Give us a sense about how is this evolving or improving as you increase capacity into the second half? And how should how is the level of impact in your guided margins for the period?

And my second point, just wanted to remind if you could remind us how is the fuel recapture? You mentioned higher-than-expected recapture in second quarter. Just if you could maybe remind us the number in second quarter and explain a little bit about the recapture in third quarter and fourth quarter.

Andres Conesa^ Okay. Let me take the first part, Filipe, can you help us with your question, again, the first question you have. So for the second one, on field recaptured, we guided the market back in April that we were projecting to recapture 50% of the pressure. We ended up with 75%, so 75%.

For the second half, in the implicit guidance that we gave, we are projecting to recover more than the impact that we had, and that was the plan because it was, again, because you have already hit sold for the second Q.

It was impossible to recover everything in the second Q. So we expect to offset -- some of this 25% -- the 25% that we didn't recover in the second Q as the impact versus last year on the second half with the guidance that we gave on revenue.

So it will be more than 100%. Still, we -- in the projections that we show EBITDA and EBIT, they are in very good. They stand growth year-over-year of 9% and 11% per on 4Q.

But still, if you look at the total 2026 versus 2025, we will be slightly below 2025. Again, very, very good numbers. But again, that reflects a huge impact of fuel cap on the industry. Can you please help us repeat the first question?

Filipe Ferreira Nielsen^ Yes. So I just wanted to understand on your ex fuel costs implied in your guidance, how does see utilization like the lower fleet utilization plays out in the whole equation.

So you're expanding capacity into the fourth quarter, you have like maybe lower utilization now. So how this should evolve and impact your ex-fuel costs implied in Engines?

Ricardo Sanchez Baker^ Yes. Thank you, Filipe. This is Ricardo. As we mentioned, we have this operating advantages or opportunities, our P&L already reflects the ownership cost of these aircraft that we are not really flying as intensively as we could. So as we fly them more, the ownership costs are the same, but we are producing regional revenue.

Also we are making additional use of our crews, we are not necessarily hiring for the 4Q. We will be hiring for growth in 2027 but not necessarily for this Q. So we have also advantages on that.

So in terms of the fixed cost structure, as we fly more this aircraft, and we produce revenue associated with them, we have these high-margin growth opportunities that we see for the quarter and for 2027.

Andres Conesa^ And to complement what Ricardo just mentioned, this operational leverage is very significant. It will not only allow us, again, to improve margins on the 4Q.

But we are looking at it, it's more than enough probably to cover our growth mix which we are obviously preparing and will release later in the year. For 2027 and even beyond for 2028. So we stand in a very solid position with the assets needed to fund growth for the next several quarters.

Operator^ Our next question comes from Julia Orsi with JPMorgan.

Julia Orsi^ So we have two questions on our side. The first one, can you comment a bit on the competitive landscape for both domestic and international markets?

Andres Conesa^ As a competitive domestic market, we've seen some rationalization of capacity in the second Q. As I mentioned before yields in the domestic market did not reflect the fuel environment for the start of the second Q.

Again, in June, we started to see some better yield support in the domestic market. And going forward, the competitive landscape, again, will depend on the transaction that was -- that has been asked to -- not to be approved by the competitive authorities.

We do not know where that stands. But again, our job is to continue strengthening our product and deliver the best the best competitive proposition from our clients, and we are in very good shape on that product.

Julia Orsi^ Got it. And can you comment a bit on the, let's say, demand elasticity across the segments? Just trying to understand if you believe that there is still room for price increases if we continue to see volatility on the jet fuel curve in the coming months. Thank you.

Andres Conesa^ Can you please -- sorry, we didn't -- we lost you a little bit.

Julia Orsi^ Yes, of course. Can you comment a bit on how you're seeing demand elasticity across the segments we are just trying to understand if you believe that there is still room for further price increases if we continue to see the jet curve subject to volatility as it has been over -- as it has been the case over the past couple of days?

Andres Conesa^ Well as I've mentioned before the man across segments, we're seeing very good support for the second half of the year. International demand continues to be strong.

We are seeing very solid bookings to Europe. We've increased our capacity to Europe for the summer. As I mentioned also with the additional shares that we will receive for the 787.

We are, again, providing daily series to see. And also, we are keeping our Monterrey-Paris flight all year long. Those are important developments on Barcelona-Mexico flight is doing very well. The U.S.A. planning has been also very, very solid, same Central to South America. So very solid demand across the board.

And for Mexico, again, as I mentioned, softness was felt in the leisure and corporate market for June, but we are seeing very positive elements for the rest of the summer. And also for the 4Q. We showed that we are flexible that we proactively engage.

So our plan is to expand our capacity, particularly in the 4Q, but if fuel prices continue to be volatile, and we do not see that demand is there. We will not hesitate and reduce capacity.

Again, the only thing being the rest assured that it’s fully protected is our slots in Mexico City. We will cover all of our slots. We were able to reduce capacity in the domestic market because we have water because of the higher jet fuel prices during the second Q.

That waiver ends for Winter IATA, if the waiver is not there, we will fully cover those lots. If oil prices remain high and the waiver is still there, we will all adjust a reuse capacity.

Operator^ Our next question comes from Jens Spiess with Morgan Stanley.

Jens Spiess^ Yes. Thank you. One, on the co-branding partner change. I know that all the loyalty members will keep their loyalty membership. But I was just wondering it will take some time for those customers to switch to the new like credit card.

So like just to understand what are the implications for your financials going forward in order to correctly model this? And secondly, I want to double-click on the prior question on the competitive environment domestically.

I mean there’s like a very divergent capacity adjustments from your two domestic competitors. One is increasing capacity in the third quarter. The other one is reducing it. So would you say there’s still -- you’re seeing like discipline in the market? Yes, like what’s your view there?

Andres Conesa^ Jens, on the co-branded credit card, and as we successfully launched the new credit card with Inbursa going according to plan.

We are seeing very positive trends. we obviously fully prepared for the bridge as we move from the other credit cards that we have to Inbursa. So our financials are covered on that sense and the guidance that we provided again reflects any in this transition between the two cars.

One very encouraging signs that we are seeing with Inbursa card is that half of the cardholders that have received the card today, previously did not have a co-branded credit card. So that’s new.

And that’s the idea that we are looking for is not only to obviously keep the customers that we have before but also to bring new customers on board. And we are seeing that. And on top of that, let me remind you that we are also working on a new contract with American Express that is due in the 4Q of this year.
Then on the competitive environment, I think my view is that these differences in capacity between the two ULCCs, have to do between the different stages where they have the impact of the engine problems in their planes.

One of them have been before so they use capacity, the other one probably receive news later, and then that's why it's reducing capacity later.

And on top of that, obviously you have the impact of jet fuel which calls again to rationalize capacity independent of the engine issue, but obviously we cannot answer that for them. But again, we are fully ready to compete regardless of the outcome in the competitive environment in Mexico.

Jens Spiess^ Perfect. Yes. The higher jet fuel all is equal, seems to be like a more benign environment for you guys than for your competitors.

But as oil comes down, will you -- because according to your guidance, you will be very close to reaching like prewar profitability in the fourth quarter. Like going into 2027, if and hopefully, jet fuel normalizes further. Will you be like keeping prices at elevated level to capture even higher margins, like because we're hearing that from the U.S. carriers, right? Just understanding your strategy there? And also if you could give a bit of context on the ASA negotiation, how is this going? And if you expect to reach a deal there soon.

Andres Conesa^ Yes. On the first part, we are seeing very, again, solid demand consistent with level of yields today, that are, again, reflects higher the jet fuel prices that we saw after the conflict. So we are very, very positive and confident that we will be able to reach the guidance that we have with information that we have today.

If oil prices go down, obviously that will put pressure across the industry to bring prices down. It's too soon to say what will happen in 2027. But we have three word record profitability levels with lower prices back then and obviously lower yields than what we have today.

So we are ready to react and we have these other drivers and tailwinds for growth in margins, particularly the operational leverage that I mentioned that will be very fully for 2027.

So again, too soon to say probably as the year moves along, we will provide the guidance for the rest of the year and for 2027. And then on the negotiations with the flight attendants, they've approved in the depth have how it works in Mexico. They have like an assembly.

It was approved, then you need every individual to both in favor of any agreement. And the deadline for that is the last day of July, July 30. So we are working constructively with the Union team, and we're confident that we will have a firm agreement before the end of this month.
Operator^ Thank you. That's all the phone questions that we have for now.

Andres Conesa^ We have a couple of questions from the webcast. One is related to costs. And if we can explain some of the cost variations and what is driving costs besides fuel as we mentioned, costs are reflecting the -- as a main driver, the exchange rate appreciation, the stock peso. So this is driving several of the cost items. The peso appreciated 11% versus last year.

There are some line items that have other particularities, for example, maintenance costs. This year in maintenance, we are having a higher maintenance cost versus last year. Part of it is reflecting the additional fleet that we received last year.

We received close to 25 aircraft. And the other important element impacting maintenance cost this year is related to the power by our agreement of our components, maintenance programs.

So we have three contracts, one for our entire fleet, one for our 737 fleet and one for the 787 and the three of them came up for renewal this year. This year, we had like an adjustment, not coming from the renewal and going forward for the next five to seven years, the power by our agreements will move in line with certain cost indexes.

So we have this particular renewal impact on our maintenance effect this year that's the main variation on the cost items. We have also other questions related to cash flow and CapEx. Cash flow generation this year has been very strong.

In fact, net cash flow from operating activities in the first six months of the year has been even higher than in 2025 despite having around 250 million of impact of additional fuel cost expenses in the first six months of the year. Going forward for the rest of the year, we continue to expect a strong net cash flow from operating activities.

So having net cash flow below 1 billion, between 800 million and 1 billion. And with that and our CapEx program, what we think is that we will have a free cash flow of around close to 400 million this year.

Now going into 2027, the fuel core prices are materialized and also considering the operating leverage opportunities that we have but we would anticipate that the net cash flow from operating activities can grow materially next year, perhaps more than 30% of these things materialize which will translate directly into additional free cash flow, given that CapEx programs for this year and for next year are practically similar, around that 450 million range of this 450 million is around 300 million of maintenance CapEx and around 150 million in other projects. Well thank you for joining this call.

We look forward to being here again as after the summer as we provide in our next quarter call. So have a great summer season. And see you soon. Thank you for joining the call.

Operator^ Thank you for your participation. You may now disconnect. Good day.