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Transcript of Abra's Second Quarter 2026 Performance Conference Call

August 21, 2026

Participants

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited
Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited
Jorge Marin - Financial Controller, Abra Group Limited
Ciro Montoya - Vice President of Financial Planning, Abra Group Limited
Maria Cristina Ricardo - Head of Investor Relations, Abra Group Limited
Gabriel Oliva - President, Avianca
Nicolas Alvear - Chief Financial Officer, Avianca
Celso Ferrer - Chief Executive Officer, GOL
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Guilherme Mendes, J.P.Morgan
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Jens Spiess, Morgan Stanley
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Presentation:

Operator:

Hello, and thank you for standing by. My name is Regina and I will be your conference operator today. At this time, I would like to welcome everyone to the Abra Second Quarter 2026 Performance Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

(Operator Instructions)

I would now like to turn the conference over to Maria Cristina Ricardo, Head of Investor Relations. Please go ahead.

Maria Ricardo - Head of Investor Relations, Abra Group Limited:

Thanks, operator. Good morning and thank you for joining us for our June quarter 2026 earnings call. Joining us today as speakers are Adrian Neuhauser, Chief Executive Officer of Abra Group; Manuel Irarrazaval, Chief Financial Officer of Abra Group; Gabriel Oliva, President of Avianca; Nicolas Alvear, Chief Financial Officer of Avianca; Celso Ferrer, Chief Executive Officer of GOL; and Julien Imbert, Chief Financial Officer of GOL.

They will be joined for the Q&A session by Jorge Marin, Vice President, Financial Controller; and Ciro Montoya, Vice President of FP&A.

Our financial statements for the quarter ended June 30, 2026, as well as the presentation we will reference today are available on our investor website. This call is being recorded and a replay will be available shortly after the call concludes.

Before we begin, I would like to remind you that on June 6, 2025, GOL successfully emerged from Chapter 11 reorganization, at which point Abra became the controlling shareholder of GOL and began consolidating its financial results. Accordingly, GOL's results have been included in Abra's consolidated financial results since that date.

To facilitate comparability of financial and operational performance, our remarks today will reference pro forma results from the second quarter of 2025 as if Avianca and GOL had been combined as of January 1, 2025.

Today's discussion may include forward-looking statements, which are not guarantees of future performance or results and involve a number of risks and uncertainties outside the company's control, including those related to the company's current plans, objectives, and expectations that could cause actual results to differ materially from our expectations. The company assumes no obligation to revise or update any forward-looking statements.

We will begin with the quarterly highlights of the business, followed by a review of our operational and financial performance for the second quarter of 2026 and closing remarks, before opening the call for questions.

With that, I will turn the call over to Adrian.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

Thank you, Maria Cristina.

Thank you, everyone. Thanks for joining the call. Obviously, a challenging quarter, and we will obviously go into detail on that during the call. I would like to address some non-financial points before we get started.

First of all, as I believe all of you are aware, Celso Ferrer, the CEO of GOL, has decided to step down to pursue other opportunities. So, he will be joining us on the call today. It will be his last call.

And I do want to take advantage of the opportunity to thank him for the leadership, for the contribution he has made to GOL over the past almost two decades, obviously, in many, many different roles that he held at GOL, but most recently in leading GOL through its successful Chapter 11 restructuring.

So, we thank him for what he has done, for the huge impact he has had on GOL and on its culture and teams. And we wish him all the best in his new endeavors. We will, undoubtedly, remain in touch.

Secondly, regarding the earthquake in Colombia, as you are also all aware, Colombia on August 10th, so now 11 days ago, was struck by a 7.4-degree earthquake, one of the strongest earthquakes in Latin America recently and in the country this century. It devastated western Colombia, including Cali and Pereira.

There was significant loss of life. In fact, we lost one of our employees, unfortunately, and there was widespread damage. And rescue and relief efforts continue across the country.

The country has declared a state of emergency. We have been key contributors to support the country during this period, mobilizing not just our passenger network, but our cargo network, and not just Avianca's network, but also GOL's. We took advantage of the fact that we could leverage GOL's 737 operation to move cargo into areas where our freighters could not reach because of runway restrictions. Obviously, this highlights the ability to deploy our combined networks to support the region in times of need.

With that, maybe turning to the Abra highlights. And, again, we'll leave financial for last because that will be the focus of most of the conversation.

First of all, on the strategic side, we continue to expand our global network. We've announced several highly relevant MoUs to expand our partnerships, adding Air Canada and Etihad to our key partnerships, and both of those will allow us to enhance connectivity and create more opportunities for network collaboration. Importantly, we obtained approval from the regulatory authorities of Chile, Brazil, and Peru for our proposed business combination with SKY, and that's a key milestone, obviously, towards completing that transaction, which we believe adds a very relevant and strategic footprint to our network.

We continue to strengthen our fleet. As you know, we have very strong order books for both 737s and 320s that ensure the capacity that we need for the next few years, but also grant a significant flexibility. We added to that an order for up to 45 E2s which, again, overlays that, gives us some additional gauge flexibility, and continues to allow us to manage our capacity growth over the next few years.

And importantly, we signed an agreement with CFM to place an order for the remaining engines, unallocated engines in the 320 order. We've committed to making those LEAP engines, and that has also expanded our contractual relationship with CFM to include coverage from any of those engines, therefore, reducing our maintenance exposure risk.

We continue to maintain a competitive cost advantage. And we're one of the lowest cost producers at scale in the region, obviously, critical for us.

On the operational side, we took disciplined measures to mitigate what was so far a $445 million year-on-year increase in fuel expenses. We recaptured 49% of that expense commercially through tactical capacity. We carried out tactical capacity management.

We extended our fuel hedging. And we continue to execute cost-savings initiatives across the different operations that we have. GOL launched its international operations in widebody aircraft, so we're very excited about that, and we'll talk a little bit more about how that's going.

And we continue to expand our premium and loyalty offerings. We rolled out a new tier in our loyalty program, Magno at Avianca, and we launched the Insignia brand that we have for Avianca's Lifemiles business class, at GOL as well, creating brand coverage that is crossing over across the Group.

Now, turning to the financials, adjusted EBITDAR for the second quarter was $195 million, which is a 62% reduction year-on-year and a 7.5% margin. Obviously, we were hit with numerous headwinds, and we'll talk about them, but reminding everybody that this is the seasonally lowest quarter for both of our large operations. So, into that seasonality, we were hit not only with the fuel increase, but also with significant currency appreciation in both of our key markets in Colombia and in Brazil, which had impacts on our cost basis.

And we are, at the same time, deploying some pretty significant capital commitments to improve our product on the Avianca side and to launch the widebody operations on the GOL side. So, all of that, obviously, came together in a quarter where margins are not where they need to be.

Liquidity, on the other hand, held up very, very well, and that is a key highlight here. We kept liquidity at over $2 billion, so 20% of LTM revenues. Net debt to EBITDAR increased sequentially from 3.1 to 3.7 because of the EBITDAR compression of the second quarter.

Cargo and other continued to perform solidly, 15% increase versus last year's pro forma year-on-year, $448 million of revenue coming from that. And GOL's credit rating was upgraded to B- reflecting its continued operational recovery.

Turning to the next slide.

So, disciplined capacity growth, we continued to deploy capacity across the network. You can see tamping down growth now 6.5%. That includes some tactical reductions that we did at both GOL and Avianca to mitigate impacts during the quarter.

So, at GOL, we were down about 5% to 6% from what we had published originally. At Avianca, we were down about 2 points from what we had published originally. So, managing that as well as we see different pockets where we can consolidate supply and continue to hold margins.

You can also see the pro forma SKY contribution there. And, obviously, the footprint that that adds to our network is relevant both from a scale basis, but also on a competitive basis.

Let's turn to the next. Thank you.

Operational performance continues to hold up very, very well. Not a huge change in on-time performance from last year. And GOL, over the quarter, the number one airline in Brazil, something that we're very proud of how that operation has shaped up.

Importantly, both airlines committed to flying their schedule and getting passengers to where we've committed to fly them. So, over 99% scheduled completion at both airlines and world-class baggage handling.

Next slide.

On the fuel cost side, about $88 million in favorable hedge settlements for us for the quarter. We've continued to manage our hedge position. We lowered the call option cap from $4 a gallon to $3.25 for August. We extended coverage out to December with an average cap of $3.78 a gallon. So, we've protected about 26% of the Group's fuel consumption for the period.

We've implemented tactical capacity adjustments, as I mentioned already, while protecting our market leadership. And again, numbers, like what I told you, right, Avianca and GOL reduced their ASK case by 1%, 6%, respectively.

Fuel cost recapture commercially, again, 49%. And we remain on target to achieve an average of 60% pass-through for the 10-month period from March to December, which is what we've been targeting since the start of this event.

On the cost discipline side, $70 million in cost savings for the quarter, $75 million in year-to-date synergies, and our realized synergies are over $250 million since inception.

And finally, before I hand it off to Manuel, just a little slide on premium segment. So, as I mentioned, we continue to invest in our product premium revenue, up nearly 70% year-on-year, share of revenue up 8 points. Our premium value customers, as we define them, have increased 25% since last year, and our loyalty members are up 7%.

As I mentioned, we launched Magno for Lifemiles, which we had launched at GOL before, so now the tiers are crossing both of the brands. And Insignia, the Avianca flagship business class, is now crossing into GOL with GOL's widebody operations.

Benefits of both of these, obviously, on the Magno side, dedicated concierge, priority check-in and boarding, fast-track access, premium lounge access. And on the Insignia business class, which I would like all of you to test and fly, we think we're delivering world-class service and a world-class product, and more to come on that.

With that, I'll hand it over to Manuel, and we'll get started on the financials. Thank you.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

Thank you very much, Adrian. And good morning, everyone.

As Adrian was mentioning, in this quarter, which seasonally and from a macroeconomic point of view is challenging, the company has been focusing mostly on balancing the recapture through revenue increases and the costs savings and liquidity. Liquidity has been a very important focus for us in this quarter, as we all kind of knew that the hit from fuel was coming.

The growth, as Adrian mentioned, was very disciplined. We reduced our growth, and we did some tactical capacity reductions over the quarter. We grew 6.5%, which, as Adrian was mentioning, is lower than what our pre-war plans were.

In terms of the revenue mitigation of fuel and what we have achieved there, our focus has been on yields, on balancing yields and Load Factors. I would like to point out here that the numbers, the PRASK, and the yields that you're looking here are passenger. They do not include loyalty revenues, which in the case of GOL, in particular, is relevant.

Our fares, we were able to increase fares in 12%. Our average fare went over $100 to $109, right? So, 12% increase in fares and increases in yield and PRASK in the order of 10% as well, which if you were to include loyalty revenues, that increases more in the order of 11%.

Even with the increase in average fares and in yields and PRASK, we've seen a very resilient demand. Our passengers transported still increased 4%, and we had steady results in terms of Load Factors, which stayed in the order of 80%, right?

When we look at kind of overall demand in the market and what we've seen from other competitors in terms of what has happened to their Load Factors, we think that there's still an opportunity to continue pushing this increase in revenues, and there is some space to increase revenues and maybe reduce some Load Factor in the future, right? So, we do see this as an opportunity going into the rest of the year.

If we go to the next page.

And this is important when we look at the cost of our operations. This is the first quarter where we had a full effect of fuel, as Adrian was mentioning before, more than $400 million hit in the fuel costs. As we were expecting, the fuel costs almost doubled in this quarter against last year.

In terms of unit costs, because there was some growth in capacity, the unit cost of fuel went up by 67%, right? We still continue to benefit, as you see, from having a very efficient fleet and a very modern fleet in terms kind of being efficient in terms of fuel consumption.

If you look at CASK ex Fuel here on the right side, you can see that this quarter, we had an CASK ex Fuel of $5.3 cents, which is a 17% increase over last year. You can look at this and you can consider that kind of 60% of that, about $.5 cents, is related to FX and inflation. But there's also an improvement in product.

As Adrian was saying before, we have done improvements in both Avianca and GOL. And we think of that more as an investment into the kind of future because we will have a better product and be able to kind of sell better in the future, right? There is $0.2 cents of maintenance amortizations that have come in and wet leases and rents that are necessary to kind of increase our reliability of our product, again, something that I think helps in terms of the service that we can provide.

And there's $0.1 cent of direct kind of product improvement that we have seen net of other things. Overall, we still keep cost advantage vis a vis our relevant peers, so we're still very focused on keeping our operational cost in line.

Go to the next page. When you look at the business unit performances, right, this is important for us. These are an important supplement and complement to our strategy in the whole airline.

If you look at the cargo business that we have, the cargo business is very strong still. We're still seeing strong demand, which is interesting with all the headwinds that the global trade business has been seeing in terms of FX and [inaudible] and others. We still saw a 16% growth in terms of the cargo transported.

Cargo is an important business for us also in these circumstances where the pass-through of fuel also is in a way quicker. So, over the quarter, we saw 70% pass-through for the fuel because you start ramping up and kind of contracts start rolling off and coming in with higher tariffs, and you have fuel supplements also coming in. If you look at a trend, I mean, as I said, 70% was the recapture for the second quarter. We had 90% recapture in the month of June. So, you're seeing a strong trend towards being able to pass through 100% of the fuel in the cargo business. We're also seeing good synergies of the business between Avianca Cargo, and GOLLOG, which I think is also a very important feature for us as a group in Abra to be able to see those synergies of the business across the two brands that we have.

And there's two new freighters that came into the cargo business, so that will also kind of allow us to have better performance in the future. Going next to loyalty, the loyalty business has been a strong support to our passenger business. In particular, in Brazil, there's a relevant part of revenues that are coming through the loyalty business through the redemptions, and that has had a good contribution to the recapture that has happened in Brazil in particular and in both companies together, right?

So, the loyalty business helps us with the recapture side and the redemptions and the revenue, but it also helps in terms of the third-party gross billings. So, when we charge for co-brands and other direct kind of relationships that the loyalty business has with businesses, with other companies, and with the environment, we've seen a 31% growth in those third-party gross billings, $100 million contribution to our results, right? And the joint strategy between the two loyalty programs is starting to progress, and we're seeing a lot of efforts in terms of co-brands, co-branding in the business across the whole region.

Finally, when we go to Wamos, if you remember, Wamos last year had an exceptional year. The ACMI business last year was very, very good. This year has normalized, but it's still very strong.

We're still seeing a very good business, and demand for our service has stayed very strong. We ended up the quarter with a $91 million revenue. Now, Wamos also is a very important part of our strategy. It gives us more wide-body exposure, which is very relevant to us, but it also allows us to kind of have more certainty around the reliability of our operations across the whole network, and in particular, in this quarter, it was very important for the launch of the GOL wide-body strategy, which we believe is a key part of Abra's overall long-haul strategy. So, that is the summary of the business unit.

If we go to the next page, please, when we look at profitability metrics, historically, as we said before, the second quarter is a challenging quarter, and we had the headwind of fuel coming in. Our commercial strategy was very much focused on increasing yield and trying to balance that with, as I said before, with our Load Factors. Our revenues increased about 18% up to $2.6 billion. Our adjusted EBITDA was $195 million, a 60% decrease versus the same quarter last year.

Of course, as you all know, fuel doubled this year. We had a $445 million increase in the cost of our fuels overall, and we also had higher OpEx that came mostly from FX and some inflation, but also from product improvement and some increasing loyalty costs, right? The loyalty costs, of course, are much less than the increase in loyalty revenues, so that was fairly compensated.

If you look at kind of our PRASK and the loyalty revenues increased from the second quarter last year to this quarter last year, we were able to compensate with those two elements about half of the fuel cost increase, right? So, that is the 49% recapture that Adrian was talking about. If you add the hedges, and we talked about the hedges in the last call, that we had been able to put in place hedges before the war started, we had a gain in the hedges of $88 million, which compensates another 20% of the fuel costs, right?

So, overall, if you were to include the hedges in there, we were able to compensate about 70% of the increase of fuel costs, right? EBIT finally was a loss of $365 million. It is mainly the fall of EBITDA and a bit higher D&A, depreciation and amortization that is coming from the engine maintenance and then the maintenance that has been capitalized and are coming through the income statement.

If we go to the next page, talking about liquidity, as I have been saying all along, liquidity was one of the big focuses for us this quarter, and it worked out well. We ended the period with over

$2 billion of overall liquidity. There is about $100 million of additional restricted cash that is there kind of covering leases or some liabilities, and that is also, you could consider that.

We are looking here at the net of the gross of any restricted cash. Our cash position, if you see here, was reduced in $157 million, purely cash, right? Available liquidity was reduced in $234 million.

That includes factorable credit card receivables, and our revolving credit facility, right? And if you think of the kind of cash burn of $157 million in a quarter where we had a hit of $445 million of extra fuel, it was a good feed that was obviously done through increases in RASK and as I said before, and cost savings over the quarter. We also had an effect in working capital of $344 million.

A large part of that is a build of ATL, which is a good signal of sales that came in during the quarter that are going to be flown kind of in the future months, and therefore it is going to be revenue coming into the future. There is a $60 million hedge settlement that came from our hedge position in March that was settled in April, and therefore the cash came in there, right? Engine maintenance and contingencies are part of the $312 million that you are seeing there.

In terms of the aircraft payments, most of that is the leases that you already know, but we also have about $50 million of ACMI and cash rental payments that are supporting kind of the reliability of our operation. The debt payments that you are seeing here include a $65 million new financing facility that we closed during the quarter with Banco do Brasil at GOL, right? Importantly, when we look at the other liquidity, not the cash, but in particular, the factorable receivables in Brazil, I just want to point out that we're doing no factoring of receivables in Brazil. We consider that to be a more expensive type of financing that, fortunately, we have other sources to be able to use at this moment, right?

In summary, we are in a strong liquidity position, about 20% of our revenues, as Adrian pointed out before, and I think that it's a key part of our strategy in terms of being able to face kind of the macro environment that we are going through right now.

Finally, in terms of balance sheet metrics, net debt increased 4.2% to $9.4 billion. That is mostly explained by the reduction in liquidity, right? Net gross debt only increased about 1% over the period, right? We have no significant maturities in the short term.

And our leverage ratio increased from 3.1 times to 3.7 times, given the reduction in EBITDAR and the slight increase in net debt, right? So despite the challenging quarter, we have been able to be focused on recapture and protecting our liquidity. And we believe that we are in a strong position from the liquidity point of view and the cost advantage point of view to be able to kind of continue facing the rest of the year.

With that, I will pass it over to Gabriel.

Gabriel Oliva - President, Avianca:

Thank you, Manuel. Good morning, all. Talking about Avianca and some highlights, and then I will pass it on to Nico to talk about more specifics on the financials.

As it was talked, despite the challenging fuel environment, the underlying operation in Avianca remains resilient. We continue making progress on our strategy and continuing operational and commercial execution. We are very excited.

We started expanding our Insignia flagship business class by Avianca that we only flew on our European routes into America, so we launched our wide-body business class service in the Bogota - New York route, operating daily. We are very excited on the market traction and how that product is delivering the market.

We continue enhancing our in-flight experience. We are expanding our high-speed Wi-Fi to most of our 320 NEO fleets, starting our CEO fleet, completing all the narrowbodies by next year, and then we will start on the widebodies. We upgraded all our in-flight entertainment with curated content for major film studios, and we continue revamping our experience in all our classes and our products.

In terms of network, we continue diversifying our network, expanding connectivity to the region. We launched new non-stop services from regions in Colombia, from Barranquilla, from Cali into the U.S. We relaunched our wide-body services from Madrid to Salvador route, enhancing our network and diversifying our connectivity. In terms of our business units, again, Lifemiles was recognized with awards. We are very proud of our delivery and the results on our cargo and loyalty business units as well.

I will give some key highlights on the financials, but I will turn it over to Nico. In terms of the top line on revenue, PRASK increased to $6.3 cents, that's 10% year-over-year, and mainly supported by yield improvement, again, close to 10% year-over-year to $8.0 cents.

In terms of PAX CASK ex Fuel, that was $4.8 cents, a 24% year-over-year, but mainly driven at macro headwinds, both inflation and Fx, and of course, the product investment that was commented before that we are producing to get better products, better yields, and better capture in the demand. In terms of profitability, of course challenging, as Adrian mentioned, we had an adjusted EBITDA of $135 million at an 8.7% margin. And in terms of liquidity, we got good results in terms of liquidity and cash, $1.15 billion, which is close to 20% of the last twelve months revenues in the second quarter. With that, Nico will talk on the other details on the financials. Nico, over to you.

Nicolas Alvear - Chief Financial Officer, Avianca:

Thank you, Gabriel, and good morning, everyone. I'm on slide 17 of the presentation. You can see that capacity increased 6.1% versus last year, reflecting tactical reductions of 1 to 2 percentage points versus the pre-war published schedule. We continue to see strong demand in our markets reflected in higher year-over-year passenger and Load Factors, even as we increased average fares by 12% and yields by 9%. Overall, this resulted in a PRASK increase versus last year of close to 10%.

You can see that passenger unit costs increased by over 30% year-over-year, mainly due to higher fuel CASK, which, including a hedging benefit of $88 million, increased by 52.9% versus last year. Now, with respect to passenger CASK ex-fuel, you can see that it increased from $3.9 to $4.8 cents. It's important to mention that during this quarter, we recorded one-time non-cash accounting charges, representing approximately $0.20 cents per ASK, and which I'll explain further in the next slide. The CASK ex without these one-timers would have been $4.6 cents, which is in line with the CASK ex that we reported last quarter. Now, the delta between the $4.6 cents and last year's $3.9 cents is explained as follows.

Roughly 40% was driven by inflation and a stronger Colombian peso versus the U.S. dollar, with a stronger exchange rate impact, representing about $0.20 cents. 30% was driven by higher fleet costs, of which $0.08 cents were related to an industry-wide engine contingency, driving higher spare engine rentals and wet leases. 15% was attributable to our investment in product improvements, and 10% represented higher variable expenses.

Moving on to slide 18, you can see that total revenue increased by roughly 15% year-over-year, driven primarily by higher unit revenue that allowed us to recapture about 44% of the fuel price spike, excluding hedging gains.

Adjusted EBITDAR was $135 million, down 60% versus last year, with margin declining to 8.7% from 24.9%. The declining EBITDAR was mainly driven by the sharp increase in fuel expenses, partially offset through higher revenue and the $88 million of hedging gains, and higher ex-fuel costs that I described in the previous slide. EBIT was negative $137 million, compared to $141 million last year. Now, it's important to mention that during the quarter, we recorded $63 million of one-time non-cash accounting charges impacting EBIT.

Of these charges, $34 million impacted EBITDAR, including $15 million of labor-related settlements and $19 million of non-cash adjustments to certain balances as required by IFRS. The other $29 million corresponds to the write-off of cargo brands that are no longer in use.

Let's move on to slide 19 to discuss our capital structure. Liquidity declined by $93 million to $1.15 billion, representing roughly 19% of last twelve months revenues. Now, a few highlights that I'd like to make on liquidity during the quarter. First, we generated roughly $180 million of working capital in the quarter, reflecting very strong sales and air traffic liability generation that should materialize into higher revenue in the second half of the year, plus the $59 million cash settlement from the prior quarter's hedging gains.

CapEx net of financing was $153 million, of which roughly 75% was recurring maintenance CapEx, and the other 25% was related to the timing impact of the engine contingency. Aircraft payments were $209 million, including $45 million of short-term rentals of spare engines and wet leases. Net corporate debt payments were $47 million, of which $27 (million) were debt principal payments.

And finally, during the quarter, we posted about $18 million in hedging collateral deposits with investment banks, and at the end of the quarter, we had a $45 million balance of hedging collateral deposits that are not reflected in the liquidity figures that you see on the slide. Our net leverage increased to 3.2 times from 2.7 times during the quarter, mainly reflecting the quarter's cash burn and lower year-over-year EBITDAR. You can see that our fleet can remain largely stable quarter-over-quarter.

And at the end of June, we priced $650 million of senior secured notes due 2032 to refinance our existing 2028 exit notes and other outstanding debt, clearing up our debt maturity profile to 2030. Now, the bond transaction settlement and the prepayment of the exit notes occurred in early July. And with that, I'll turn it over to Celso and Julien to discuss GOL's second quarter numbers.

Celso Ferrer - Chief Executive Officer, GOL:

Thank you, Nico. Good morning, everyone. And as Adrian mentioned, this is going to be my last call with GOL.

I'm very sad to leave after more than 20 years now, but I'm very proud of all the work we did with the team, leading the company throughout probably the most challenged time of its history. I'm leaving for personal reasons, and I'm really confident to pass this to Andre Fehlauer as the new CEO, and Albert as the new president. I'm totally confident of the management team we have built together.

I'm really excited with Albert will be able to implement in his new role. And also, I'm sure Andre is going to be a great CEO for the group. I'm really proud of the current situation of the company.

I mean, we have built very solid foundations together. And I just, before going here, I just want to express my gratitude to Adrian for the Abra team, the GOL team for the continued support throughout all those years. Thank you.

Thank you so much. And now on the second quarter results, I just want to reemphasize the measures we took at GOL to deal with the challenging environment. We were really focused on preserve liquidity, increase fares to be able to recapture the fuel pressure and adjust capacity.

We have cut 6% of our capacity during the quarter, if we compare to pre-war capacity that we published. I mean, we put a strong movement to analyze every route to be able to continue to adjust the network throughout this period. We have increased fares, and our price has grown 11% year-over-year, even with a 4.3% increase on our average stage length.

Margins were, of course, depressed by the fuel and also by the, let's say, the strong reais in the Brazilian reais denominated costs. We were able to preserve liquidity in a health level representing 19% of the last twelve months revenue with $831 million of total liquidity. On the commercial side, I just want to highlight the launch of our INSIGNIA Business Class product, INSIGNIA by GOL. I mean, very close to what Avianca is already been doing very successfully on their long haul. It started in July on our Rio - JFK flights that are being very successful. While expanding our network, we remain committed to the operational excellence, being recognized again as the most on-time airline in Brazil.

We have expanded our engine shop capabilities in our facility in Confins. And we are proud also to announce that we will access a credit line of $160 million to be able to perform our engine overhauls here in Brazil at the Celma facility. Before giving the floor to Julien that will go through more details on the financial side, I just want to highlight the important milestone by achieving the upgrading on our credit rating by Fitch agency.

So with that, I will give the floor to Julien. Please, Julien.

Julien Imbert - Chief Financial Officer, GOL:

Thank you, Celso. Let's go to the next slide on page 22, looking at our passenger business indicators. On the top line, so we were very focused, as was discussed before, on being disciplined in recapture and the capacity as we grew our capacity of 7.2% versus last year, which is much lower than what we expected as we were adjusting capacity in the challenging environment. Regarding price, we increased yields 13% during the quarter. It's important to mention that when this war started, we had already sold 50% of our tickets for April and roughly one-third of the tickets for the second quarter.

On cost, our CASK was obviously heavily impacted by fuel. On CASK ex-fuel, it's important to mention that we were impacted by the appreciation of around 10% percent of the Brazilian reais, and 50% of our CASK ex-fuel are denominated in Brazilian reais. There was also an inflation of roughly 5% during the period in Brazil.

We've been able also to offset some additional costs that we have in investment for our fleet and our products. In the second quarter, we started investment to launch the widebody operation, and we also had some increase in our D&A expenses related to the recovery of the fleet that we did last year to have the full fleet available at the beginning of 2026. We've been able to offset those costs through our continued cost-saving profit improvement plan that continues to deliver.

Go to the next slide, looking at our profitability metrics, our revenue was up 22% versus last year. Our EBITDAR for the quarter was at $43 million. Most of it's impacted by approximately $200 million of fuel impact.

And our negative EBIT is also absorbing the increase in depreciation and amortization related to the fleet recovery plan that we executed last year. I wanted to mention that the second quarter is a weak quarter, typically in Brazil and for GOL. So, this is where we were starting from.

On the balance sheet metric, it was a volatile and turbulent quarter, and we put a lot of emphasis on cash management. We had a reduction of our cash of roughly $100 million in a quarter where we typically have cash burn in anywhere between $120 million and $170 million. We've been able to control our cash through recapture cost and cash management initiatives that we accelerated. We also benefited from a financing line from Banco do Brasil of $65 million.

Our net leverage increased from 2.8 to 3.3. So, I was noting that if you compare this to our five-year plan that we published at the exit, we are still outperforming the five-year plan on balance sheet metrics. Our liquidity is $100 million higher than what we had on our five-year plan, and our liquidity as % of last twelve months revenue of roughly 19% for this quarter. It's also one percentage point higher than what we had in the previous quarter.

With that, I'll give it back to Adrian for closing remarks.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

Okay. So, a couple of remarks before obviously we open it up to Q&A. Again, no hiding the fact that it was a challenging quarter, not just the fuel headwind, but we had the seasonality and then FX piled up on that.

So, the results are not where they need to be. The good news, again, we kept the liquidity strong, which is obviously critical, and we are taking action to address this, right? So, we've sequentially continued to push fares up.

We're seeing good market reaction to that, and we're seeing Load Factors hold up healthily as well. We've continued to carry out relevant cost initiatives. And so, we continue to focus on navigating the environment.

We have not wavered from our core plan of expanding margins through driving the premium offering. So, obviously, some of that cost is flowing through this quarter. It is an investment in margins going forward, and you can see the effects on the percentage of passengers that are flowing through the premium parts of our business now.

And we continue to focus on strengthening our network through partnerships and through having the right access to the right fleet at the right time to expand connectivity and support future growth. So, as we look into the rest of the year, again, we're seeing healthy levels of liquidity. We're seeing the pass-through that we committed to at the levels of around 60% continue to play out. And we continue to address the challenges that we're seeing in terms of the macro.

With that, I think we'll pass it back to Maria Cristina and we'll open it up for questions.

Maria Ricardo - Head of Investor Relations, Abra Group Limited:

Thank you, Adrian. So, please, Operator, I think we can open the floor for Q&A.

Q&A:

Operator:

[Operator Instructions].

Our first question will come from the line of Guilherme Mendes with J.P. Morgan. Please go ahead.

Question:

Yes, good morning. Thank you so much. Hi, Adrian, Manuel and team.

Thanks for taking my questions. My first one is a follow-up on the fuel recapture. Adrian, you mentioned the 60% pass-through for the 10-month period.

Can you walk us through on the overall demand environment? Think on the demand breakdown between Brazil, Colombia, or corporate and leisure, where you see more ability to increase prices, where you see some kind of demand weakness. So, first, to kind of understand how these fuel recaptures should play along throughout the year.

And the second one, it's on the liability management. Sorry, you want to go ahead for the first, and then I ask the question for the second one.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

Sure. So, look, the way I would think about it is, first, I think we left a little bit of opportunity on the table, right, during this quarter. So, you can see it in Load Factors that are even ahead of what we had last year in a seasonally low quarter, right?

So, as we've learned from that and as we're sort of pushing pricing higher, what I'd tell you is we're seeing opportunities across the network. It's not limited to either Brazil or Colombia. It is a little nuanced, right?

So, for example, in Brazil, it's pretty broad, and we've seen some pretty significant strengthening in July and into August. Important to know, there's a little bit of sequential effect there. June was impacted by the World Cup a lot more than we expected, right?

So, some of that is what you're seeing flowing into June, and that effect obviously went away as we went into July and August. So, you're seeing some pretty significant strengthening just broadly and really opportunities that we're grabbing in the corporate segment there. In Avianca, because the network is more widespread, it is more nuanced.

So, for example, Europe, long haul flying between Europe and Latin America has been one of the most difficult ones for us to drive yields on until recently, and that, we think is largely driven by the competitive set we have there and European airlines that continue to sort of burn off the hedges they have there. As we see those hedges burn through, we are seeing more opportunity to move yields up on those routes, so that's working. Intra-Latin America, flying out of Avianca is working fine.

Domestic Colombia was working well until obviously recently impacted by the earthquake. We expect that to be temporary, but it won't be insignificant. And then Central America flying is fine, and in fact, it's one of the places that we've seen the most opportunity in our network and we continue to drive it, right?

So, I think it's everywhere with some nuances in particular around domestic Colombia and around Europe. And it's got a little bit to do with really having a bit more yield discipline and letting Load Factors come down.

Question:

Very clear. Thank you. And the second one was --

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

Guilherme, going forward when -- hey, how are you doing? So, when we talked about the 60%, we are always assuming kind of a $4 per gallon going forward, right?

So, it's kind of -- you have to, you have to think of kind of how you're projecting the rest of the year, right? So, we're being kind of fairly conservative on our assumptions to go forward, and we're pushing for that increase in revenues and yields, right?

Question:

Very, very clear. Thank you, Manuel. The second one was on the liability management.

If you can comment on these new lines in Brazil, FNAC, FGE, where do we stand exactly? So, how likely is for GOL to access this line in the short term? Thank you again.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

Look, I mean, we were able to close the first one, the first of those lines with the Banco do Brasil. That was a good exercise, and we're working on others that I'll let Julien to comment on those in particular.

Julien Imbert - Chief Financial Officer, GOL:

Yes. So, the government has announced a couple of lines. There's one on FNAC, which is a working capital emergency line of BRL 2.6 billion for each of the three airlines. So, we've signed this with BNDES, and now we're working on executing that by the end of the year.

There's another one that was approved also, this through ABGF, as ABGF as a guarantor for fuel purchase. This is a new product that we're evaluating. It comes from several requirements, so we're assessing the opportunity of this one, which can be a couple of billion reais also.

We have access to another one from ABGF, which is for engine financing. So, we published that a couple of weeks ago, a $160 million credit line to do engine financing at GE Celma in Brazil, which is a product backed by the ABGF. And then there are the other FNAC lines that are historically around infrastructure, aircraft authorization, PDPs, and maintenance done in Brazil that we're also assessing currently.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

Yes. And I just want to highlight that the ABGF line that we already closed for GOL, and that is already available and is working, we're also working towards having something similar with Avianca, which I just point out that it's the first time that a non-Brazilian carrier has been able to access those lines. And I think it's an interesting feat of having this within the group and being able to use the leverage and use the relationships of GOL to get some cheaper financing also for Avianca.

Question:

Very clear. Thank you all.

Operator:

Our next question will come from the line of Mike Linenberg with Deutsche Bank. Please go ahead.

Question:

Oh, yes. Hey, good morning, everybody.

When you look at your headline, PRASK or RASK, the numbers look pretty good. But when we think about it on a local basis, it does seem like you've lagged at least two of your competitors in the region. I know that their PRASK or RASK was up double digit for the quarter, where I think is probably closer to flat if we make that adjustment. What may be driving that?

Is it a capacity thing? I know in some markets you are adding a good amount of capacity, although you did indicate you've recalibrated supply in the June quarter. How should we think about that trend into the third quarter?

Can you give us a feel for what capacity looks like by region? Is it not pushing fares up? I realize it's a multi-pronged question, but I'm just trying to understand why you're lagging the competition.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

It's the right question, Mike. Thanks for asking it. Look, I think it's a mix of things, right?

I think you're right. So, we did have a little bit more inertia on capacity deployment, right? As you look into the back half of the year, that naturally tamps down, right?

And we're tactically pulling a little bit more down as well, right? But we were front-loaded on growth. I think the competitive set also affected us differently, right?

If you look at our blended recapture, right, it's not too different from if you were to say, take Azul as a Brazil-only carrier and Copa as a proxy for Avianca, right? We end up sort of right in the middle, right? So, it also has to do a little bit with the competitive set and sort of what we're playing against and what the math is.

But to be honest, what I think sort of hit us the most was recapture that we were sort of a little bit, because of who we sell to and where we sell, right, in domestic markets, a little bit of chasing our tail with currency moving against us, right? So, you're right in terms of, okay, when you look at it in local currency, it's weaker than we'd like. But part of it was the currency shifting against us as we were selling, right?

So, if you sort of look at it stabilized now, even at stronger local currencies, right? But once sort of that change flattens out and you see what's going on into this quarter, we expect that to normalize and look a lot healthier, right? The currency moving around us when we were you know, selling 60 days before people were actually flying, right?

Obviously, it has a lag impact that did some of the recapture that we thought we were achieving.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

There's also, Mike, you have to be careful when you compare kind of what we're showing you here in this presentation versus what you see from other airlines, because we do not include in our PRASK numbers and our yields, we do not include the loyalty revenues, the redemptions, right? And I think most airlines do, right? So, that adds in the particular case of Brazil, where there's a lot of sales through the loyalty channel that adds a couple of percentage points of growth, right?

Question:

Yes. Very, very helpful.

Then, Manuel, since I have you, and you did bring this up, just looking at Wamos, you did indicate that it was an exceptional year last year. And so, you're up against the difficult comp. With fuel prices as high as they are, do you see any sort of reduction in that business from carriers who may be less willing to use what I'm going to refer to as swing capacity, just given the surge in input costs as airlines sort of scale back capacity sometimes?

It's the wet leases or the ACMI flying that gets cut first. Are you seeing that? And is that going to be a trend with Wamos as we move through the year, or is it just a very difficult comp?

Thanks for taking my question.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

It's a great question, Mike. It's literally the very difficult comp, right? If you go back to when we acquired Wamos and sort of the way we underwrote the deal, the company this year is pretty significantly outperforming the original plan anyway.

What happened was, obviously, in a world of widebody asset scarcity last year, most of their volume was contracted long-term, long-term for them being a year out and multi-month contracts. And that took a lot of the wide space out and sort of flattened out the revenue throughout the year instead of making it lumpier, right? We're going back to a more normal world where a lot of their flying is last minute on the spot and what have you.

It's materializing really, really well, right? You're right that in a world of, I think not just a world of higher fuel, but a world where people are sort of trying to find a new normal, right? Even before that, people don't necessarily like ACMI flying being sort of part of their core flying, right?

So, over time, they try to adjust their fleet or their network for that to not be part of the core business. But Wamos has created what we think is a really unique niche in being sort of the premium widebody ACMI provider, right? And being able to provide service to the brands that are very, very sensitive on the quality of their product.

So we're seeing that business materialize really, really well. So the company is doing really, really well. It's just like you said, a difficult comp.

Question:

Great. Thanks, guys. Thanks, Adrian. Thanks, Manuel.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

I'm sorry, Mike, just one point that I left out, right? What we're not seeing, which is important, is any kind of normalization in the pipeline availability of widebodies, right? So, as long as you don't have sort of excess widebodies floating around in the world, we expect our business to continue to perform as it's doing.

Question:

Yes. Great. Thanks. Thanks, everyone.

Operator:

Our next question will come from the line of Jen Spiess with Morgan Stanley. Please go ahead.

Question:

Hello. Hi. So, I have a question on the new E2s, the 45s that you ordered. And how do you plan basically to deploy them over time? In which network will it be at GOL and at the Avianca level?

Yes. Any more details there on like the timeline and network deployment would be very much appreciated. Thanks.

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Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

Sure. So, look, I think we have not made a formal decision yet, right? What I'd tell you is we had an opportunity to acquire these aircraft. We do believe we need an additional gauge in the network. And we've been studying that for years now.

The opportunity to acquire these aircraft and to get early slots in a world where those slots are filling up became very attractive to us. We are cautious about announcing a decision as to where we're going to fly them because obviously the world has been changing around us with the new fuel environment, right?

So, as we think about our network next year, we have lots of levers that we need to -- and into 28. We have lots of levers that we can move in terms of both the 320 order and the 737 order and re-deliveries. And so, what I would tell you is we're going to be thoughtful and use them in places where the gauge provides an improvement to us in terms of yields. And we'll make sure that we right-size our growth to where we see demand next year, taking advantage of the flexibility that we have in the different order books.

I don't think we need to say much more than that.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

And that, I think, Jen, we think of it as the advantage of kind of looking at this as a group, as one network instead of kind of having to be kind of committed to a certain region or a certain market where kind of putting this order at the Abra level allows us to decide kind of where we need those planes at what moment and make the most efficient decision at that moment instead of being tied up, right? And the expansion of our network kind of with the transaction that we want to close with SKY gives us other markets as well, right?

Question:

Yes. Yes. Yes. Perfect.

And then, just one follow-up on the E2s too. Do you think that with LATAM -- I mean, they are deploying E2s in Brazil. Is there any risk that there could be a shortage of pilots certified to fly this aircraft? And I don't know, like a short-term talent war or being triggered by that, or you don't see any risk?

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

Well, those are always risks, right? But they're generally risks with the introduction of any fleet. We've mitigated it, right?

Our agreements include very detailed plans around where we're going to get the pilots from and really how we're going to train them, right? Because I think it's more -- your question was correctly phrased in terms of we don't see a scarcity of pilots overall. We might see a scarcity of pilots trained for the specific fleet type, and it's really about ramping up the training and having access to the simulators. And we've built both of those into our agreements.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

It's not only about buying the planes. It's kind of what comes around, right?

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

So, that has been addressed in a way that we don't think is going to create the issues that you're indicating, but more that we'll get ahead of the curve and start training people in time.

Question:

All right. Perfect. Thank you.

Operator:

(Operator Instructions) And our next question will come from the line of Braedon Kehoe with Nut Tree Capital Management, LP. Please go ahead.

Question:

Hey, guys. Thanks for taking my question.

I just want to ask on the fuel hedges of the $88 million, is that in -- the benefit of that in the $135 (million) for the Avianca EBITDAR you show, or is that shown at the corporate level for the hedges?

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

No, no. It is. Those hedges are taken at the Avianca level, and they do reflect in the Avianca EBITDAR, right?

Question:

Got it. Okay. That's helpful.

And then just curious on the earthquakes that you're seeing in Colombia, did that affect your business in this quarter, or is that a potential headwind for 3Q and 4Q?

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

It's a headwind for 3Q. We've been seeing the effects for the last 11 days, right? They're not negligible, but we're seeing them start to wean off, and ultimately, they should be within the realm of what you would expect would be manageable for that kind of situation.

Gabriel Oliva - President, Avianca:

Just to build on what Adrian is saying. On the infrastructure, that's almost all recovered, right? So, within Colombia, right now, there's only one airport -- Pereira that is very close to open, as we know.

And as Adrian was saying, we've been 10 days out of the earthquake, so we see a natural headwind on some bookings, but that's something that hopefully we'll recover, right?

Question:

Got it. And then just one last follow-up.

You mentioned there were some one-time non-cash numbers in the Avianca EBITDAR. Would you mind just clarifying what those were and the quantity of those?

Nicolas Alvear - Chief Financial Officer, Avianca:

Yes. Yes. So, in the Avianca EBITDAR, there were approximately $34 million of one-time charges. Of those $34 (million), $15 million are labor-related settlements, and the other $19 million are basically accruals that we have to make to certain balances in agreement with our auditors and IFRS.

So, it's $34 million in the EBITDAR, Yes.

Operator:

This concludes the question-and-answer session. I'll hand the call back over to Adrian for any closing comments.

Adrian Neuhauser - Chief Executive Officer, Abra Group Limited:

Okay. Thank you. Guys, thank you all for joining.

Again, obviously, we had several headwinds come together in this quarter that made it a challenging quarter. We are happy with what we were able to achieve in terms of holding the liquidity, which is obviously critical for us, and we're seeing positive trends towards the back half of the quarter, which will give us the opportunity to improve on this sequentially as we move into a summer with less seasonal headwinds and beyond, right? So, thank you for the time you spent with us.

Thank you again for following us, and we look forward to talking with you again in a few months.

Operator:

This concludes today's call. Thank you again for joining, and you may now disconnect.

Manuel Irarrazaval - Chief Financial Officer, Abra Group Limited:

Thank you very much.

About Abra

Abra is a leading air transportation company across Latin America that brings together the iconic Avianca and Gol airline brands, along with a strategic investment in Wamos Air, on a unified, pan-Latin American platform. The Company also encompasses leading loyalty programs (LifeMiles and Smiles) and robust cargo operations. In addition, Abra holds convertible debt representing a minority ownership interest in Sky Airline. Avianca, the second-oldest airline in the world, operates a fleet primarily comprised of A320 and B787 passenger aircraft, as well as cargo aircraft. Gol, one of Brazil's leading airlines, operates a fleet largely composed of B737 passenger aircraft. Wamos Air is a leading European provider of wide-body Aircraft, Crew, Maintenance and Insurance (ACMI) services, operating A330 passenger aircraft. Abra has approximately 30,000 employees and operates a fleet of more than 300 aircraft, with scheduled flights serving more than 25 countries and over 145 destinations. For more information, visit www.abragroup.net.