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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
GRUPO AEROMÉXICO, S.A.B. de C.V., *et al.*, Debtors.[1]	Case No. 20-11563 (SCC)
	(Jointly Administered)

DECLARATION OF RICARDO SÁNCHEZ BAKER IN SUPPORT OF THE MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER PURSUANT TO 11 U.S.C. §§ 363(b) AND 105(a) AND FED. R. BANKR. P. 9019(a) AUTHORIZING ENTRY INTO AGREEMENTS ESTABLISHING NEW LABOR CONDITIONS WITH ASPA, ASSA, STIA, AND INDEPENDENCIA

[1] The Debtors in these cases, along with each Debtor's registration number in the applicable jurisdiction, are as follows: Grupo Aeroméxico, S.A.B. de C.V. 286676; Aerovías de México, S.A. de C.V. 108984; Aerolitoral, S.A. de C.V. 217315; and Aerovías Empresa de Cargo, S.A. de C.V. 437094-1. The Debtors' corporate headquarters is located at Paseo de la Reforma No. 243, piso 25 Colonia Cuauhtémoc, Mexico City, C.P. 06500.

Ricardo Sánchez Baker hereby declares as follows:

1. I am the Chief Financial Officer and Executive Vice President at Grupo Aeroméxico, S.A.B. de C.V. ("**Aeroméxico**" or the "**Company**"). I am fully familiar with the facts set forth in this affidavit.

2. I submit this affidavit in support of the *Motion of the Debtors for Entry of an Order Pursuant to 11 U.S.C. §§ 363(b) and 105(a) and Federal Rule of Bankruptcy Procedure 9019(a) Authorizing Entry Into Agreements Establishing New Labor Conditions with ASPA, ASSA, STIA, and Independenci*a (the "**Motion**").

3. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

4. Aeroméxico has entered into agreements establishing new labor conditions (such agreements, collectively, the "**New CBAs**") with the unions ASPA, ASSA, STIA, and Independencia (collectively, the "**Unions**") that represent the Company's pilots, flight attendants and other airline industry workers.[2] The four New CBAs—reached with STIA and Independencia on December 29, 2020 (STIA further modified on January 27, 2021 and February 12, 2021; Independencia further modified on February 12, 2021), ASPA on February 2, 2021, and ASSA on February 3, 2021—represent an extraordinary achievement for the Company and a vital milestone in the chapter 11 cases. The New CBAs unlocked needed liquidity, providing the Company with a go-forward competitive cost structure, and resolving uncertain and expensive litigation that may have provided a pyrrhic victory for Aeroméxico if a strike had ensued.

5. Under the terms of its debtor-in-possession financing credit agreement (the "**DIP Credit Agreement**"), by December 31, 2020 (with a 7-day cure period), "the Debtors shall have

[2] ASPA represents pilots; ASSA and STIA represent flight attendants; STIA and Independencia represent other airline industry workers such as ground handling and maintenance.

met the following milestones relating to its Prepetition CBAs (such milestones, the "**Labor Milestone**"): [t]he Debtors shall reach a settlement (the "**CBA Settlements**") with the negotiating committee of the Specified Labor Unions regarding the modification of the CBAs (which shall (A) be for a minimum of four (4) years and (B) in the reasonable determination of Apollo, achieve the aggregate Labor Savings (including unit cost savings) as agreed between the Debtors and Apollo." DIP Credit Agreement, Section 6.17(f). Failure to timely comply with the Labor Milestone would be a default under the DIP Credit Agreement, and the timely satisfaction of the Labor Milestone was a condition precedent to further draws under the DIP Credit Agreement. As of December 31, 2020, there was still $625 million available under the DIP Facility.

6. Since filing for chapter 11, Aeroméxico has been engaged in discussions with each of the Unions to amend their Prepetition CBAs as part of an incentive and savings plan aimed at reducing the expense of Aeroméxico's labor costs and subsequently achieving the labor savings required by the Labor Milestone. These discussions focused on reaching an agreement that provided for labor cost savings, the provision of additional employee benefits, and including a new profit sharing plan.

7. On December 29, 2020, Aeroméxico announced agreement in principle with each of STIA and Independencia on the terms of new labor conditions.[3] The Company failed, however, to achieve consensual agreements with ASPA and ASSA prior to the December 31 deadline to meet the Labor Milestone.

8. While the Company successfully secured an amendment to the DIP Facility to meet the labor savings covenant by January 27 (with an additional 7-day cure period), the majority DIP Lender warned that if Aeroméxico sought another extension of the deadline, they would charge a

[3] The key terms of the New CBAs with STIA and Independencia are summarized in paragraph 7 of the accompanying Declaration of Sergio Allard Barroso in Support of the Motion.

fee for the extension. My understanding is that given the size of the DIP loan, any such fee could have totaled in the tens of millions.

9. I was informed that, during the negotiations, ASPA asked to have a general unsecured claim for the savings amount provided in the New CBA (the "**ASPA Claim**"). As provided in the accompanying Declaration of Sergio Allard Barroso in Support of the Motion, Aeroméxico was amenable to providing for the allowance of the ASPA Claim, and sent proposed calculations for the ASPA Claim to ASPA. The ASPA Claim was to be set forth in a proposed bankruptcy protection covenant (the "**Bankruptcy Protection Covenant**"). Under the Bankruptcy Protection Covenant, among other things, the Debtors would agree to support the allowance of the ASPA Claim, and ASPA would agree to vote in favor of a Complying Plan (as defined in the Bankruptcy Protection Covenant).

10. A member vote was taken on January 27, 2021 and a majority of ASPA and ASSA members voted in favor of the New CBAs. On January 28, 2021, just a few days before the expiration of the 7-day cure period under the as-amended DIP Facility, Aeroméxico announced an agreement in principle with ASPA and ASSA that would provide labor cost savings, a new profit sharing plan, and the obligation of the Company to recognize the savings as prepetition general unsecured claims. At midnight on February 2, 2021, at the offices of the Ministry of Labor and with the Mexican government in attendance, the ASPA membership signed the amendment agreements to the New CBAs. My understanding is that, during the signing, there was some disagreement regarding the amount of the claim.

11. In light of the overwhelming benefits of the New ASPA CBA and the impending deadline to satisfy the Labor Milestone, it was the Debtors' business judgment to agree to the New ASPA CBA and the ASPA Claim calculation included in the Bankruptcy Protection Covenant

(noting that it did not reflected any net present value impact), notwithstanding the difference of opinion on the claim calculation.

12. Reaching agreements with the ASPA and the other Unions on the terms of the New CBAs resulted in an overwhelmingly positive outcome for Aeroméxico. First, the savings embodied in the New CBAs were a prerequisite to avoiding a default under the DIP Credit Agreement and, because the agreements were reached before the deadline to satisfy the Labor Milestone, the Debtors were able to avoid default without the payment of any extension fee. Moreover, satisfying the covenant allowed Aeroméxico to access further draws of the DIP Facility, which are necessary to the company's successful reorganization. Importantly, the Debtors have drawn $625 million under the DIP Facility, which not only significantly enhances the Debtors' liquidity and financial position, but would not have been possible without the New CBAs. That liquidity should permit the Company the ability to reorganize and successfully emerge from chapter 11.

13. Second, the New CBAs resulted in significant labor savings of 27% for Aeroméxico[4]—a substantial and immediate labor cost reduction. This will provide the company the ability to compete successfully in a highly competitive post-emergence marketplace. The New CBAs are expected to provide aggregate cost savings of approximately $685 million over the next four years.

14. Third, the New CBAs successfully resolve a potentially disruptive litigation in Mexico and avoided a commercially detrimental strike by ASPA and the other unions. If a revote on the CBAs had failed, Aeroméxico would risk a strike, which unions are entitled to initiate under

[4] Savings from each of the four unions are described in greater detail in paragraphs 7 and 16 of the accompanying Declaration of Sergio Allard Barroso in Support of the Motion.

Mexican law. A strike, even in the manner of a short work stoppage or mere slowdown, would be devastating to Aeroméxico's business and the Debtors' reorganization efforts.[5] Our estimations suggest that a three-day strike would have potentially cost Aeroméxico over $100 million. Not only would any strike be immediately commercially devastating, it would also be detrimental to the company's reputation and would risk losing future customers.

15. Ultimately, it is our business judgment that entering into the New CBAs was in the best interests of the Company, its employees, its creditors, and its customers.

16. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: April 6, 2021

/s/ Ricardo Sánchez Baker
Ricardo Sánchez Baker

[5] To illustrate, the pilots at Interjet, another Mexican airline, went on strike on January 8, 2021, and have not flown since December 2020.