



## Volaris Reports Third Quarter 2018 Results: Ancillary Revenue Expansion And Reduction Of Unit Cost Excluding Fuel

Mexico City, Mexico, October 25, 2018 – Volaris\* (NYSE: VLRS and BMV: VOLAR), the ultra-low-cost airline serving Mexico, the United States and Central America, today announced its financial results for the third quarter 2018.

*The following financial information, unless otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS).*

### Third Quarter 2018 Highlights

- Total operating revenues reached Ps.7,316 million for the third quarter, an increase of 11.3% year over year.
- Total ancillary revenues were Ps.2,220 million for the third quarter, an increase of 23.5% year over year. The total ancillary revenues per passenger for the third quarter were Ps.474, increasing 10.1% year over year.
- Total operating revenues per available seat mile (TRASM) were Ps.134.9 cents for the third quarter, a decrease of 1.9% year over year.
- Operating expenses per available seat mile (CASM) were Ps.130.4 cents for the third quarter, an increase of 4.8% year over year; with an average economic fuel cost per gallon of Ps.43.5, increasing 36.9% year over year, and an average exchange rate of Ps.18.98, a year over year increase of 6.5%. Operating expenses per available seat mile excluding fuel (CASM ex fuel) were Ps.81.9 cents for the third quarter, a decrease of 7.9% year over year.
- Operating income was Ps.246 million for the third quarter, with an operating margin of 3.4%, equal to a year over year operating margin decrease of 6.1 percentage points.
- Net loss was Ps.119 million (Ps. (0.12) per share / US\$(1.17) per ADS for the third quarter, with a net loss margin of (1.6%), equal to a year over year net margin decrease of 12.6 percentage points.
- At the close of the third quarter, the Mexican peso had appreciated 5.3% against the U.S. dollar with respect to the end of period exchange rate of the previous quarter. The Company booked a foreign exchange loss of Ps.419 million as a consequence of our U.S. dollar net monetary asset position.
- Net cash flow used in operating activities was Ps.136 million, in conjunction with cash flow provided by investing activities of Ps.20 million, net cash flow used in financing activities of Ps.247 million, and a negative net foreign exchange difference of Ps.326 million; the net cash decrease in the third quarter was Ps.689 million. As of September 30, 2018, cash and cash equivalents were Ps.6,082 million.



## Stable Macroeconomics and Domestic Consumer Demand with Exchange Rate Depreciation and Fuel Price Pressures

- **Resilient macroeconomics and domestic consumer demand:** The macroeconomic indicators in Mexico during the third quarter were stable, with same store sales<sup>[1]</sup> increasing 5.3% year over year; remittances<sup>[2]</sup> increased 9.68% year over year during July and August 2018; and the Mexican Consumer Confidence Balance Indicator (BCC)<sup>[3]</sup> increasing 17% year over year in third quarter 2018.
- **Air traffic volume increase:** The Mexican DGAC reported overall passenger volume growth for Mexican carriers of 8.1% year over year in July and August; domestic overall passenger volume increased 7.4%, while international overall passenger volume increased 10.4%.
- **Exchange rate volatility:** The Mexican peso depreciated 6.5% year over year against the US dollar, from an average exchange rate of Ps.17.82 pesos per US dollar in the third quarter 2017 to Ps.18.98 pesos per US dollar during the third quarter 2018. At the close of the third quarter, the Mexican peso had appreciated 5.3% with respect to the end of period exchange rate of the previous quarter. The Company booked a foreign exchange loss of Ps.419 million, mainly as a consequence of our US dollar net monetary asset position.
- **Higher fuel prices:** The average economic fuel cost per gallon increased 36.9% to Ps.43.5 per gallon (US\$2.3) in the third quarter 2018, year over year.

## Passenger Traffic Stimulation, Further Ancillary Revenue Expansion, and Positive TRASM Trend Reaching Almost the Same Level Last Year

- **Passenger traffic stimulation:** Volaris booked 4.7 million passengers in the third quarter of 2018, up 12.1% year over year. Volaris traffic (measured in terms of fare revenue miles, or RPMs) increased 9.9% for the same period. System load factor during the quarter decreased 2.7 percentage points year over year to 83.5%.
- **Positive TRASM trend almost at the same level of last year:** For the third quarter of 2018, yield decreased 2.8% with TRASM decreasing 1.9%, year over year. During the third quarter 2018, in terms of ASMs, domestic capacity grew 15.8%, while international capacity increased 8.4%, year over year.

<sup>[1]</sup> Source: *Asociación Nacional de Tiendas de Autoservicio y Departamentales, A. C. (ANTAD)*

<sup>[2]</sup> Source: *Banco de México (BANXICO)*

<sup>[3]</sup> Source: *Instituto Nacional de Estadística y Geografía (INEGI)*



- **Total ancillary revenue growth:** For the third quarter of 2018, total ancillary revenues and total ancillary revenues per passenger increased 23.5% and 10.1% year over year, respectively. The total ancillary revenue generation continues to grow with new and matured products, appealing to customers' needs, representing 30.3% of the total operating revenues.
- **New routes:** In the third quarter 2018, Volaris announced 11 domestic routes from its focus cities Tijuana and Guadalajara, as well as from Mexico City and Bajío; and three international routes, two from Bajío to Sacramento and San Jose, California and one from Guadalajara to Charlotte, North Carolina.

## Cost Control and Discipline, Despite Fuel Price Pressure and Exchange Rate Depreciation

- CASM and CASM ex fuel for the third quarter 2018 were Ps.130.4 (US\$6.9 cents) and Ps.81.9 cents (US\$4.3 cents), respectively. This represented an increase of 4.8% and a decrease of 7.9%, respectively; mainly driven by higher average economic fuel cost per gallon of 36.9% and an average exchange rate depreciation of 6.5%, which were offset by a tightening cost control discipline.

## Young and Fuel-efficient Fleet

- During the third quarter 2018, the Company incorporated three aircraft (two A320 neo and one A321 neo) to its fleet; during this quarter no redeliveries were registered. As of September 30, 2018, Volaris' fleet was composed of 73 aircraft (8 A319s, 52 A320s and 13 A321s), with an average age of 4.6 years. At the end of the third quarter 2018, Volaris' fleet had an average of 184 seats, 72% of which were in sharklet-equipped aircraft.

## Solid Balance Sheet and Good Liquidity

- Net cash flow used in operating activities was Ps.136 million, in conjunction with cash flow provided by investing activities of Ps.20 million, net cash flow used in financing activities of Ps.247 million, and a negative net foreign exchange differences of Ps.326 million; the net cash used in the third quarter 2018 was Ps.689 million. As of September 30, 2018, cash and cash equivalents were Ps.6,082 million, representing now 23% of last twelve months operating revenues. Volaris registered negative net debt (or a positive net cash position) of Ps.2,889 million and total equity of Ps.8,863 million.

## Active in Risk Management

- Volaris remains active in its fuel risk management program. Volaris used call options to hedge 58% of its third quarter 2018 fuel consumption, at an average strike price of US \$1.78 per gallon, which combined with the 42% unhedged consumption, resulted in a blended average economic fuel cost of US\$2.3 per gallon.



## IFRS 15: Revenue from Contracts with Customers

- During 1Q 2018, we adopted IFRS 15 “*Revenue from Contracts with Customers*” which replaces existing revenue recognition guidance, including IAS 18 “*Revenue*”. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.
- The adoption of the IFRS 15 impacted the classification and timing of recognition of certain ancillary items such as bags, advanced seat selection, itinerary changes and other air travel-related fees, since they are deemed part of the single performance obligation of providing passenger transportation. These ancillary items are now recognized in passenger revenue (disclosed in the consolidated statement of operations including in these quarterly earnings release as “*other passenger revenue*”).
- Non-passenger revenue primarily consists of revenue from the sale of other items such as rental cars, insurance, hotels and cargo. This change did not have a material impact on our income statement or balance sheet in any period presented.
- This quarterly earnings release includes supplemental information for comparable basis, with recast amounts with the IFRS 15 adoption effects, and were derived from unaudited financial statements included in the quarterly reports on Form 6-K during the year ended December 31, 2017.



## IFRS 16: Leases

- The Accounting Standards Board (IASB) issued IFRS 16 Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, with limited earlier application permitted. This new standard will replace the current IAS 17 Leases standard.
- Under IFRS 16, leases are accounted for based on a 'right-of-use model'. The model reflects that, at the commencement date, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. The lessor conveys that right to use the underlying asset at lease commencement, which is the time when it makes the underlying asset available for use by the lessee.
- The most significant impacts of the new standard in airlines:
  - The new standard requires almost all lease agreements to be recognized on the balance sheet; assets and liabilities will be increased significantly.
  - Almost all the lease payments will no longer be recognized as part of the "rent expenses", but as part of the "depreciation expense".
  - The standard includes certain recognition exemptions: a) leases with a lease term of 12 months, and b) leases where the underlying asset has a low value when new, of US\$5,000 or less.
  - IFRS 16 permits two different adoption models. Full retrospective model or modified retrospective model.
  - The impact of U.S. dollar volatility will have greater impact in Mexican airlines with Mexican peso as functional currency. Accounting and taxes implication for the impact of non-cash foreign exchange gain or losses as consequence of the recognition of the required lease liabilities under the adoption of this new standard.
  - Cash Flows impact. Under IAS 17 (current standard) cash flows related to rent payments are recorded as part of the operating cash flows, but under IFRS 16 the cash flows related to rental payments will be presented as part of the financial cash flows.
  - Income tax accounting. a) Recognition and measurement of deferred tax assets and liabilities; and b) Assessment of the recoverability of deferred tax assets.
  - Additional disclosures
- The Company is in process of completing an assessment of the potential impact of adopting IFRS 16.

*Investors are urged to carefully read the Company's periodic reports filed with or furnished to the Securities and Exchange Commission, for additional information regarding the Company.*



## Conference Call/Webcast Details:

Presenters for the Company: Mr. Enrique Beltranena, CEO  
Mr. Holger Blankenstein, Airline EVP  
Ms. Maria Elena Rodriguez, Investor Relations & Corporate Finance Director

Date: Friday, October 26, 2018

Time: 10:00 am U.S. EDT (9:00 am Mexico City Time)

United States dial in (toll free): 1-877-830-2576

Mexico dial in (toll free): 001-800-514-6145

Brazil dial in (toll free): 0-800-891-6744

International dial in: + 1-785-424-1726

Participant passcode: VOLARIS (8652747)

Webcast will be available at: <https://webcasts.egs.com/volaris20181026>

## About Volaris:

\*Controladora Vuela Compañía de Aviación, S.A.B. de C.V. ("Volaris" or the "Company") (NYSE: VLRS and BMV: VOLAR), is an ultra-low-cost carrier, with point-to-point operations, serving Mexico, the United States and Central America. Volaris offers low base fares to build its market, providing quality service and extensive customer choice. Since beginning operations in March 2006, Volaris has increased its routes from five to more than 167 and its fleet from four to 73 aircraft. Volaris offers more than 319 daily flight segments on routes that connect 40 cities in Mexico and 27 cities in the United States and Central America with the youngest fleet in Mexico. Volaris targets passengers who are visiting friends and relatives, cost-conscious business people and leisure travelers in Mexico and to select destinations in the United States and Central America. Volaris has received the ESR Award for Social Corporate Responsibility for eight consecutive years. For more information, please visit: [www.volaris.com](http://www.volaris.com)

## Forward-looking Statements:

Statements in this release contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations, beliefs or projections concerning future events and financial trends affecting the financial condition of our business. When used in this release, the words "expects," "intends," "estimates," "predicts," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "potential," "outlook," "may," "continue," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements. Similarly, statements that describe the Company's objectives, plans or goals, or actions the Company may take in the future, are forward-looking statements. Forward-looking statements include, without limitation, statements regarding the Company's intentions and expectations regarding the delivery schedule of aircraft on order, announced new service routes and customer savings programs. Forward-looking statements should not be read as a guarantee or assurance of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Forward-looking statements are subject to a number of factors that could cause the Company's actual results to differ materially from the Company's expectations, including the competitive environment in the airline industry; the Company's ability to keep costs low; changes in fuel costs; the impact of worldwide economic conditions on customer travel behavior; the Company's ability to generate non-ticket revenues; and government regulation. Additional



information concerning these, and other factors is contained in the Company's Securities and Exchange Commission filings. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date of this release. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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Unaudited (In Mexican pesos, except otherwise indicated)	Three months ended September 30, 2018 (US Dollars)*	Three months ended September 30, 2018	Three months ended September 30, 2017 (Adjusted)	Variance (%)
Total operating revenues (millions)	389	7,316	6,571	11.3%
Total operating expenses (millions)	376	7,070	5,948	18.9%
EBIT (millions)	13	246	623	(60.5%)
EBIT margin	3.4%	3.4%	9.5%	(6.1) pp
Depreciation and amortization	6	115	150	(23.4%)
Aircraft and engine rent expense	85	1,593	1,384	15.1%
Net (loss) income (millions)	(6)	(119)	720	NA
Net (loss) income margin	(1.6%)	(1.6%)	11.0%	(12.6) pp
<b>(Loss) income per share:</b>				
Basic (pesos)	(0.01)	(0.12)	0.71	NA
Diluted (pesos)	(0.01)	(0.12)	0.71	NA
<b>(Loss) income per ADS:</b>				
Basic (pesos)	(0.06)	(1.17)	7.11	NA
Diluted (pesos)	(0.06)	(1.17)	7.11	NA
<b>Weighted average shares outstanding:</b>				
Basic	-	1,011,876,677	1,011,876,677	0.0%
Diluted	-	1,011,876,677	1,011,876,677	0.0%
Available seat miles (ASMs) (millions) (1)	-	5,422	4,780	13.4%
Domestic	-	3,752	3,239	15.8%
International	-	1,670	1,541	8.4%
Revenue passenger miles (RPMs) (millions) (1)	-	4,526	4,119	9.9%
Domestic	-	3,230	2,852	13.3%
International	-	1,296	1,267	2.3%
Load factor (2)	-	83.5%	86.2%	(2.7) pp
Domestic	-	86.1%	88.1%	(2.0) pp
International	-	77.6%	82.2%	(4.6) pp
Total operating revenue per ASM (TRASM) (cents) (1)	7.2	134.9	137.5	(1.9%)
Fare revenue per ASM (RASM) (cents) (1)	5.0	94.0	99.9	(5.9%)
Fare revenue per RPM (Yield) (cents) (1)	6.0	112.6	115.9	(2.8%)
Average fare (2)	58	1,091	1,146	(4.8%)
Average other passenger revenue (1)	22	419	362	15.7%
Average non-passenger revenue (1)	2.9	55	68	(19.4%)
Total ancillary revenue per passenger (4)	25.2	474	431	10.1%
Operating expenses per ASM (CASM) (cents) (1)	6.9	130.4	124.4	4.8%
Operating expenses per ASM (CASM) (US cents) (3)	-	6.9	7.0	(1.6%)
CASM ex fuel (cents) (1)	4.4	81.9	88.9	(7.9%)
CASM ex fuel (US cents) (3)	-	4.3	5.0	(13.5%)
Booked passengers (thousands) (1)	-	4,680	4,173	12.1%
Departures (1)	-	30,391	26,999	12.6%
Block hours (1)	-	82,977	73,725	12.5%
Fuel gallons consumed (millions)	-	60.5	53.4	13.2%
Average economic fuel cost per gallon	2.3	43.5	31.8	36.9%
Aircraft at end of period	-	73	67	9.0%
Average aircraft utilization (block hours)	-	13.1	12.5	4.4%
Average exchange rate	-	18.98	17.82	6.5%
End of period exchange rate	-	18.81	18.20	3.4%

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only

(1) Includes schedule + charter

(2) Includes schedule

(3) Dollar amounts were converted at average exchange rate of each period

(4) Includes "other passenger revenues" and "non-passenger revenues"



Unaudited (In Mexican pesos, except otherwise indicated)	Nine months ended September 30, 2018 (US Dollars) *	Nine months ended September 30, 2018	Nine months ended September 30, 2017 (Adjusted)	Variance (%)
Total operating revenues (millions)	1,031	19,396	18,264	6.2%
Total operating expenses (millions)	1,097	20,632	18,319	12.6%
EBIT (millions)	(66)	(1,235)	(55)	>100%
EBIT margin	(6.4%)	(6.4%)	(0.3%)	(6.1) pp
Depreciation and amortization	20	371	418	(11.2%)
Aircraft and engine rent expense	249	4,693	4,461	5.2%
Net loss (millions)	(64)	(1,199)	(1,106)	8.4%
Net loss margin	(6.2%)	(6.2%)	(6.1%)	(0.1) pp
<b>Loss per share:</b>				
Basic (pesos)	(0.06)	(1.18)	(1.09)	8.4%
Diluted (pesos)	(0.06)	(1.18)	(1.09)	8.4%
<b>Loss per ADS:</b>				
Basic (pesos)	(0.63)	(11.85)	(10.93)	8.4%
Diluted (pesos)	(0.63)	(11.85)	(10.93)	8.4%
<b>Weighted average shares outstanding:</b>				
Basic	-	1,011,876,677	1,011,876,677	0.0%
Diluted	-	1,011,876,677	1,011,876,677	0.0%
Available seat miles (ASMs) (millions) (1)	-	15,538	13,966	11.3%
Domestic	-	10,687	9,379	13.9%
International	-	4,851	4,587	5.8%
Revenue passenger miles (RPMs) (millions) (1)	-	13,017	11,875	9.6%
Domestic	-	9,227	8,165	13.0%
International	-	3,790	3,710	2.2%
Load factor (2)	-	83.8%	85.0%	(1.2) pp
Domestic	-	86.3%	87.1%	(0.8) pp
International	-	78.2%	80.8%	(2.6) pp
Total operating revenue per ASM (TRASM) (cents) (1)	6.6	124.8	130.8	(4.5%)
Fare revenue per ASM (RASM) (cents) (1)	4.5	84.4	93.4	(9.6%)
Fare revenue per RPM (Yield) (cents) (1)	5.4	100.8	109.9	(8.3%)
Average fare (2)	52	978	1,074	(8.9%)
Average other passenger revenue	21	402	356	13.0%
Average non-passenger revenue (1)	3.5	65	71	(8.7%)
Total ancillary revenue per passenger (4)	24.8	467	427	9.4%
Operating expenses per ASM (CASM) (cents) (1)	7.1	132.8	131.2	1.2%
Operating expenses per ASM (CASM) (US cents) (3)	-	7.0	6.9	0.6%
CASM ex fuel (cents) (1)	4.6	86.1	93.3	(7.7%)
CASM ex fuel (US cents) (3)	-	4.5	4.9	(8.3%)
Booked passengers (thousands) (1)	-	13,434	12,200	10.1%
Departures (1)	-	87,076	80,182	8.6%
Block hours (1)	-	237,485	217,562	9.2%
Fuel gallons consumed (millions)	-	168.7	157.2	7.3%
Average economic fuel cost per gallon	2.3	43.0	33.6	27.9%
Aircraft at end of period	-	73	67	9.0%
Average aircraft utilization (block hours)	-	13.4	12.5	7.1%
Average exchange rate	-	19.04	18.93	0.6%
End of period exchange rate	-	18.81	18.20	3.4%

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only

(1) Includes schedule + charter

(2) Includes schedule

(3) Dollar amounts were converted at average exchange rate of each period

(4) Includes "other passenger revenues" and "non-passenger revenues"

Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries  
Consolidated Statement of Operations

Unaudited (In millions of Mexican pesos)	Three months ended September 30, 2018 (US Dollars) *	Three months ended September 30, 2018	Three months ended September 30, 2017 (Adjusted)	Variance (%)
<b>Operating revenues:</b>				
<b>Passenger revenues</b>	<b>375</b>	<b>7,058</b>	<b>6,286</b>	<b>12.3%</b>
Fare revenues	271	5,096	4,773	6.8%
Other passenger revenues	104	1,962	1,513	29.7%
<b>Non-passenger revenues</b>	<b>14</b>	<b>258</b>	<b>285</b>	<b>(9.5%)</b>
Cargo	3	55	38	44.7%
Other non-passenger revenues	11	203	247	(17.8%)
<b>Total operating revenues</b>	<b>389</b>	<b>7,316</b>	<b>6,571</b>	<b>11.3%</b>
Other operating income	(13)	(243)	(8)	>100%
Fuel	140	2,631	1,698	54.9%
Aircraft and engine rent expense	85	1,593	1,384	15.1%
Landing, take-off and navigation expenses	61	1,150	989	16.2%
Salaries and benefits	44	834	695	19.9%
Maintenance expenses	21	393	324	21.3%
Sales, marketing and distribution expenses	18	340	468	(27.4%)
Other operating expenses	14	257	248	3.6%
Depreciation and amortization	6	115	150	(23.4%)
<b>Operating expenses</b>	<b>376</b>	<b>7,070</b>	<b>5,948</b>	<b>18.9%</b>
<b>Operating income</b>	<b>13</b>	<b>246</b>	<b>623</b>	<b>(60.5%)</b>
Finance income	2	37	30	23.3%
Finance cost	(4)	(64)	(20)	>100%
Exchange (loss) gain, net	(22)	(419)	125	NA
<b>Comprehensive financing result</b>	<b>(24)</b>	<b>(446)</b>	<b>135</b>	<b>NA</b>
<b>(Loss) income before income tax</b>	<b>(11)</b>	<b>(200)</b>	<b>758</b>	<b>NA</b>
Income tax benefit (expense)	4	81	(38)	NA
<b>Net (loss) income</b>	<b>(6)</b>	<b>(119)</b>	<b>720</b>	<b>NA</b>

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only.



**Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statement of Operations

Unaudited (In millions of Mexican pesos)	Nine months ended September 30, 2018 (US Dollars)*	Nine months ended September 30, 2018	Nine months ended September 30, 2017 (Adjusted)	Variance (%)
<b>Operating revenues:</b>				
<b>Passenger revenues</b>	<b>984</b>	<b>18,520</b>	<b>17,392</b>	<b>6.5%</b>
Fare revenues	697	13,118	13,050	0.5%
Other passenger revenues	287	5,402	4,342	24.4%
<b>Non-passenger revenues</b>	<b>47</b>	<b>877</b>	<b>872</b>	<b>0.5%</b>
Cargo	9	156	118	32.2%
Other non-passenger revenues	38	720	754	(4.5%)
<b>Total operating revenues</b>	<b>1,031</b>	<b>19,396</b>	<b>18,264</b>	<b>6.2%</b>
Other operating income	(25)	(475)	(19)	>100%
Fuel	385	7,250	5,284	37.2%
Aircraft and engine rent expense	249	4,693	4,461	5.2%
Landing, take-off and navigation expenses	182	3,425	3,029	13.1%
Salaries and benefits	124	2,330	2,108	10.5%
Maintenance expenses	60	1,126	1,037	8.5%
Sales, marketing and distribution expenses	57	1,079	1,212	(11.0%)
Other operating expenses	45	832	789	5.4%
Depreciation and amortization	20	371	418	(11.2%)
<b>Operating expenses</b>	<b>1,097</b>	<b>20,632</b>	<b>18,319</b>	<b>12.6%</b>
<b>Operating loss</b>	<b>(66)</b>	<b>(1,235)</b>	<b>(55)</b>	<b>&gt;100%</b>
Finance income	6	108	72	50.0%
Finance cost	(7)	(129)	(62)	>100%
Exchange loss, net	(24)	(457)	(1,578)	(71.0%)
<b>Comprehensive financing result</b>	<b>(25)</b>	<b>(477)</b>	<b>(1,567)</b>	<b>(69.5%)</b>
<b>Loss before income tax</b>	<b>(91)</b>	<b>(1,713)</b>	<b>(1,623)</b>	<b>5.5%</b>
Income tax benefit	27	514	517	(0.6%)
<b>Net loss</b>	<b>(64)</b>	<b>(1,199)</b>	<b>(1,106)</b>	<b>8.4%</b>

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only.

## Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries

### Reconciliation of total ancillary revenue per passenger

The adoption of the IFRS 15 impacted the classification and timing of recognition of certain ancillary items such as bags, advanced seat selection, itinerary changes and other air travel-related fees, since they are deemed part of the single performance obligation of providing passenger transportation. These ancillary items are now recognized in passenger revenue (disclosed below as “*other passenger revenue*”).

Non-passenger revenue primarily consists of revenue from the sale of other items such as rental cars, insurance, hotels and cargo. This change did not have a material impact on our income statement or balance sheet in any period presented.

The following table shows quarterly additional detail about the components of total ancillary revenue:

Unaudited (In millions of Mexican pesos)	Three months ended September 30, 2018 (US Dollars)*	Three months ended September 30, 2018	Three months ended September 30, 2017 (Adjusted)	Variance (%)
Other passenger revenues	104	1,962	1,513	29.7%
Non-passenger revenues	14	258	285	(9.5%)
<b>Total ancillary revenues</b>	<b>118</b>	<b>2,220</b>	<b>1,798</b>	<b>23.5%</b>
Booked passengers (thousands)	4,680	4,680	4,173	12.1%
<b>Total ancillary revenue per passenger</b>	<b>25.2</b>	<b>474</b>	<b>431</b>	<b>10.1%</b>

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only.

Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries  
Consolidated Statement of Financial Position

(In millions of Mexican pesos)	September 30, 2018 Unaudited (US Dollars)*	September 30, 2018 Unaudited	December 31, 2017 (Adjusted)
<b>Assets</b>			
Cash and cash equivalents	323	6,082	6,951
Accounts receivable	110	2,045	1,449
Inventories	16	309	295
Prepaid expenses and other current assets	36	678	768
Financial instruments	12	228	497
Guarantee deposits	49	925	1,353
<b>Total current assets</b>	<b>546</b>	<b>10,267</b>	<b>11,313</b>
Rotable spare parts, furniture and equipment, net	270	5,081	4,376
Intangible assets, net	9	162	190
Deferred income taxes	30	571	563
Guarantee deposits	291	5,477	6,098
Other assets	7	126	126
<b>Total non-current assets</b>	<b>607</b>	<b>11,417</b>	<b>11,353</b>
<b>Total assets</b>	<b>1,153</b>	<b>21,684</b>	<b>22,666</b>
<b>Liabilities</b>			
Unearned transportation revenue	149	2,806	2,293
Accounts payable	57	1,065	1,118
Accrued liabilities	120	2,263	2,051
Other taxes and fees payable	89	1,665	1,245
Income taxes payable	8	155	111
Financial instruments	-	4	-
Financial debt	127	2,393	2,404
Other liabilities	5	85	281
<b>Total short-term liabilities</b>	<b>555</b>	<b>10,436</b>	<b>9,503</b>
Financial debt	43	800	1,079
Accrued liabilities	8	153	200
Other liabilities	15	291	217
Employee benefits	1	22	19
Deferred income taxes	60	1,119	1,617
<b>Total long-term liabilities</b>	<b>127</b>	<b>2,385</b>	<b>3,132</b>
<b>Total liabilities</b>	<b>682</b>	<b>12,821</b>	<b>12,635</b>
<b>Equity</b>			
Capital stock	158	2,974	2,974
Treasury shares	(5)	(100)	(85)
Contributions for future capital increases	-	-	-
Legal reserve	16	291	291
Additional paid-in capital	96	1,813	1,804
Retained earnings	199	3,750	4,948
Accumulated other comprehensive losses	7	135	99
<b>Total equity</b>	<b>471</b>	<b>8,863</b>	<b>10,031</b>
<b>Total liabilities and equity</b>	<b>1,153</b>	<b>21,684</b>	<b>22,666</b>
<b>Total shares outstanding fully diluted</b>		<b>1,011,876,677</b>	<b>1,011,876,677</b>

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only

**Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statement of Cash Flows – Cash Flow Data Summary

Unaudited (In millions of Mexican pesos)	Three months ended September 30, 2018 (US Dollars)*	Three months ended September 30, 2018	Three months ended September 30, 2017 (Adjusted)
Net cash flow used in operating activities	(7)	(136)	(385)
Net cash flow provided by (used in) investing activities	1	20	(564)
Net cash flow (used in) provided by financing activities	(13)	(247)	268
<b>Decrease in cash and cash equivalents</b>	<b>(19)</b>	<b>(363)</b>	<b>(681)</b>
Net foreign exchange differences	(17)	(326)	73
Cash and cash equivalents at beginning of period	359	6,771	5,981
<b>Cash and cash equivalents at end of period</b>	<b>323</b>	<b>6,082</b>	<b>5,373</b>

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only

**Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statement of Cash Flows – Cash Flow Data Summary

Unaudited (In millions of Mexican pesos)	Nine months ended September 30, 2018 (US Dollars)*	Nine months ended September 30, 2018	Nine months ended September 30, 2017 (Adjusted)
Net cash flow provided by (used in) operating activities	25	464	(130)
Net cash flow used in investing activities	(34)	(641)	(1,409)
Net cash flow (used in) provided by financing activities	(21)	(386)	533
<b>Decrease in cash and cash equivalents</b>	<b>(30)</b>	<b>(563)</b>	<b>(1,006)</b>
Net foreign exchange differences	(16)	(306)	(692)
Cash and cash equivalents at beginning of period	369	6,951	7,071
<b>Cash and cash equivalents at end of period</b>	<b>323</b>	<b>6,082</b>	<b>5,373</b>

\*Peso amounts were converted to U.S. dollars at end of period exchange rate for convenience purposes only

## Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries

The following table shows adjusted balances after the adoption of IFRS 15, "Revenue from Contracts with Customers" on the quarterly statements of operations for each quarter of 2017. These recast amounts were derived from unaudited financial statements included in the quarterly reports on Form 6-K during the year ended December 31, 2017.

Unaudited	Three months ended March 31, 2017	Three months ended June 30, 2017	Three months ended September 30, 2017	Three months ended December 31, 2017	Full Year 2017 Adjusted
<b>(In millions of Mexican pesos)</b>					
<b>Operating revenues:</b>					
<b>Passenger revenues</b>	<b>5,407</b>	<b>5,700</b>	<b>6,286</b>	<b>6,257</b>	<b>23,650</b>
Fare revenues	4,025	4,252	4,773	4,741	17,791
Other passenger revenues	1,382	1,448	1,513	1,516	5,859
<b>Non-passenger revenues</b>	<b>292</b>	<b>294</b>	<b>285</b>	<b>267</b>	<b>1,138</b>
Cargo	41	39	38	53	171
Other non-passenger revenues	251	255	247	214	967
<b>Total operating revenues</b>	<b>5,699</b>	<b>5,994</b>	<b>6,571</b>	<b>6,524</b>	<b>24,788</b>
Other operating income	(1)	(10)	(8)	(78)	(97)
Fuel	1,892	1,694	1,698	1,972	7,256
Aircraft and engine rent expense	1,699	1,378	1,384	1,612	6,073
Landing, take-off and navigation expenses	1,035	1,006	989	981	4,011
Salaries and benefits	696	717	695	715	2,823
Sales, marketing and distribution expenses	358	387	468	479	1,692
Maintenance expenses	351	362	324	396	1,433
Other operating expenses	270	270	248	300	1,088
Depreciation and amortization	128	139	150	131	548
<b>Operating expenses</b>	<b>6,428</b>	<b>5,943</b>	<b>5,948</b>	<b>6,508</b>	<b>24,827</b>
<b>Operating (loss) income</b>	<b>(729)</b>	<b>51</b>	<b>623</b>	<b>16</b>	<b>(39)</b>
Finance income	21	21	30	34	106
Finance cost	(21)	(22)	(20)	(23)	(86)
Exchange (loss) gain, net	(1,145)	(558)	125	784	(794)
<b>Comprehensive financing result</b>	<b>(1,145)</b>	<b>(559)</b>	<b>135</b>	<b>795</b>	<b>(774)</b>
<b>(Loss) income before income tax</b>	<b>(1,874)</b>	<b>(508)</b>	<b>758</b>	<b>811</b>	<b>(813)</b>
Income tax benefit	556	-	(38)	(357)	161
<b>Net (loss) income</b>	<b>(1,318)</b>	<b>(508)</b>	<b>720</b>	<b>454</b>	<b>(652)</b>
<b>(Loss) earnings per share:</b>					
Basic (pesos)	(1.30)	(0.50)	0.71	0.45	(0.64)
Diluted (pesos)	(1.30)	(0.50)	0.71	0.45	(0.64)
<b>(Loss) earnings per ADS:</b>					
Basic (pesos)	(13.02)	(5.02)	7.11	4.49	(6.44)
Diluted (pesos)	(13.02)	(5.02)	7.11	4.49	(6.44)

The following table shows quarterly adjustments made due to the adoption of IFRS 15, "Revenue from Contracts with Customers" on the statements of operations for 2017.

Unaudited (In millions of Mexican pesos)	Full Year 2017 as Reported	Three months ended March 31, 2017	Three months ended June 30, 2017	Three months ended September 30, 2017	Three months ended December 31, 2017	Full Year 2017 Adjusted
<b>Operating revenues:</b>						
<b>Passenger revenues</b>	<b>17,791</b>	<b>1,382</b>	<b>1,448</b>	<b>1,513</b>	<b>1,516</b>	<b>23,650</b>
Fare revenues	17,791	-	-	-	-	17,791
Other passenger revenues	-	1,382	1,448	1,513	1,516	5,859
<b>Non-passenger revenues</b>	<b>7,054</b>	<b>(1,339)</b>	<b>(1,435)</b>	<b>(1,524)</b>	<b>(1,618)</b>	<b>1,138</b>
Cargo	171	-	-	-	-	171
Other non-passenger revenues	6,883	(1,339)	(1,435)	(1,524)	(1,618)	967
<b>Total operating revenues</b>	<b>24,845</b>	<b>43</b>	<b>13</b>	<b>(11)</b>	<b>(102)</b>	<b>24,788</b>
Other operating income	(97)	-	-	-	-	(97)
Fuel	7,256	-	-	-	-	7,256
Aircraft and engine rent expense	6,073	-	-	-	-	6,073
Landing, take-off and navigation expenses	4,011	-	-	-	-	4,011
Salaries and benefits	2,823	-	-	-	-	2,823
Sales, marketing and distribution expenses	1,692	-	-	-	-	1,692
Maintenance expenses	1,433	-	-	-	-	1,433
Other operating expenses	1,088	-	-	-	-	1,088
Depreciation and amortization	548	-	-	-	-	548
<b>Operating expenses</b>	<b>24,827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,827</b>
<b>Operating income (loss)</b>	<b>18</b>	<b>43</b>	<b>13</b>	<b>(11)</b>	<b>(102)</b>	<b>(39)</b>
Finance income	106	-	-	-	-	106
Finance cost	(86)	-	-	-	-	(86)
Exchange (loss), net	(794)	-	-	-	-	(794)
<b>Comprehensive financing result</b>	<b>(774)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(774)</b>
<b>(Loss)income before income tax</b>	<b>(756)</b>	<b>43</b>	<b>13</b>	<b>(11)</b>	<b>(102)</b>	<b>(813)</b>
Income tax benefit	161	-	-	-	-	161
<b>Net (loss) income</b>	<b>(595)</b>	<b>43</b>	<b>13</b>	<b>(11)</b>	<b>(102)</b>	<b>(652)</b>
Basic (loss) earnings per share	(0.59)	0.04	0.01	(0.01)	(0.10)	(0.64)
Diluted (loss) earnings per share	(0.59)	0.04	0.01	(0.01)	(0.10)	(0.64)



## Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries

### Reconciliation of total ancillary revenue per passenger

The adoption of the IFRS 15 impacted the classification and timing of recognition of certain ancillary items such as bags, advanced seat selection, itinerary changes and other air travel-related fees, since they are deemed part of the single performance obligation of providing passenger transportation. These ancillary items are now recognized in passenger revenue (disclosed below as “*other passenger revenue*”).

Non-passenger revenue primarily consists of revenue from the sale of other items such as rental cars, insurance hotels and cargo. This change did not have a material impact on our income statement or balance sheet in any period presented.

The following table shows quarterly additional detail about the components of total ancillary revenue:

Unaudited (In millions of Mexican pesos)	Three months ended March 31, 2017	Three months ended June 30, 2017	Three months ended September 30, 2017	Three months ended December 31, 2017	Full Year 2017 Adjusted
Other passenger revenues	1,382	1,448	1,513	1,516	5,859
Non-passenger revenues	292	294	285	267	1,138
<b>Total ancillary revenues</b>	<b>1,674</b>	<b>1,742</b>	<b>1,798</b>	<b>1,783</b>	<b>6,997</b>
Booked passengers (thousands)	3,964	4,063	4,173	4,226	16,426
<b>Total ancillary revenue per passenger</b>	<b>422</b>	<b>429</b>	<b>431</b>	<b>422</b>	<b>426</b>
Total ancillary revenue per passenger (as reported) (*)	411	426	434	446	429

(\*) These recast amounts were derived from unaudited financial statements included in the quarterly reports on Form 6-K during the year ended December 31, 2017, under the called name “Non-ticket revenue per passenger”.