



Volaris Reports First Quarter 2020 Results: 3.9% Operating Margin, up 3.5 percentage points and 2.1% TRASM Increase year over year

Mexico City, Mexico, April 23, 2020 – Volaris* (NYSE: VLRS and BMV: VOLAR), the ultra-low-cost airline serving Mexico, the United States and Central America, today announces its financial results for the first quarter 2020.

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

First Quarter 2020 Highlights

- Total operating revenues were Ps.7,824 million for the first quarter, an increase of 8.8% year over year.
- Total ancillary revenues were Ps.2,978 million for the first quarter, an increase of 16.2% year over year. Total ancillary revenues per passenger for the first quarter reached Ps.564, an increase of 9.3% year over year. Total ancillary revenues represented 38.1% of total operating revenues for the first quarter 2020, increasing 2.5 percentage points with respect to the same period of last year.
- Total operating revenues per available seat mile (TRASM) were Ps.128.8 cents for the first quarter, an increase of 2.1% year over year.
- Operating expenses per available seat mile (CASM) were Ps.124.1 cents for the first quarter, a decrease of 1.2% year over year; with an average economic fuel cost per gallon of Ps.41.4 for the first quarter, a decrease of 10.1% year over year.
- Operating expenses per available seat mile excluding fuel, (CASM ex fuel) reached Ps.82.1 cents for the first quarter, an increase of 4.4% year over year; with an average exchange rate depreciation of the Mexican peso against the U.S. dollar by 3.4% year over year.
- Operating income was Ps.308 million for the first quarter, a significant increase compared with the operating income of Ps.26 million for the same period of last year. Operating margin for the first quarter was 3.9%, an improvement in margin of 3.5 percentage points year over year.
- Net loss was Ps.1,493 million (Ps.1.48 loss per share / U.S.\$0.63 loss per ADS), for a negative net margin of (19.1%) for the first quarter.
- At the close of the first quarter, the Mexican peso depreciated 24.8% against the U.S. dollar (Ps.23.51 per U.S. dollar) with respect to the exchange rate at the close of the previous quarter (Ps.18.85 per U.S. dollar). The Company booked a net foreign exchange loss of Ps.1,834 million derived from our U.S. dollar net monetary liability position.



- During the first quarter of 2020, the net cash flow generated by operating activities were Ps.2,819 million. The net cash flow used in investing activities reached Ps.37 million. The net cash flow used in financing activities were Ps.1,869 million, which included Ps.1,819 million of aircraft rental payments. The positive net foreign exchange difference was Ps.1,765 million, thus having a net increase of cash and cash equivalents in the first quarter of Ps.2,678 million. As of March 31, 2020, cash and cash equivalents were Ps.10,658 million.
- At the end of March 2020, the Company began to experience a significant drop in the demand for air travel which has seriously affected the entire aviation industry as a result of the pandemic caused by the SARS-CoV-2 (COVID-19).
- On March 24, 2020, the Company announced a decrease in capacity measured by available seat miles (ASMs) for the months of March and April 2020 of approximately 50% versus the scheduled originally published. On March 30, 2020, the Mexican government through the General Health Council (GHG) declared a health emergency due to force majeure, which will be in effect until April 30, 2020. As a result, on March 31, 2020 Volaris announced an additional capacity reduction for the month of April 2020, which results in a decrease of approximately 80% versus the originally scheduled capacity.
- On April 21, 2020, the GHG announced that Mexico is in "Phase 3" of the spread of the COVID-19, the most serious stage, as transmission of the virus is intensifying. Mexico has extended governmental restrictions to contain the COVID-19 until May 30, 2020 and plans to begin easing up restrictions from June 1, 2020 onwards if the current measures are successful. As result, Volaris will carry out a capacity reduction for the month of May 2020 of approximately 90% versus the originally scheduled capacity.
- While our business and the airline industry have begun to experience material adverse impacts due to COVID-19, as of the date thereof, it is not yet possible to determine when the adverse effects of COVID-19 will abate and the extent to which they will further decrease demand for air travel, which could continue to materially and negatively affect our business, results of operations and financial condition.

Fuel Price reduction and Peso Depreciation

- **Fuel price reduction:** The average economic fuel cost per gallon decreased 10.1% in the first quarter of 2020, year over year, reaching Ps.41.4 per gallon (U.S.\$1.8).
- **Peso depreciation:** The Mexican peso depreciated 3.4% against the U.S. dollar year over year, from an average exchange rate of Ps.19.22 per U.S. dollar in the first quarter of 2019 to Ps.19.88 per U.S. dollar during the first quarter of 2020. At the end of the first quarter of 2020, the Mexican peso (Ps.23.51 per U.S. dollar) depreciated 21.3% with respect to the exchange rate at the end of the same period of the last year (Ps.19.38 per U.S. dollar).



Passenger Traffic Stimulation, Ancillary Revenue Expansion, and Positive TRASM Growth

- **Passenger traffic stimulation:** Volaris booked 5.3 million passengers in the first quarter of 2020, an increase of 6.3% year over year. Volaris traffic (measured in terms of revenue passenger miles, or RPMs) increased 8.9% year over year. System load factor during the first quarter increased 1.5 percentage points year over year, reaching 84.7%.
- **Total ancillary revenue growth:** For the first quarter of 2020, total ancillary revenue increased 16.2% year over year. Total ancillary revenue per passenger in the first quarter of 2020 increased 9.3% year over year. The total ancillary revenue generation continues to grow with new and mature products, appealing to customers' needs, representing 38.1% of total operating revenue of the first quarter, an increase of 2.5 percentage points year over year.
- **Positive TRASM growth:** For the first quarter of 2020, TRASM increased 2.1% year over year. During the first quarter of 2020, the total capacity, in terms of ASMs, increased 6.9% year over year.

Total Unit Cost Reduction despite Peso depreciation

- CASM and CASM ex fuel in the first quarter of 2020 reached Ps.124.1 (U.S.\$5.28 cents) and Ps.82.1 cents (U.S.\$3.49), respectively. This represented a decrease of 1.2% and an increase of 4.4%, respectively, year over year; mainly driven by cost control discipline, the average exchange rate depreciation of the Mexican peso against the U.S. dollar of 3.4%, and the average economic fuel cost per gallon decreased 10.1%.

Young and Fuel-Efficient Consumption Fleet

- During the first quarter of 2020, the Company did not incorporate additional aircraft to its fleet. As of March 31, 2020, Volaris' fleet was composed of 82 aircraft (8 A319s, 58 A320s and 16 A321s), with an average age of 5.3 years. At the end of the first quarter of 2020, Volaris' fleet had an average of 187 seats per aircraft, 77% of our aircraft were sharklet-equipped, and 28% were NEO.

Net cash flows generated by operating activities

- During the first quarter of 2020, the net cash flow generated by operating activities were Ps.2,819 million. The net cash flow used in investing activities reached Ps.37 million. The net cash flow used in financing activities were Ps.1,869 million, which included Ps.1,819 million of aircraft rental payments. The positive net foreign exchange difference was Ps.1,765 million, thus having a net increase of cash and cash equivalents in the first quarter of Ps.2,678 million. As of March 31, 2020, cash and cash equivalents were Ps.10,658 million, representing 30.1% of last twelve months of the operating revenue. Volaris registered a negative net debt (or a positive net cash position) of Ps.4,817 million (excluding lease liability recognized under the IFRS16 adoption).



- During 2019, the Company established hedges on its U.S. dollar denominated revenues, through a non-derivative financial instrument, using the lease liabilities denominated in U.S. dollar as a hedge instrument. These hedging's relationships were designated as a cash flow hedge of forecasted revenues to mitigate the volatility of the foreign exchange variation arising from the revaluation of its lease liabilities. During the first quarter 2020, the impacts of these hedges was Ps.27 million, which has been presented as part of the total operating revenue.
- Additionally, during 2019, the Company established hedges on a portion of its forecasted fuel expense, through a non-derivative financial instrument, using as a hedge instrument a portion of its U.S. dollar denominated monetary assets. These hedging's relationships were designated as a cash flow hedge of forecasted fuel expense to mitigate the volatility of the foreign exchange variation arising from the revaluation of this portion of U.S. dollar denominated monetary asset. During the first quarter 2020, the impacts of these hedges was Ps.48 million, which has been presented as part of the total fuel expense.
- For the hedging relationships described before, the effective portion of the hedging instrument's changes in fair value is recognized in Other Comprehensive Income or OCI. The accounting records corresponding to the recycling of the OCI, are done in accordance with IFRS 9. This mean, to reclassify the OCI through the accounts of Results in the same period of in which the expecting hedging for cash flows affect the result of the period. As of March 31, 2020, OCI include a negative foreign exchange effect of Ps.6,590 million.

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, President & CEO
Mr. Holger Blankenstein, Airline Commercial and Operation EVP
Ms. Sonia Jerez Burdeus, VP & CFO

Date:

Friday, April 24, 2020

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):

0800-891-6744

International dial in:

+ 1-785-424-1726

Participant passcode:

VOLARIS

Webcast will be available at:

<https://services.choruscall.com/links/vlrs2004246b1P1U0S.html>



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 the beginning of operations in March 2006, Volaris has increased its routes from five to more than 98 and its fleet from four to 82 aircraft. Volaris offers more than 130 daily flight segments on routes that connect 40 cities in Mexico and 6 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 and leisure travelers in Mexico, the United States and Central America. Volaris has received the ESR Award for Social Corporate Responsibility for ten consecutive years. For more information, please visit: 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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Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries
Financial and Operating Indicators

Unaudited (In Mexican pesos, except otherwise indicated)	Three months ended March 31, 2020 (US Dollars)*	Three months ended March 31, 2020	Three months ended March 31, 2019	Variance (%)
Total operating revenues (millions)	333	7,824	7,192	8.8%
Total operating expenses (millions)	320	7,517	7,166	4.9%
EBIT (millions)	13	308	26	>100%
EBIT margin	3.9%	3.9%	0.4%	3.5 pp
Depreciation and amortization	61	1,442	1,292	11.6%
Aircraft and engine variable lease expenses	16	375	227	65.0%
Net (loss) income (millions)	(64)	(1,493)	519	NA
Net (loss) income margin	(19.1%)	(19.1%)	7.2%	(26.3) pp
(Loss) income per share:				
Basic (pesos)	(0.06)	(1.48)	0.51	NA
Diluted (pesos)	(0.06)	(1.48)	0.51	NA
(Loss) income per ADS:				
Basic (pesos)	(0.63)	(14.76)	5.13	NA
Diluted (pesos)	(0.63)	(14.76)	5.13	NA
Weighted average shares outstanding:				
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⁾	-	6,095	5,704	6.9%
Domestic	-	4,253	3,971	7.1%
International	-	1,842	1,733	6.3%
Revenue passenger miles (RPMs) (millions) ⁽¹⁾	-	5,166	4,744	8.9%
Domestic	-	3,660	3,386	8.1%
International	-	1,506	1,358	10.9%
Load factor ⁽²⁾	-	84.7%	83.2%	1.5 pp
Domestic	-	86.1%	85.3%	0.8 pp
International	-	81.7%	78.6%	3.1 pp
Total operating revenue per ASM (TRASM) (cents) ^{(1) (5)}	5.5	128.8	126.1	2.1%
Total ancillary revenue per passenger ^{(4) (5)}	24.0	564	517	9.3%
Total operating revenue per passenger ⁽⁵⁾	63.3	1,488	1,449	2.6%
Operating expenses per ASM (CASM) (cents) ^{(1) (5)}	5.28	124.1	125.7	(1.2%)
Operating expenses per ASM (CASM) (US cents) ^{(3) (5)}	-	6.24	6.54	(4.5%)
CASM ex fuel (cents) ^{(1) (5)}	3.49	82.1	78.6	4.4%
CASM ex fuel (US cents) ^{(3) (5)}	-	4.13	4.09	1.0%
Booked passengers (thousands) ⁽¹⁾	-	5,277	4,962	6.3%
Departures ⁽¹⁾	-	33,661	32,198	4.5%
Block hours ⁽¹⁾	-	86,638	82,848	4.6%
Fuel gallons consumed (millions)	-	61.9	58.3	6.1%
Average economic fuel cost per gallon ⁽⁵⁾	1.8	41.4	46.0	(10.1%)
Aircraft at end of period	-	82	78	5.1%
Average aircraft utilization (block hours)	-	12.8	12.7	0.6%
Average exchange rate	-	19.88	19.22	3.4%
End of period exchange rate	-	23.51	19.38	21.3%

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

⁽¹⁾ Includes schedule and charter

⁽²⁾ Includes schedule

⁽⁵⁾ Excludes non-derivatives financial instruments

⁽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 March 31, 2020 (US Dollars) *	Three months ended March 31, 2020	Three months ended March 31, 2019	Variance (%)
Operating revenues:				
Passenger revenues	321	7,548	6,976	8.2%
Fare revenues	207	4,874	4,629	5.3%
Other passenger revenues	114	2,675	2,347	14.0%
Non-passenger revenues	13	304	216	40.4%
Other non-passenger revenues	11	247	154	60.5%
Cargo	2	56	62	(9.3%)
Non-derivatives financial instruments	(1)	(27)	-	>100%
Total operating revenues	333	7,824	7,192	8.8%
Other operating income	(5)	(121)	-	>100%
Fuel expense, net ⁽¹⁾	107	2,513	2,683	(6.3%)
Landing, take-off and navigation expenses	63	1,478	1,232	19.9%
Depreciation of right of use assets	52	1,234	1,156	6.8%
Salaries and benefits	40	940	852	10.4%
Aircraft and engine variable lease expenses	16	375	227	65.0%
Sales, marketing and distribution expenses	15	363	271	33.8%
Maintenance expenses	10	234	353	(33.9%)
Other operating expenses	12	293	256	14.6%
Depreciation and amortization	9	209	136	53.0%
Operating expenses	320	7,517	7,166	4.9%
Operating income	13	308	26	>100%
Finance income	2	49	38	30.2%
Finance cost	(28)	(656)	(503)	30.6%
Exchange (loss) gain, net	(78)	(1,834)	1,154	NA
Comprehensive financing result	(104)	(2,441)	689	NA
(Loss) income before income tax	(91)	(2,133)	715	NA
Income tax benefit (expense)	27	640	(196)	NA
Net (loss) income	(64)	(1,493)	519	NA

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

⁽¹⁾ 1Q 2020 figures include a benefit from non-derivatives financial instruments by an amount of Ps.48.2 million



Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries
Reconciliation of total ancillary revenue per passenger

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, 2020 (US Dollars)*	Three months ended March 31, 2020	Three months ended March 31, 2019	Variance (%)
Other passenger revenues	114	2,675	2,347	14.0%
Non-passenger revenues	13	304	216	40.4%
Total ancillary revenues	127	2,978	2,563	16.2%
Booked passengers (thousands)	-	5,277	4,962	6.3%
Total ancillary revenue per passenger	24	564	517	9.3%

* 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)	March 31, 2020 Unaudited (US Dollars)*	March 31, 2020 Unaudited	December 31, 2019 Audited
Assets			
Cash and cash equivalents	453	10,658	7,980
Accounts receivable	89	2,094	2,320
Inventories	12	291	302
Prepaid expenses and other current assets	35	823	781
Financial instruments	-	8	134
Guarantee deposits	41	969	600
Total current assets	631	14,843	12,117
Rotable spare parts, furniture and equipment, net	318	7,476	7,385
Right of use assets	1,407	33,072	34,129
Intangible assets, net	7	165	167
Financial instruments	-	2	3
Deferred income taxes	118	2,775	1,543
Guarantee deposits	452	10,634	7,644
Other assets	6	151	166
Other long- term assets	7	176	141
Total non-current assets	2,316	54,450	51,178
Total assets	2,947	69,293	63,295
Liabilities			
Unearned transportation revenue	190	4,465	3,680
Accounts payable	163	3,825	1,656
Accrued liabilities	107	2,525	2,532
Lease liabilities	255	5,998	4,721
Other taxes and fees payable	116	2,735	2,102
Income taxes payable	-	2	141
Financial instruments	73	1,706	-
Financial debt	123	2,885	2,086
Other liabilities	12	288	407
Total short-term liabilities	1,039	24,429	17,324
Financial instruments	2	43	-
Financial debt	126	2,957	2,890
Accrued liabilities	3	73	91
Lease liabilities	1,846	43,406	35,797
Other liabilities	89	2,101	1,470
Employee benefits	2	42	38
Deferred income taxes	7	156	156
Total long-term liabilities	2,075	48,777	40,441
Total liabilities	3,114	73,205	57,765
Equity			
Capital stock	126	2,974	2,974
Treasury shares	(7)	(174)	(170)
Contributions for future capital increases	-	-	-
Legal reserve	12	291	291
Additional paid-in capital	79	1,862	1,880
Retained (losses) earnings	(45)	(1,055)	438
Accumulated other comprehensive income (losses) ⁽¹⁾	(332)	(7,809)	116
Total equity	(166)	(3,912)	5,530
Total liabilities and equity	2,947	69,293	63,295
Total shares outstanding fully diluted		1,011,876,677	1,011,876,677

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

⁽¹⁾ As of March 31, 2020 the figures include a negative foreign exchange effect of Ps.6,590 million related to non-derivatives financial instruments

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 March 31, 2020 (US Dollars)*	Three months ended March 31, 2020	Three months ended March 31, 2019
Net cash flow generated by operating activities	120	2,819	3,731
Net cash flow used in investing activities	(2)	(37)	(378)
Net cash flow used in financing activities**	(79)	(1,869)	(2,063)
Increase in cash and cash equivalents	39	913	1,290
Net foreign exchange differences	75	1,765	(82)
Cash and cash equivalents at beginning of period	339	7,980	5,863
Cash and cash equivalents at end of period	453	10,658	7,071

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

**Includes aircraft rental payments of Ps.1,819 million and Ps.1,548 million for the three months ended period March 31, 2020 and 2019, respectively