
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of July 2018

Commission File Number: 001-36059

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

(Name of Registrant)

Av. Antonio Dovalí Jaime No. 70, 13 Floor, Tower B
Colonia Zedec Santa Fe
United Mexican States, Mexico City 01210
+(52) 55-5261-6400

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Controladora Vuela Compañía de Aviación, S.A.B. de C.V. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

Date: July 20, 2018

By: /s/ Fernando Suárez Gerard
Name: Fernando Suárez Gerard
Title: Executive Vice President
Chief Financial Officer

By: /s/ Jaime E. Pous Fernández
Name: Jaime E. Pous Fernández
Title: Senior Vice President
Chief Legal Officer and Corporate Affairs

EXHIBIT INDEX

The following exhibit is filed as part of this Form 6-K:

Exhibit	Description
99.92	Second quarter 2018 financial statements and press release dated July 20, 2018

VLRS	Consolidated
Ticker: VLRS	Quarter: 2 Year: 2018

General information about financial statements

Ticker:	VLRS
Period covered by financial statements:	2018-01-01 al 2018-06-30
Date of end of reporting period:	2018-06-30
Name of reporting entity or other means of identification:	VLRS
Description of presentation currency:	MXN
Level of rounding used in financial statements:	Thousands
Consolidated:	Yes
Number of quarter:	2
Type of issuer:	ICS
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period:	
Description of nature of financial statements:	

Disclosure of general information about financial statements

Follow-up of analysis

Analyst Coverage

Firm	Analyst
Banorte	José Itzamna Espitia
Barclays	Gilberto Garcia
Bradesco BBI - Equity Research	Victor Mizusaki
Citi	Stephen Trent
Cowen Securities	Helane Becker
Deutsche Bank	Michael Linenberg
Evercore Partners	Duane Pfennigwerth
GBM	Mauricio Martinez
HSBC	Ricardo Rezende
Intercam Casa de Bolsa	Alejandra Marcos
Morgan Stanley	Joshua Milberg
Santander	Pedro Balcao
UBS	Rogério Araujo
Vector	Marco Antonio Montañez

Consolidated Statements of financial position

	As of June 30, 2018	As December 31, 2017 (Adjusted)
Statement of financial position		
Assets		
Current assets		
Cash and cash equivalents	6,770,779	6,950,879
Trade and other current receivables	1,038,159	878,931
Recoverable Income tax	594,420	570,361
Financial instruments	524,467	497,403
Inventories	316,266	294,850
Current biological assets	0	0
Other current non-financial assets	2,054,606	2,120,606
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners	11,298,697	11,313,030
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	0
Total current assets	11,298,697	11,313,030
Non-current assets		
Trade and other non-current receivables	0	0
Current tax assets, non-current	0	0
Non-current inventories	0	0
Non-current biological assets	0	0
Financial instruments	0	0
Investments accounted for using equity method	0	0
Investments in subsidiaries, joint ventures and associates	0	0
Rotable spare parts, furniture and equipment, net	5,046,410	4,375,697
Investment property	0	0
Goodwill	0	0
Intangible assets, net	167,693	190,420
Deferred income tax	573,107	562,445
Other non-current non-financial assets	6,190,689	6,224,675
Total non-current assets	11,977,899	11,353,237
Total assets	23,276,596	22,666,267
Equity and liabilities		
Liabilities		
Short-term liabilities		
Trade and other current payables	6,420,071	4,656,925
Income tax payable	141,415	111,292
Other current financial liabilities	2,576,504	2,403,562
Accrued liabilities	2,262,548	2,050,973
Short-term provisions		
Current provisions for employee benefits	0	0
Other liabilities	105,387	280,744
Total short-term provisions	105,387	280,744
Total short-term liabilities other than liabilities included in disposal groups classified as held for sale	11,505,925	9,503,496
Liabilities included in disposal groups classified as held for sale	0	0
Total short-term liabilities	11,505,925	9,503,496
Long-term liabilities		
Trade and other non-current payables	0	0
Current tax liabilities, non-current	0	0
Other non-current financial liabilities	907,584	1,079,152
Other non-current non-financial liabilities	158,711	199,848

	As of June 30, 2018	As December 31, 2017 (Adjusted)
Non-current provisions		
Non-current provisions for employee benefits	21,344	19,289
Other non-current provisions	273,163	216,702
Total non-current provisions	294,507	235,991
Deferred tax liabilities	1,265,261	1,616,282
Total non-current liabilities	2,626,063	3,131,273
Total liabilities	14,131,988	12,634,769
Equity		
Capital stock	2,973,559	2,973,559
Additional paid in capital	1,809,352	1,804,528
Treasury shares	84,503	85,034
Retained earnings	3,868,333	4,948,376
Other reserves	577,867	390,069
Total equity attributable to owners of parent	9,144,608	10,031,498
Non-controlling interests	0	0
Total equity	9,144,608	10,031,498
Total equity and liabilities	23,276,596	22,666,267

Consolidated Statements of Operations

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)	For the three months ended June 30, 2018	For the three months ended June 30, 2017 (Adjusted)
Profit or loss				
Profit (loss)				
Operating revenues	12,080,416	11,692,465	6,230,242	5,993,834
Cost of sales	0	0	0	0
Gross profit	12,080,416	11,692,465	6,230,242	5,993,834
Sales, marketing and distribution expenses	739,138	744,211	381,687	386,530
Administrative expenses	0	0	0	0
Other operating income	231,766	10,821	231,020	10,281
Other operating expense	13,054,223	11,637,396	6,654,404	5,566,607
Operating (loss) income	(1,481,179) (1)	(678,321) (2)	(574,829) (3)	50,978(4)
Finance income	70,943	42,804	690,632	21,489
Finance costs	102,367	1,745,631	31,005	580,144
Share of profit (loss) of associates and joint ventures accounted for using equity method	0	0	0	0
(Loss) income before income tax	(1,512,603)	(2,381,148)	84,798	(507,677)
Income tax (benefit) expense	(432,560)	(555,514)	46,658	0
(Loss) income from continuing operations	(1,080,043)	(1,825,634)	38,140	(507,677)
(Loss) income from discontinued operations	0	0	0	0
Net (loss) income	(1,080,043)	(1,825,634)	38,140	(507,677)
(Loss) income, attributable to				
(Loss) income, attributable to owners of parent	(1,080,043)	(1,825,634)	38,140	(507,677)
(Loss) income, attributable to non-controlling interests	0	0	0	0
Earnings per share				
(Loss) earnings per share				
Basic (loss) earnings per share				
Basic (loss) earnings per share from continuing operations	(1.07)	(1.8)	0.04	(0.5)
Basic (loss) earnings per share from discontinued operations	0	0	0	0
Total basic (loss) earnings per share	(1.07)	(1.8)	0.04	(0.5)
Diluted (loss) earnings per share				
Diluted (loss) earnings per share from continuing operations	(1.07)	(1.8)	0.04	(0.5)
Diluted (loss) earnings per share from discontinued operations	0	0	0	0
Total diluted (loss) earnings per share	(1.07)	(1.8)	0.04	(0.5)

(1) Includes the following expenses: i) Fuel by Ps.4,619,699, ii) Aircraft and engine rent expenses by Ps.3,100,363, iii) Landing, take-off and navigation expenses by Ps.2,275,209, iv) Salaries and benefits by Ps.1,496,129, v) Maintenance by Ps.731,537, vi) Other operating expenses by Ps.575,351, y vii) Depreciation and amortization by Ps.255,935.

(2) Includes the following expenses: i) Fuel by Ps.3,585,820, ii) Aircraft and engine rent expenses by Ps.3,077,087, iii) Landing, take-off and navigation expenses by Ps.2,040,481, iv) Salaries and benefits by Ps.1,413,140, v) Maintenance by Ps.713,309, vi) Other operating expenses by Ps.539,834, y vii) Depreciation and amortization by Ps.267,725.

(3) Includes the following expenses: i) Fuel by Ps. 2,444,818, ii) Aircraft and engine rent expenses by Ps. 1,504,205, iii) Landing, take-off and navigation expenses by Ps.1,150,373, iv) Salaries and benefits by Ps.749,837, v) Maintenance by Ps.380,658, vi) Other operating expenses by Ps.300,884, y vii) Depreciation and amortization by Ps.123,629.

(4) Includes the following expenses: i) Fuel by Ps.1,693,791, ii) Aircraft and engine rent expenses by Ps.1,377,897, iii) Landing, take-off and navigation expenses by Ps.1,005,769, iv) Salaries and benefits by Ps.717,362, v) Maintenance by Ps.361,895, vi) Other operating expenses by Ps.270,539, y vii) Depreciation and amortization by Ps.139,354.

Consolidated Statements of Comprehensive Income

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)	For the three months ended June 30, 2018	For the three months ended June 30, 2017 (Adjusted)
Statement of comprehensive income				
Net (loss) income for the period	(1,080,043)	(1,825,634)	38,140	(507,677)
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax				
Other comprehensive income, net of tax, gains (losses) from investments in equity instruments	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on revaluation	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans	0	0	0	0
Other comprehensive income, net of tax, change in fair value of financial liability attributable to change in credit risk of liability	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on hedging instruments that hedge investments in equity instruments	0	0	0	0
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss, net of tax	0	0	0	0
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	0	0	0	0
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Exchange differences on translation				
Gains (losses) on exchange differences on translation, net of tax	20,773	4,468	(8,744)	5,972
Reclassification adjustments on exchange differences on translation, net of tax	0	0	0	0
Other comprehensive income (loss), net of tax, exchange differences on translation	20,773	4,468	(8,744)	5,972
Available-for-sale financial assets				
Gains (losses) on remeasuring available-for-sale financial assets, net of tax	0	0	0	0
Reclassification adjustments on available-for-sale financial assets, net of tax	0	0	0	0
Other comprehensive income, net of tax, available-for-sale financial assets	0	0	0	0
Cash flow hedges				
Gains (losses) on cash flow hedges, net of tax	59,285	2,506	59,285	(5,965)
Reclassification adjustments on cash flow hedges, net of tax	0	0	0	0
Amounts removed from equity and included in carrying amount of non-financial asset (liability) whose acquisition or incurrence was hedged highly probable forecast transaction, net of tax	0	0	0	0
Other comprehensive income, net of tax, cash flow hedges	59,285	2,506	59,285	(5,965)
Hedges of net investment in foreign operations				
Gains (losses) on hedges of net investments in foreign operations, net of tax	0	0	0	0
Reclassification adjustments on hedges of net investments in foreign operations, net of tax	0	0	0	0
Other comprehensive income, net of tax, hedges of net investments in foreign operations	0	0	0	0
Change in value of time value of options				
Gains (losses) on change in value of time value of options, net of tax	107,740	(326,995)	103,544	(106,557)
Reclassification adjustments on change in value of time value of options, net of tax	0	0	0	0
Other comprehensive income (loss), net of tax, change in value of time value of options	107,740	(326,995)	103,544	(106,557)

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)	For the three months ended June 30, 2018	For the three months ended June 30, 2017 (Adjusted)
Change in value of forward elements of forward contracts				
Gains (losses) on change in value of forward elements of forward contracts, net of tax	0	0	0	0
Reclassification adjustments on change in value of forward elements of forward contracts, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of forward elements of forward contracts	0	0	0	0
Change in value of foreign currency basis spreads				
Gains (losses) on change in value of foreign currency basis spreads, net of tax	0	0	0	0
Reclassification adjustments on change in value of foreign currency basis spreads, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of foreign currency basis spreads	0	0	0	0
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss, net of tax	0	0	0	0
Total other comprehensive income that will be reclassified to profit or loss, net of tax	187,798	(320,021)	154,085	(106,550)
Total other comprehensive income (loss)	187,798	(320,021)	154,085	(106,550)
Total comprehensive (loss) income	(892,245)	(2,145,655)	192,225	(614,227)
Comprehensive income attributable to				
Comprehensive (loss) income, attributable to owners of parent	(892,245)	(2,145,655)	192,225	(614,227)
Comprehensive income, attributable to non-controlling interests	0	0	0	0

Consolidated statement of cash flows, indirect method

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)
Consolidated statement of cash flows		
Cash flows from (used in) operating activities		
Net loss	(1,080,043)	(1,825,634)
Adjustments to reconcile profit (loss)		
Discontinued operations	0	0
Adjustments for income tax expense	(432,560)	(555,514)
Adjustments for finance costs	5,619	724,609
Adjustments for depreciation and amortization expense	255,935	267,725
Adjustments for impairment loss (reversal of impairment loss) recognized in profit or loss	0	0
Adjustments for provisions	0	0
Adjustments for unrealized foreign exchange losses (gains)	0	0
Adjustments for share-based payments	4,824	4,305
Adjustments for fair value losses (gains)	0	0
Adjustments for undistributed profits of associates	0	0
Adjustments for losses (gains) on disposal of non-current assets	(218,814)	261
Participation in associates and joint ventures	0	0
Adjustments for increase in inventories	(21,416)	(16,690)
Adjustments for decrease (increase) in trade accounts receivable	51,358	(1,686)
Adjustments for increase in other operating receivables	(113,289)	(174,072)
Adjustments for increase (decrease) in trade accounts payable	100,052	(54,864)
Adjustments for increase in other operating payables	650,952	464,850
Other adjustments for non-cash items	(51,873)	(38,803)
Other adjustments for which cash effects are investing or financing cash flow	0	0
Straight-line rent adjustment	0	0
Amortization of lease fees	0	0
Setting property values	0	0
Other adjustments to reconcile profit	1,511,986	1,965,587
Total adjustments to reconcile profit	1,742,774	2,585,708
Net cash flows provided by operations	662,731	760,074
Dividends paid	0	0
Dividends received	0	0
Interest paid	0	0
Interest received	70,943	42,804
Income taxes refund	134,336	548,605
Other inflows (outflows) of cash	0	0
Net cash flows provided by operating activities	599,338	254,273
Cash flows from (used in) investing activities		
Cash flows from losing control of subsidiaries or other businesses	0	0
Cash flows used in obtaining control of subsidiaries or other businesses	0	0
Other cash receipts from sales of equity or debt instruments of other entities	0	0
Other cash payments to acquire equity or debt instruments of other entities	0	0
Other cash receipts from sales of interests in joint ventures	0	0
Other cash payments to acquire interests in joint ventures	0	0
Proceeds from sales of property, plant and equipment	524,160	101,261
Purchase of property, plant and equipment	1,162,278	889,263
Proceeds from sales of intangible assets	0	0
Purchase of intangible assets	23,364	56,064
Proceeds from sales of other long-term assets	0	0
Purchase of other long-term assets	0	0

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)
Proceeds from government grants	0	0
Cash advances and loans made to other parties	0	0
Cash receipts from repayment of advances and loans made to other parties	0	0
Cash payments for future contracts, forward contracts, option contracts and swap contracts	0	0
Cash receipts from future contracts, forward contracts, option contracts and swap contracts	0	0
Dividends received	0	0
Interest paid	0	0
Interest received	0	0
Income taxes refund (paid)	0	0
Other inflows (outflows) of cash	0	0
Net cash flows used in investing activities	(661,482)	(844,066)
Cash flows from (used in) financing activities		
Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
Payments from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
Proceeds from issuing shares	0	0
Proceeds from issuing other equity instruments	0	0
Payments to acquire or redeem entity's shares	0	0
Payments of other equity instruments	0	0
Proceeds from borrowings	380,119	802,068
Repayments of borrowings	428,815	493,085
Payments of finance lease liabilities	0	0
Proceeds from government grants	0	0
Dividends paid	0	0
Interest paid	73,439	44,047
Income taxes refund (paid)	0	0
Other outflows of cash	(16,575)	0
Net cash flows (used in) provided by financing activities	(138,710)	264,936
Net decrease in cash and cash equivalents before effect of exchange rate changes	(200,854)	(324,857)
Effect of exchange rate changes on cash and cash equivalents		
Effect of exchange rate changes on cash and cash equivalents	20,754	(765,378)
Net decrease in cash and cash equivalents	(180,100)	(1,090,235)
Cash and cash equivalents at beginning of period	6,950,879	7,071,251
Cash and cash equivalents at end of period	6,770,779	5,981,016

Consolidated Statements of changes in equity - Accumulated Current

Statements of changes in equity									
	Capital stock	Additional paid in capital	Treasury shares	Retained earnings	Revaluation surplus	Exchange differences on translation of foreign operations	Cash flow hedges	Reserve of gains and losses on hedging instruments that hedge investments in equity instruments	Change in value of time value of options
Statement of changes in equity									
Equity at beginning of period	2,973,559	1,804,528	85,034	4,948,376	0	(11,934)	0	0	114,681
Changes in equity									
Comprehensive income									
Operating loss	0	0	0	(1,080,043)	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	20,773	59,285	0	107,740
Total comprehensive income	0	0	0	(1,080,043)	0	20,773	59,285	0	107,740
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognized as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	(531)	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	4,824	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	4,824	(531)	(1,080,043)	0	20,773	59,285	0	107,740
Equity at end of period	2,973,559	1,809,352	84,503	3,868,333	0	8,839	59,285	0	222,421

Statements of changes in equity

	Reserve of change in value of forward elements of forward contracts	Reserve of change in value of foreign currency basis spreads	Reserve of gains and losses on remeasuring available-for-sale financial assets	Reserve of share-based payments	Remeasurements of defined benefit	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale	Reserve of gains and losses from investments in equity instruments	Reserve of change in fair value of financial liability attributable to change in credit risk of liability	Reserve for catastrophe
Statement of changes in equity									
Equity at beginning of period	0	0	0	0	(3,857)	0	0	0	0
Changes in equity									
Comprehensive income									
Profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	0	0	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	0	0	0	0	0	0
Equity at end of period	0	0	0	0	(3,857)	0	0	0	0

Statements of changes in equity							
	Reserve for equalization	Reserve of discretionary participation features	Other comprehensive income	Other reserves	Equity attributable to owners of parent	Non-controlling interests	Total Equity
Statement of changes in equity							
Equity at beginning of period	0	0	291,179	390,069	10,031,498	0	10,031,498
Changes in equity							
Comprehensive income							
Loss	0	0	0	0	(1,080,043)	0	(1,080,043)
Other comprehensive income	0	0	0	187,798	187,798	0	187,798
Total comprehensive income	0	0	0	187,798	(892,245)	0	(892,245)
Issue of equity	0	0	0	0	0	0	0
Dividends recognized as distributions to owners	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	531	0	531
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	4,824	0	4,824
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	187,798	(886,890)	0	(886,890)
Equity at end of period	0	0	291,179	577,867	9,144,608	0	9,144,608

Consolidated Statement of changes in equity - Accumulated Previous (Adjusted)

	Statements of changes in equity								Reserve of gains and losses on hedging instruments that hedge investments in equity instruments	Reserve of change in value of time value of options
	Capital stock	Additional paid in capital	Treasury shares	Retained earnings	Revaluation surplus	Exchange differences on translation of foreign operations	Cash flow hedges			
Statement of changes in equity										
Equity at beginning of period	2,973,559	1,800,613	83,365	5,853,092	0	(4,756)	(7,815)	0	152,627	
Changes in equity										
Comprehensive income										
Operating loss	0	0	0	(1,825,634)	0	0	0	0	0	
Other comprehensive income (loss)	0	0	0	0	0	4,468	2,506	0	(326,995)	
Total comprehensive (loss) income	0	0	0	(1,825,634)	0	4,468	2,506	0	(326,995)	
Issue of equity	0	0	0	0	0	0	0	0	0	
Dividends recognized as distributions to owners	0	0	0	0	0	0	0	0	0	
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0	
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0	
Decrease through other changes, equity	0	0	0	(252,928)	0	0	0	0	0	
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0	
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0	
Increase through share-based payment transactions, equity	0	4,305	0	0	0	0	0	0	0	
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0	
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0	
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0	
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0	
Total increase (decrease) in equity	0	4,305	0	(2,078,562)	0	4,468	2,506	0	(326,995)	
Equity at end of period	2,973,559	1,804,918	83,365	3,774,530	0	(288)	(5,309)	0	(174,368)	

Statements of changes in equity

	Reserve of change in value of forward elements of forward contracts	Reserve of change in value of foreign currency basis spreads	Reserve of gains and losses on remeasuring available-for-sale financial assets	Reserve of share-based payments	Remeasurements of defined benefit	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale	Reserve of gains and losses from investments in equity instruments	Reserve of change in fair value of financial liability attributable to change in credit risk of liability	Reserve for catastrophe
Statement of changes in equity									
Equity at beginning of period	0	0	0	0	(2,614)	0	0	0	0
Changes in equity									
Comprehensive income									
Profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	0	0	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	0	0	0	0	0	0
Equity at end of period	0	0	0	0	(2,614)	0	0	0	0

Statements of changes in equity

	Reserve for equalization	Reserve of discretionary participation features	Other comprehensive income	Other reserves	Equity attributable to owners of parent	Non-controlling interests	Total equity
Statement of changes in equity							
Equity at beginning of period	0	0	38,251	175,693	10,719,592	0	10,719,592
Changes in equity							
Comprehensive income							
Loss	0	0	0	0	(1,825,634)	0	(1,825,634)
Other comprehensive income	0	0	0	(320,021)	(320,021)	0	(320,021)
Total comprehensive income	0	0	0	(320,021)	(2,145,655)	0	(2,145,655)
Issue of equity	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0
Increase through other changes, equity	0	0	252,928	252,928	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0
Increase through share-based payment transactions, equity	0	0	0	0	4,305	0	4,305
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	252,928	(67,093)	(2,141,350)	0	(2,141,350)
Equity at end of period	0	0	291,179	108,600	8,578,242	0	8,578,242

Informative data about the Consolidated Statement of financial position

	As of June 30, 2018	As of December 31, 2017
Informative data of the Consolidated Statement of Financial Position		
Capital stock	2,973,559	2,973,559
Restatement of capital stock	0	0
Plan assets for pensions and seniority premiums	0	0
Number of executives	0	0
Number of employees	4,684	4,752
Number of workers	0	0
Outstanding shares	1,011,876,677	1,011,876,677
Repurchased shares	0	0
Restricted cash	0	0
Guaranteed debt of associated companies	0	0

Informative data about the Consolidated Statement of Operations

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)	For the three months ended June 30, 2018	For the three months ended June 30, 2017 (Adjusted)
Informative data of the Consolidated Statements of operations				
Depreciation and amortization	255,935	267,725	123,629	139,354

Informative data – Consolidated Statements of operations for 12 months

	For the twelve months ended June 30, 2018	For the twelve months ended June 30, 2017 (Adjusted)
Informative data – Consolidated Statement of operations for 12 months		
Operating revenues	25,176,137	24,825,449
Operating (loss) income	(841,405)	770,802
Net income	93,803	90,446
Net income, attributable to owners of parent	93,803	90,446
Depreciation and amortization	536,897	546,362

Breakdown of credits

Credit type / Institution	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination										
					Credits in domestic currency						Credits in foreign currency				
					Time interval						Time interval				
Current year	Until 1 year	Until 2 years	Until 3 years	Until 4 years	Until 5 years or more	Current year	Until 1 year	Until 2 years	Until 3 years	Until 4 years	Until 5 years or more				
Banks															
Foreign trade															
TOTAL						0	0	0	0	0	0	0	0	0	0
Banks - secured															
TOTAL						0	0	0	0	0	0	0	0	0	0
Commercial banks															
Banco Santander - Bancomex (2)	NO	2011-07-27	2021-11-30	LIBOR + 2.25%								332,176	755,684	151,900	
Banco Santander - Bancomex (1)	NO	2011-07-27	2021-11-30	LIBOR + 1.99%							1,723,299				
Banco Nacional de México (1)	NO	2018-06-18	2018-09-14	THIE + 0.7%	260,514										
Banco Nacional de México (2)	NO	2018-06-18	2018-09-14	THIE + 0.7%	260,515										
TOTAL					521,029	0	0	0	0	0	0	1,723,299	332,176	755,684	151,900
Other banks															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Total banks															
TOTAL					521,029	0	0	0	0	0	0	1,723,299	332,176	755,684	151,900
Stock market															
Listed on stock exchange - unsecured															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Listed on stock exchange - secured															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Private placements - unsecured															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Private placements - secured															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Total listed on stock exchanges and private placements															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Other current and non-current liabilities with cost															
Other current and non-current liabilities with cost															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Total other current and non-current liabilities with cost															
TOTAL					0	0	0	0	0	0	0	0	0	0	0
Suppliers															
Suppliers															
Landing, take off and navigation expenses															
Fuel	NO	2018-07-13	2018-07-13		341,836										
Technology and communication expenses															
Administrative expenses	NO	2018-07-13	2018-07-13		11,216										
Sales, marketing and distribution expenses															
Maintenance expenses	NO	2018-07-13	2018-07-13		7,865										
Other services															
Maintenance expenses USD	SI	2018-07-13	2018-07-13		3,056										
Technology and communication expenses USD															
Landing, take off and	SI	2018-07-13	2018-07-13									401,695			
Technology and communication expenses USD															
Landing, take off and												80,658			

navigation					
expenses USD	SI	2018-07-13	2018-07-13		47,170
Administrative					
expenses USD	SI	2018-07-13	2018-07-13		35,105

Credit type / Institution	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination												
					Credits in domestic currency					Credits in foreign currency							
					Time interval					Time interval							
					Current year	Until 1 year	Until 2 years	Until 3 years	Until 4 years	Until 5 years or more	Current year	Until 1 year	Until 2 years	Until 3 years	Until 4 years	Until 5 years or more	
Sales, marketing and distribution expenses USD	SI	2018-07- 13	2018-07-13									11,425					
Aircraft and engine rent expenses USD	SI	2018-07- 13	2018-07-13									5,618					
Other services USD	SI	2018-07- 13	2018-07-13									191					
TOTAL					623,380	0	0	0	0	0	0	581,862	0	0	0	0	0
Total suppliers TOTAL					623,380	0	0	0	0	0	0	581,862	0	0	0	0	0
Other current and non-current liabilities TOTAL					0	0	0	0	0	0	0	0	0	0	0	0	0
Total other current and non-current liabilities TOTAL					0	0	0	0	0	0	0	0	0	0	0	0	0
Total credits TOTAL					1,144,409	0	0	0	0	0	0	2,305,161	332,176	755,684	151,900	0	0

Annex - Monetary foreign currency position

U.S. dollar amounts at June 30, 2018 have been included solely for the convenience of the reader and are translated from Mexican pesos, using an exchange rate of Ps.19.8633 per U.S. dollar, as reported by the Mexican Central Bank (Banco de Mexico) as the rate for the payment of obligations denominated in foreign currency payable in Mexico in effect on June 30, 2018.

	Currencies				Total pesos
	Dollars	Dollar equivalent in pesos	Other currencies equivalent in dollars	Other currencies equivalent in pesos	
Foreign currency position					
Monetary assets					
Current monetary assets	440,620	8,752,167	0	0	8,752,167
Non-current monetary assets	304,617	6,050,699	0	0	6,050,699
Total monetary assets	745,237	14,802,866	0	0	14,802,866
Liabilities position					
Short-term liabilities	174,675	3,469,622	0	0	3,469,622
Long-term liabilities	45,692	907,594	0	0	907,594
Total liabilities	220,367	4,377,216	0	0	4,377,216
Net monetary assets	524,870	10,425,650	0	0	10,425,650

Annex - Distribution of income by product

	Income type			Total operating income
	Domestic	International	Income of subsidiaries abroad	
Operating Revenues				
Domestic (Mexico)	8,048,689	0	0	8,048,689
International (United States of America and Central America)	0	0	4,031,727	4,031,727
Total operating revenues	8,048,689	0	4,031,727	12,080,416

Annex - Financial derivate instruments

Management's discussion about derivative financial instrument policies explaining whether these policies allow them to be used only for hedging or other purposes such as trading.

The Company's activities are exposed to different financial risks resulting from exogenous variables that are not under its control, but whose effects can be potentially adverse. The Company's global risk management program is focused on existing uncertainty in the financial markets and is intended to minimize potential adverse effects on net earnings and working capital requirements. Volaris uses derivative financial instruments to mitigate part of these risks and does not acquire financial derivative instruments for speculative or trading purposes.

For optimal use of the above mentioned instruments and fulfillment of punctual aims, the Company has a Risk Management team which identifies and evaluates the exposure to different financial risks. It is also in charge of designing strategies to mitigate them. Accordingly, it has a Hedging Policy in place and procedures related thereto, on which those strategies are based. All policies, procedures and strategies are approved by different administrative entities based on the Corporate Governance.

The document previously mentioned, as well as its processes are approved by different administrative entities according to the Corporate Governance. The Hedging Policy establishes that derivative financial instrument transactions will be approved and implemented/monitored by certain committees. Compliance with the Hedging Policy and its procedures are subject to internal and external audits.

The Hedging Policy holds a conservative position regarding derivative financial instruments, since it only allows the company to enter into positions that are correlated with the primary position to be hedged (in accordance with International Financial Reporting Standards "IFRS", under which the Company prepares its financial information). The Company's objective is to apply hedge accounting treatment to all derivative financial instruments.

Volaris aims to transfer a portion of market risk to its financial counterparties through the use of derivative financial instruments, described as follows:

1. Fuel price fluctuation risk: Volaris' contractual agreements with its fuel suppliers are linked to the market price index of the underlying asset; therefore, it is exposed to an increase in such price. Volaris enters into derivative financial instruments to hedge against significant increases in the fuel price. The instruments are traded on over-the-counter ("OTC") markets, with approved counterparties and limits by the Hedging Policy. As of the date of this report, the Company uses Asian call options, being U.S. Gulf Coast Jet Fuel 54 the underlying asset. Asian instruments consider the monthly average price of the underlying, hence it matches the outflows of Volaris main fuel supplier. All derivative financial instruments qualified as hedge accounting.
2. Foreign currency risk: The Company's exposure to the risk fluctuations in foreign exchange rates is mainly related to the Company's activities (considering revenues and/or expenses are denominated in a currency other than the Company's functional currency). Such exposure arises from expenses that are linked or/and denominated in U.S. dollars. To mitigate this risk, the Hedging Policy allows the Company to use foreign exchange derivative financial instruments. As of the date of this report, the Company has outstanding position on foreign exchange financial instruments.

3. Interest rate variation risk: The Company's exposure to the risk of changes in market interest rates is related primarily to the Company's flight equipment operating lease agreements and long-term debt obligations with floating interest rates. The Company enters into derivative financial instruments to hedge a portion of such exposure by using interest rate swaps. As of the date of this report, the Company does not have any outstanding position on interest rate derivatives.

Outstanding derivative financial instruments may require collateral as guarantee for a portion of the loss amount non-settled prior to maturity. The collateral delivered in pledge, is presented as part of non-current assets under guarantee deposits. It is assessed and adjusted accordingly on daily basis.

Trading markets and eligible counterparties

The Company only operates in over the counter ("OTC") markets. To minimize counterparty risk, the Company enters into ISDA agreements with counterparties with recognized financial capacity; therefore, significant risks of default on any of them are not foreseen. As of June 30, 2018, the Company has 7 ISDAs in place with different financial institutions and held operations with 5 of them during the second quarter 2018.

Those agreements have a Credit Support Annex ("CSA") section, which sets credit conditions and guidelines for margin calls that are stipulated therein, including minimum amounts and rounding off. Hedging positions are distributed among different counterparties with the purpose of diversifying our exposure, and thus, optimizing financial conditions of different CSA thresholds. Minimizing the potential margin calls.

Generic description of the valuation techniques, distinguishing instruments that are valued at cost or fair value, as well as valuation methods and techniques.

The designation of calculation agents is documented at the ISDAs whereby Volaris operates. The Company uses the valuations provided by the financial institutions of each derivative financial instrument. Afterwards, that fair value is compared with internally developed valuation techniques that use valid and recognized methodologies based on the assets listed on its respective market and using Bloomberg as the main source of information for the levels.

In accordance with International Financial Reporting Standards ("IFRS"), the Company prepares its financial statements, Volaris performs prospective effectiveness tests, as well as hedging records in which derivative financial instruments are classified in accordance with the type of underlying asset (monitored and updated constantly). As of the date of this report, all of the Company's financial derivative instruments are considered effective and, therefore, are recorded under hedge accounting assumptions.

Management discussion on internal and external sources of liquidity that could be used to meet the requirements related to derivative financial instruments

The Company only operates with financial counterparties with which it has an ISDA agreement. Those agreements have a Credit Support Annex ("CSA") section, which sets credit conditions and guidelines for margin calls that are stipulated therein, including minimum amounts and rounding off. Hedging positions are distributed among different counterparties with the purpose of diversifying our exposure, and thus, optimizing financial conditions of different CSA thresholds. Moreover, the Company has internal resources to meet the requirements related to derivative financial instruments.

Explanation of changes in exposure to the main risks identified and in managing them, as well as contingencies and events known or expected by management that can affect future reports.

The Company's activities are exposed to several market risks, such as fuel price, exchange rates and interest rates. During the second quarter of 2018, there was no evidence of significant changes that could modify the exposure to the risks described above, a situation that can change in the future.

Quantitative information

As of the date of this report, all the derivative financial instruments held by the Company qualified as hedge accounting; for this reason, the changes in their fair value will only be the result of changes in the price levels of the underlying asset, and it will not modify the objective of the hedge for which it was initially entered for.

Appendix A
Derivative financial instruments summary
As of June 30, 2018
(in thousands of Mexican pesos)

Type of derivative	For hedging or other purposes	Notional amount / Nominal value	Short or long position	Underlying asset value			Fair Value (3)		Due
				Base	Current quarter (2Q18)	Prior quarter (1Q18)	Current quarter (2Q18)	Prior quarter (1Q18)	
Jet Fuel Asian Call Options (1)	Hedge	61.9 M gallons	Long	Jet Fuel GC 54	USD \$ 2.15 / Gal	USD \$ 1.95 / Gal	\$ 439,774	\$ 378,551	Short term: \$ 439,773
FX plain vanilla forwards (2)	Hedge	USD \$60M	Long	USD/MXN	\$ 19.91	\$ -	\$ 84,693	NA	Short term: 84,694

(1) Information regarding 48 instruments closed with 4 counterparties.

(2) Information regarding 12 instruments closed with 3 counterparties.

(3) From the Company's point of view.

(4) The Company only operates with financial counterparties with which it has an ISDA agreement. Those contracts have a Credit Support Annex ("CSA") section, which sets forth credit conditions. Credit lines and guidelines for margin calls are stipulated therein, such as minimum amounts and rounding off. Contracting derivative financial instruments is distributed among the different counterparties with the intent to avoid that their exposure falls on a single counterparty, thereby making the use of the financial conditions of the different CSA more efficient, in order to minimize the potential margin calls.

Notes - Subclassifications of assets, liabilities and equities

	As of June 30, 2018	As of December 31, 2017 (Adjusted)
Subclassifications of assets, liabilities and equities		
Cash and cash equivalents		
Cash		
Cash on hand	5,403	5,403
Balances with banks	1,234,227	963,162
Total cash	1,239,630	968,565
Cash equivalents		
Short-term deposits, classified as cash equivalents	0	0
Short-term investments, classified as cash equivalents	5,531,149	5,982,314
Other banking arrangements, classified as cash equivalents	0	0
Total cash equivalents	5,531,149	5,982,314
Other cash and cash equivalents	0	0
Total cash and cash equivalents	6,770,779	6,950,879
Trade and other current receivables		
Current trade receivables	237,364	290,812
Current receivables due from related parties	0	0
Current prepayments		
Current advances to suppliers	0	0
Current prepaid expenses	0	0
Total current prepayments	0	0
Current receivables from taxes other than income tax	482,181	400,464
Current value added tax receivables	0	0
Current receivables from sale of properties	0	0
Current receivables from rental of properties	0	0
Other current receivables	318,614	187,655
Total trade and other current receivables	1,038,159	878,931
Classes of current inventories		
Current raw materials and current production supplies		
Current raw materials	0	0
Current production supplies	0	0
Total current raw materials and current production supplies	0	0
Current merchandise	0	0
Current work in progress	0	0
Current finished goods	0	0
Spare parts and accessories of flight equipment	308,418	285,185
Property intended for sale in ordinary course of business	0	0
Miscellaneous supplies	7,848	9,665
Total current inventories	316,266	294,850
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners		
Non-current assets or disposal groups classified as held for sale	0	0
Non-current assets or disposal groups classified as held for distribution to owners	0	0
Total non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	0
Trade and other non-current receivables		
Non-current trade receivables	0	0
Non-current receivables due from related parties	0	0
Non-current prepayments	0	0
Non-current lease prepayments	0	0
Non-current receivables from taxes other than income tax	0	0
Non-current value added tax receivables	0	0
Non-current receivables from sale of properties	0	0

	As of June 30, 2018	As of December 31, 2017 (Adjusted)
Non-current receivables from rental of properties	0	0
Revenue for billing	0	0
Other non-current receivables	0	0
Total trade and other non-current receivables	0	0
Investments in subsidiaries, joint ventures and associates		
Investments in subsidiaries	0	0
Investments in joint ventures	0	0
Investments in associates	0	0
Total investments in subsidiaries, joint ventures and associates	0	0
Property, plant and equipment		
Land and buildings		
Land	0	0
Buildings	0	0
Total land and buildings	0	0
Machinery	0	0
Vehicles		
Ships	0	0
Aircraft	0	0
Motor vehicles	0	0
Total vehicles	0	0
Fixtures and fittings	0	0
Office equipment	41,145	22,295
Tangible exploration and evaluation assets	0	0
Mining assets	0	0
Oil and gas assets	0	0
Construction in progress	3,522,426	3,002,078
Construction prepayments	0	0
Other property, plant and equipment	1,482,839	1,351,324
Total property, plant and equipment	5,046,410	4,375,697
Investment property		
Investment property completed	0	0
Investment property under construction or development	0	0
Investment property prepayments	0	0
Total investment property	0	0
Intangible assets and goodwill		
Intangible assets other than goodwill		
Brand names	0	0
Intangible exploration and evaluation assets	0	0
Mastheads and publishing titles	0	0
Computer software	109,467	134,419
Licenses and franchises	3,362	3,365
Copyrights, patents and other industrial property rights, service and operating rights	0	0
Recipes, formulae, models, designs and prototypes	0	0
Intangible assets under development	54,864	52,636
Other intangible assets	0	0
Total intangible assets other than goodwill	167,693	190,420
Goodwill	0	0
Total intangible assets and goodwill	167,693	190,420
Trade and other current payables		
Current trade payables	1,205,242	1,077,438
Current payables to related parties	65,367	40,931
Accruals and deferred income classified as current		
Deferred income classified as current	3,418,736	2,293,309
Rent deferred income classified as current	0	0

	As of June 30, 2018	As of December 31, 2017 (Adjusted)
Accruals classified as current	0	0
Short-term employee benefits accruals	0	0
Total accruals and deferred income classified as current	3,418,736	2,293,309
Current payables on social security and taxes other than income tax	1,730,726	1,245,247
Current value added tax payables	0	0
Current retention payables	0	0
Other current payables	0	0
Total trade and other current payables	6,420,071	4,656,925
Other current financial liabilities		
Bank loans current	2,576,504	2,403,562
Stock market loans current	0	0
Other current liabilities at cost	0	0
Other current liabilities no cost	0	0
Other current financial liabilities	0	0
Total Other current financial liabilities	2,576,504	2,403,562
Trade and other non-current payables		
Non-current trade payables	0	0
Non-current payables to related parties	0	0
Accruals and deferred income classified as non-current		
Deferred income classified as non-current	0	0
Rent deferred income classified as non-current	0	0
Accruals classified as non-current	0	0
Total accruals and deferred income classified as non-current	0	0
Non-current payables on social security and taxes other than income tax	0	0
Non-current value added tax payables	0	0
Non-current retention payables	0	0
Other non-current payables	0	0
Total trade and other non-current payables	0	0
Other non-current financial liabilities		
Bank loans non-current	907,584	1,079,152
Stock market loans non-current	0	0
Other non-current liabilities at cost	0	0
Other non-current liabilities no cost	0	0
Other non-current financial liabilities	0	0
Total Other non-current financial liabilities	907,584	1,079,152
Other provisions		
Other non-current provisions	273,163	216,702
Other current provisions	105,387	280,744
Total other provisions	378,550	497,446
Other reserves		
Revaluation surplus	0	0
Reserve of exchange differences on translation	0	0
Reserve of cash flow hedges	0	0
Reserve of gains and losses on hedging instruments that hedge investments in equity instruments	0	0
Reserve of change in value of time value of options	0	0
Reserve of change in value of forward elements of forward contracts	0	0
Reserve of change in value of foreign currency basis spreads	0	0
Reserve of gains and losses on remeasuring available-for-sale financial assets	0	0
Reserve of share-based payments	0	0
Reserve of remeasurements of defined benefit plans	0	0
Amount recognized in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale	0	0
Reserve of gains and losses from investments in equity instruments	0	0
Reserve of change in fair value of financial liability attributable to change in credit risk of liability	0	0

	As of June 30, 2018	As of December 31, 2017 (Adjusted)
Reserve for catastrophe	0	0
Reserve for equalization	0	0
Reserve of discretionary participation features	0	0
Reserve of equity component of convertible instruments	0	0
Contributions for future capital increases	1	1
Merger reserve	0	0
Legal reserve	291,178	291,178
Other comprehensive income	286,688	98,890
Total other reserves	577,867	390,069
Net assets (liabilities)		
Assets	23,276,596	22,666,267
Liabilities	14,131,988	12,634,769
Net assets	9,144,608	10,031,498
Net current assets (liabilities)		
Current assets	11,298,697	11,313,030
Current liabilities	11,505,925	9,503,496
Net current assets (liabilities)	(207,228)	1,809,534

Notes - Analysis of income and expense

	For the six months ended June 30, 2018	For the six months ended June 30, 2017 (Adjusted)	For the three months ended June 30, 2018	For the three months ended June 30, 2017 (Adjusted)
Analysis of income and expense				
Revenue				
Revenue from rendering of services	12,080,416	11,692,465	6,230,242	5,993,834
Revenue from sale of goods	0	0	0	0
Interest income	0	0	0	0
Royalty income	0	0	0	0
Dividend income	0	0	0	0
Rental income	0	0	0	0
Revenue from construction contracts	0	0	0	0
Other revenue	0	0	0	0
Total revenue	12,080,416	11,692,465	6,230,242	5,993,834
Finance income				
Interest income	70,943	42,804	37,257	21,489
Net gain on foreign exchange	0	0	653,375	0
Gains on change in fair value of derivatives	0	0	0	0
Gain on change in fair value of financial instruments	0	0	0	0
Other finance income	0	0	0	0
Total finance income	70,943	42,804	690,632	21,489
Finance costs				
Interest expense	0	0	0	0
Net loss on foreign exchange	37,811	1,703,107	0	558,245
Losses on change in fair value of derivatives	0	0	0	0
Loss on change in fair value of financial instruments	0	0	0	0
Other finance cost	64,556	42,524	31,005	21,899
Total finance costs	102,367	1,745,631	31,005	580,144
Income tax (benefit) expense				
Current income tax	0	0	0	0
Deferred income tax (benefit) expense	(432,560)	(555,514)	46,658	0
Total income tax (benefit) expense	(432,560)	(555,514)	46,658	0

Notes - List of notes**CONTROLADORA VUELA COMPAÑÍA DE AVIACIÓN, S.A.B. DE C.V. AND SUBSIDIARIES**
(d.b.a. VOLARIS)**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

At June 30, 2018 and December 31, 2017

(In thousands of Mexican pesos and thousands of U.S. dollars,
except when indicated otherwise)**1. Description of the business and summary of significant accounting policies**

Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (“Controladora” or the “Company”) was incorporated in Mexico in accordance with Mexican Corporate laws on October 27, 2005.

Controladora is domiciled in Mexico City at Av. Antonio Dovali Jaime No. 70, 13th Floor, Tower B, Colonia Zedec Santa Fe, Mexico D.F.

The Company, through its subsidiary Concesionaria Vuela Compañía de Aviación, S.A.P.I. de C.V. (“Concesionaria”), has a concession to provide air transportation services for passengers, cargo and mail throughout Mexico and abroad.

Concesionaria’s concession was granted by the Mexican federal government through the Mexican Communications and Transportation Ministry (*Secretaría de Comunicaciones y Transportes*) on May 9, 2005 initially for a period of five years and was extended on February 17, 2010 for an additional period of ten years.

Concesionaria made its first commercial flight as a low-cost airline on March 13, 2006. The Company operates under the trade name of “Volaris”. On June 11, 2013, Controladora Vuela Compañía de Aviación, S.A.P.I. de C.V. changed its corporate name to Controladora Vuela Compañía de Aviación, S.A.B. de C.V.

On September 23, 2013, the Company completed its dual listing Initial Public Offering (“IPO”) on the New York Stock Exchange (“NYSE”) and on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, or “BMV”*), and on September 18, 2013 its shares started trading under the ticker symbol “VLRS” and “VOLAR”, respectively.

On November 16, 2015, certain shareholders of the Company completed a secondary follow-on equity offering on the NYSE.

On November 10, 2016, the Company, through its subsidiary Vuela Aviación, S.A. (“Volaris Costa Rica”), obtained from the Costa Rican civil aviation authorities an air operator certificate to provide air transportation services for passengers, cargo and mail, in scheduled and non-scheduled flights for an initial period of five years. On December 1, 2016, Volaris Costa Rica started operations.

The accompanying unaudited interim condensed consolidated financial statements and notes were authorized for their issuance by the Company’s Chief Executive Officer, Enrique Beltranena, and Chief Financial Officer, Fernando Suárez, on July 19, 2018. Subsequent events have been considered through that date.

a) Relevant events

- a) On February 16, 2018, one of the Company's shareholders concluded the conversion of 45,968,598 Series B Shares for the equivalent number of Series A Shares. This conversion has no impact either on the total number of outstanding shares or on the earnings-per-share calculation.
- b) On January 16, 2018, the Company and Frontier Airlines (Frontier) signed the first codeshare agreement in history between two ultra-low-cost airlines, which is subject to governmental approvals in Mexico and the United States. Once implemented the Company's customers will gain access to new cities in the U.S. beyond the current destinations, and Frontier customers will gain first-time access to new destinations in Mexico.
- c) On December 28, 2017, the Company amended the agreement with Airbus, S.A.S. ("Airbus") for the purchase of 80 A320NEO family aircraft to be delivered from 2022 to 2026, to support the Company's targeted growth markets in Mexico, United States and Central America. Commitments to acquisition of property, plant and equipment are disclosed in Note 15.

b) Basis of preparation

The unaudited interim condensed consolidated financial statements, which include the consolidated statements of financial position as of June 30, 2018 (unaudited) and December 31, 2017 (audited), and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the six months period ended June 30, 2018 and 2017 (unaudited), have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and using the same accounting policies applied in preparing the annual financial statements, except as explained below.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2017 and 2016, and for the three years' period ended December 31, 2017.

c) Basis of consolidation

The accompanying unaudited interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. At June 30, 2018 and December 31, 2017, for accounting purposes the companies included in the unaudited interim condensed consolidated financial statements are as follows:

Name	Principal activities	Country	% Equity interest	
			June 30, 2018	December 31, 2017
Concesionaria	Air transportation services for passengers, cargo and mail throughout Mexico and abroad	Mexico	100%	100%
Volaris Costa Rica	Air transportation services for passengers, cargo and mail in Costa Rica and abroad	Costa Rica	100%	100%
Vuela, S.A. ("Vuela")*	Air transportation services for passengers, cargo and mail in Guatemala and abroad	Guatemala	100%	100%
Comercializadora Volaris, S.A. de C.V.	Merchandising of services	Mexico	100%	100%
Servicios Earhart, S.A. *	Recruitment and payroll	Guatemala	100%	100%
Servicios Corporativos Volaris, S.A. de C.V. ("Servicios Corporativos")	Recruitment and payroll	Mexico	100%	100%
Servicios Administrativos Volaris, S.A. de C.V. ("Servicios Administrativos")	Recruitment and payroll	Mexico	100%	100%
Operaciones Volaris, S.A. de C.V. ("Servicios Operativos") ⁽¹⁾	Recruitment and payroll	Mexico	100%	100%
Deutsche Bank México, S.A., Trust 1710	Pre-delivery payments financing	Mexico	100%	100%
Deutsche Bank México, S.A., Trust 1711	Pre-delivery payments financing	Mexico	100%	100%
Irrevocable Administrative Trust number F/307750 "Administrative Trust"	Share administration trust	Mexico	100%	100%
Irrevocable Administrative Trust number F/745291	Share administration trust	Mexico	100%	100%

* The Company has not started operations in Central America.

(1) With effect from August 3, 2016, the name of the Company was changed from Servicios Operativos Terrestres Volaris, S.A. de C.V. to Operaciones Volaris, S.A. de C.V.

d) Retrospective changes in classification

During 2018, the Company modified certain amounts in the consolidated statements of financial position as of December 31, 2017 and in the consolidated statements of operations for the three and six months period ended June 30, 2017 as required by IAS 1 *Presentation of Financial Statements*. These modifications resulted from the adoption of IFRS 15 *Revenue from Contracts with Customers*.

IFRS 15 was issued in May 2014 and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard will supersede all current revenue recognition requirements under IFRS. IFRS 15 also requires additional disclosures about the nature, timing, and uncertainty of revenue cash flows arising from customer contracts, including significant judgments and changes in judgments.

The Company adopted the new standard on the required effective date as of January 1, 2018, using the full retrospective method of adoption, in order to provide for comparative results in all periods presented, recognizing the effect in retained earnings as of January 1, 2016.

The main impact of IFRS 15 is the timing of recognition of certain air travel-related services (“ancillaries”). Under the new standard, certain ancillaries are recognized when the air transportation service is rendered (at the time of the flight). This change arises primarily because those ancillaries do not constitute separate performance obligations or represent administrative tasks that do not represent a promised service and therefore should be accounted for together with the air fare as a single performance obligation of providing passenger transportation. Also certain services provided to the Company’s customers that under the new standard qualify as variable consideration that are recorded as reduction to revenues.

Also the classification of certain ancillary fees in the statement of operations, such as advanced seat selection, fees charges for excess baggage, itinerary changes and other air travel-related services, changed with adoption of IFRS 15 since they are part of the single performance obligation of providing passenger transportation.

The Company also evaluated the principal versus agent considerations as it relates to certain non-air travel services arrangements with third party providers. That not represented changes on revenue.

The following table provides details about the adoption:

Consolidated statements of financial position

	<u>As previously reported as of December 31, 2017</u>	<u>Adjustment</u>	<u>As adjusted</u>
Short term liabilities			
Trade and other current payables	4,525,252	(131,673)	4,656,925
Equity			
Retained earnings	5,080,049	131,673	4,948,376

Consolidated statements of operations

	<u>As previously reported for the six months ended June 30, 2017</u>	<u>Adjustment</u>	<u>As adjusted</u>
Operating revenues	11,637,397	55,068	11,692,465

	<u>As previously reported for the three months ended June 30, 2017</u>	<u>Adjustment</u>	<u>As adjusted</u>
Operating revenues	5,981,630	12,204	5,993,834

2. Impact of new International Reporting Standard

New and amended standards and interpretations

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the unaudited interim condensed consolidated financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 7 – Statement of cash flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information in its annual consolidated financial statements for the year ended December 31, 2017.

Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrecognized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. However, their application has no effect on the Company's financial position and performance as there are no deductible temporary differences or assets that are in the scope of the amendments.

New and amended standards and interpretations not yet effective

Except for IFRS 9 adopted in 2014, the Company has not early adopted any of the following standards, interpretations or amendments that have been issued but is not yet effective.

IFRS 9 (2014) Financial Instruments

The Company adopted IFRS 9 (2013) in connection with its 2014 consolidated financial statements. IFRS 9 (2014) requires entities to apply an expected credit loss (ECL) model that replaces the IAS 39's incurred loss model. The ECL model applies to debt instruments accounted for at amortized cost or at fair value through OCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018, since the Company early adopted IFRS 9 (2013), no additional impact is expected

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is in process of completing an assessment of the potential impact of adopting IFRS 16. The adoption of this standard will have a significant impact on the accounting for leased aircraft, engines and other lease agreements, requiring the presentation of those leases with durations of greater than twelve months on the consolidated statement of financial position. The Company anticipates adopting the new standard using the full retrospective method.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled, share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018. The adoption not represented a significant effect on its consolidated financial statements.

IFRIC 23 — Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes, the interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing; if the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Company expects to adopt this interpretation at the effective date.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the unaudited interim condensed consolidated financial statements or incorporated by cross-reference between the unaudited interim condensed consolidated financial statements and wherever they are included within the interim financial report. The other information within the interim financial report must be available to users on the same terms as the unaudited interim condensed consolidated financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Company.

3. Significant accounting judgments, estimates and assumptions

The preparation of these unaudited interim condensed consolidated financial statements in accordance with IAS 34 requires management to make estimates, assumptions and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the Company's unaudited interim condensed consolidated financial statements.

4. Convenience translation

U.S. dollar amounts at June 30, 2018 shown in the unaudited interim condensed consolidated financial statements have been included solely for the convenience of the reader and are translated from Mexican pesos, using an exchange rate of Ps.19.8633 per U.S. dollar, as reported by the Mexican Central Bank (Banco de México) as the rate for the payment of obligations denominated in foreign currency payable in Mexico in effect on June 30, 2018. Such translation should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at this or any other rate. The referred information in U.S. dollars is solely for information purposes and does not represent the amounts are in accordance with IFRS or the equivalent in U.S. dollars in which the transactions were conducted or in which the amounts presented in Mexican pesos can be translated or realized.

5. Seasonality of operations

The results of operations for any interim period are not necessarily indicative of those for the entire year because the business is subject to seasonal fluctuations. The Company expect demand to be greater during the summer in the northern hemisphere, in December and around Easter, which can fall either in the first or second quarter, compared to the rest of the year. The Company and subsidiaries generally experience their lowest levels of passenger traffic in February, September and October, given their proportion of fixed costs, seasonality can affect their profitability from quarter to quarter. This information is provided to allow for a better understanding of the results, however management has concluded that this does not constitute "highly seasonal" as considered by IAS 34.

6. Risk management

Financial risk management

The Company's activities are exposed to different financial risks stemmed from exogenous variables which are not under their control but whose effects might be potentially adverse such as: (i) market risk, (ii) credit risk, and (iii) liquidity risk. The Company's global risk management program is focused on uncertainty in the financial markets and tries to minimize the potential adverse effects on net earnings and working capital requirements. The Company uses derivative financial instruments to hedge part of such risks. The Company does not enter into derivatives for trading or speculative purposes.

The sources of these financial risks exposures are included in both "on balance sheet" exposures, such as recognized financial assets and liabilities, as well as in "off-balance sheet" contractual agreements and on highly expected forecasted transactions. These on and off-balance sheet exposures, depending on their profiles, do represent potential cash flow variability exposure, in terms of receiving less inflows or facing the need to meet outflows which are higher than expected, therefore increase the working capital requirements.

Also, since adverse movements also erode the value of recognized financial assets and liabilities, as well some other off-balance sheet financial exposures such as operating leases, there is a need for value preservation, by transforming the profiles of these fair value exposures.

The Company has a Finance and Risk Management unit, which identifies and measures financial risk exposures, in order to design the strategies to mitigate or transform the profile of certain risk exposures, which are taken up to the Corporate Governance level for approval.

Market risk

a) Jet fuel price risk

Since the contractual agreements with jet fuel suppliers include reference to jet fuel index, the Company is exposed to fuel price risk which might have an impact in the forecasted consumption volumes. The Company's jet fuel risk management policy aims to provide the Company with protection against increases in jet fuel prices. In an effort to achieve the aforesaid, the risk management policy allows the use of derivative financial instruments available on over the counter ("OTC") markets with approved counterparties and within approved limits. Aircraft jet fuel consumed in the six months ended June 30, 2018 and 2017 represented 34% and 29%, of the Company's operating expenses, respectively. Additionally, the Aircraft jet fuel consumed in the three months ended June 30, 2018 and 2017 represented 36% and 29%, of the Company's operating expenses, respectively.

During the six months ended June 30, 2018, the Company did not enter into US Gulf Coast Jet fuel 54 Asian call options. During the six months ended June 30, 2017, the Company entered into US Gulf Coast Jet fuel 54 Asian call options designated to hedge 61.1 million gallons. Such hedges represent a portion of the projected consumption for the next nine months.

During the three months period ended June 30, 2018, the Company did not enter into US Gulf Coast Jet fuel 54 Asian call options. During the three months period ended June 30, 2017, the Company entered into US Gulf Coast Jet fuel 54 Asian call options designated to hedge 15.5 million gallons. Such hedges represent a portion of the projected consumption for the next six months.

The Company decided to early adopt IFRS 9 (2013), beginning on October 1, 2014, which allows the Company to separate the intrinsic value and time value of an option contract and to designate as the hedging instrument only the change in the intrinsic value of the option. Because the external value (time value) of the Asian call options are related to a "transaction related hedged item," it is required to be segregated and accounted for as a "cost of hedging" in other comprehensive income ("OCI") and accrued as a separate component of stockholders' equity until the related hedged item affects profit and loss.

The underlying (US Gulf Coast Jet Fuel 54) of the options held by the Company is a consumption asset (energy commodity), which is not in the Company's inventory. Instead, it is directly consumed by the Company's fleet at different airport terminals. Therefore, although a non-financial asset is involved, its initial recognition does not generate a book adjustment in the Company's inventories. Rather, it is initially accounted for in the Company's OCI and a reclassification adjustment is made from OCI to profit and loss and recognized in the same period or periods in which the hedged item is expected to be allocated to profit and loss. Furthermore, the Company hedges its forecasted jet fuel consumption month after month, which is congruent with the maturity date of the monthly serial Asian call options.

As of June 30, 2018, and December 31, 2017, the fair value of the outstanding US Gulf Coast Jet Fuel Asian call options was a gain of Ps.439,774 and Ps.497,403, respectively, and is presented as part of the financial assets in the unaudited interim condensed consolidated statement of financial position.

The amount of positive cost of hedging derived from the extrinsic value changes of these options as of June 30, 2018 recognized in other comprehensive income totals Ps. 317,750 (the positive cost of hedging in December 2017 totals Ps. 163,836), and will be recycled to the fuel cost during 2018, as these options expire on a monthly basis.

During the three months ended June 30, 2018 and 2017, the net cost of these options recycled to the fuel cost was a (benefit) and expense of Ps. (133,098) and Ps.73,036, respectively.

During the six months period ended June 30, 2018 and June 30, 2017, the net cost of these options recycled to the fuel cost was a (benefit) and expense Ps. (201,474) and Ps.132,482, respectively.

The following table includes the notional amounts and strike prices of the derivative financial instruments outstanding as of the end of the year:

Jet fuel risk	Position as of June 30, 2018	
	2 Half 2018	2018 Total
Notional volume in gallons (thousands)*	61,863	61,863
Strike price agreed rate per gallon (U.S. dollars)**	US\$ 1.8106	US\$ 1.8106
Approximate percentage of hedge (of expected consumption value)	50%	50%

* US Gulf Coast Jet 54 as underlying asset

** Weighted average

Jet fuel risk	Position as of December 31, 2017		
	1H18	2H18	2018 Total
Notional volume in gallons (thousands)*	69,518	61,863	131,381
Strike price agreed rate per gallon (U.S. dollars)**	US\$1.6861	US\$1.8106	US\$1.7447
Approximate percentage of hedge (of expected consumption value)	60%	50%	55%

* US Gulf Coast Jet 54 as underlying asset

** Weighted average

b) Foreign currency risk

While Mexican Peso is the functional currency of the Company, a significant portion of its operating expenses is denominated in U.S. dollar; thus, Volaris relies on sustained U.S. dollar cash flows coming from operations in the United States of America and Central America to support part of its commitments in such currency, however there's still a mismatch. Foreign currency risk arises from possible unfavorable movements in the exchange rate which could have a negative impact in the Company's cash flows. To mitigate this risk, the Company may use foreign exchange derivative financial instruments.

Most of the Company's revenue is generated in Mexican pesos, although 33% of its revenues came from operations in the United States of America and Central America for the six months ended Jun 30, 2018 (28% for the six months ended June 30, 2017).

For the three months ended June 30, 2018, 33% of the Company's revenues came from operations in the United States of America and Central America (30% for the three months ended June 30, 2017).

U.S. dollar denominated collections accounted for 40% and 40% of the Company's total collections as of June 30, 2018 and December, 31 2017, respectively. However, certain of its expenditures, particularly those related to aircraft leasing and acquisition, are also U.S. dollar denominated also and although jet fuel for those flights originated in Mexico are paid in Mexican pesos, the price formula is impacted by the Mexican Pesos /U.S. dollars exchange rate.

The Company's foreign exchange on and off-balance sheet exposure as of June 30, 2018 and December 31, 2017 is as set forth below:

	Thousands of U.S. dollars	
	June 30, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	US\$ 332,428	US\$ 344,038
Other accounts receivable	18,290	13,105
Aircraft maintenance deposits paid to lessors	344,665	352,142
Deposits for rental of flight equipment	23,450	25,343
Derivative financial instruments	26,404	25,204
Total assets	<u>745,237</u>	<u>759,832</u>
Liabilities:		
Financial debt	149,173	128,296
Foreign suppliers	58,099	53,729
Taxes and fees payable	13,095	10,304
Total liabilities	<u>220,367</u>	<u>192,329</u>
Net foreign currency position	<u>US\$ 524,870</u>	<u>US\$ 567,503</u>

At July 19, 2018, date of issuance of these financial statements, the exchange rate was Ps.18.8763 per U.S. dollar.

	Thousands of U.S. dollars	
	June 30, 2018	December 31, 2017
Off-balance sheet transactions exposure:		
Aircraft and engine operating lease payments (Note 12)	US\$ 2,000,597	US\$ 1,856,909
Aircraft and engine commitments (Note 15)	1,103,405	1,123,377
Total foreign currency	<u>US\$ 3,104,002</u>	<u>US\$ 2,980,286</u>

As of June 30, 2018, the company entered into Plain Vanilla Mexican Peso / U.S. dollar FX forwards in order to hedge approximately 20% of its next twelve months aircraft rental expenses.

As of June 30, 2018, the fair value of the foreign currency forward contracts was a gain of Ps.84,693, and it is presented as part of the financial assets in the unaudited interim condensed consolidated statements of financial position.

This unrealized gain of Ps.84,693 relating to the foreign currency forward contracts is included in OCI.

As of December 31, 2017, the Company did not enter into foreign exchange rate derivatives financial instruments.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations and flight equipment operating lease agreements with floating interest rates.

The Company's results are affected by fluctuations in certain benchmark market interest rates due to the impact that such changes may have on operational lease payments indexed to the London Inter Bank Offered Rate ("LIBOR"). The Company uses derivative financial instruments to reduce its exposure to fluctuations in market interest rates and accounts for these instruments as an accounting hedge. In most cases, when a derivative can be tailored within the terms and it perfectly matches cash flows of a leasing agreement, it may be designated as a "cash flow hedge" and the effective portion of fair value variations are recorded in equity until the date the cash flow of the hedged lease payment is recognized in unaudited interim condensed consolidated statements of operations.

For the six and three months ended June 30, 2018, the Company did not have interest rate swaps.

For the six months ended June 30, 2017 the reported loss on the interest rate swaps was Ps.13,827, which was recognized as part of rental expense in the consolidated statements of operations.

For the three months ended June 30, 2017 the reported loss on the interest rate swaps was Ps.2,041, which was recognized as part of rental expense in the consolidated statements of operations.

All of the Company's position in the form of interest rate swaps matured on March 31, 2017 and April 30, 2017, consequently there is no outstanding balance as of June 30, 2017.

d) Liquidity risk

Liquidity risk represents the risk that the Company has insufficient funds to meet its obligations.

Because of the cyclical nature of the business, the operations, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, the Company requires liquid funds to meet its obligations.

The Company attempts to manage its cash and cash equivalents and its financial assets, relating the term of investments with those of its obligations. Its policy is that the average term of its investments may not exceed the average term of its obligations. This cash and cash equivalents position is invested in highly-liquid short-term instruments through financial entities.

The Company has future obligations related to maturities of bank borrowings and derivative contracts.

The Company's off-balance sheet exposure represents the future obligations related to operating lease contracts and aircraft purchase contracts. The Company concluded that it has a low concentration of risk since it has access to alternate sources of funding.

The table below presents the Company's contractual principal payments required on its financial liabilities and the derivative financial instruments fair value:

	June 30, 2018		
	Within one year	One to five years	Total
Interest-bearing borrowings:			
Pre-delivery payments facilities	Ps. 2,033,909	Ps. 907,584	Ps. 2,941,493
Short-term working capital facilities	519,540	-	519,540
Total	Ps. 2,553,449	Ps. 907,584	Ps. 3,461,033
	December 31, 2017		
	Within one year	One to five years	Total
Interest-bearing borrowings:			
Pre-delivery payments facilities	Ps. 1,449,236	Ps. 1,079,152	Ps. 2,528,388
Short-term working capital facilities	948,354	-	948,354
Total	Ps. 2,397,590	Ps. 1,079,152	Ps. 3,476,742

e) Credit risk

Credit risk is the risk that any counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments including derivatives.

Financial instruments that expose the Company to credit risk involve mainly cash equivalents and accounts receivable. Credit risk on cash equivalents relate to amounts invested with major financial institutions.

Credit risk on accounts receivable relates primarily to amounts receivable from the major international credit card companies.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in credit cards.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Some of the outstanding derivative financial instruments expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not expect any of its counterparties to fail to meet their obligations. The amount of such credit exposure is generally the unrealized gain, if any, in such contracts. To manage credit risk, the Company selects counterparties based on credit assessments, limits overall exposure to any single counterparty and monitors the market position with each counterparty. The Company does not purchase or hold derivative financial instruments for trading purposes. At June 30, 2018, the Company concluded that its credit risk related to its outstanding derivative financial instruments is low, since it has no significant concentration with any single counterparty and it only enters into derivative financial instruments with banks with high credit-rating assigned by international credit-rating agencies.

f) Capital management

Management believes that the resources available to the Company are sufficient for its present requirements and will be sufficient to meet its anticipated requirements for capital expenditures and other cash requirements for the 2018 fiscal year.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios to support its business and maximize the shareholder's value. No changes were made in the objectives, policies or processes for managing capital during the six months ended June 30, 2018. The Company is not subject to any externally imposed capital requirement, other than the legal reserve.

7. Fair value measurements

The only financial assets and liabilities recognized at fair value on a recurring basis are the derivative financial instruments.

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The assessment of a non-financial asset's fair value considers the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's financial instruments, other than those for which carrying amounts are reasonable approximations of fair values:

	Carrying amount		Fair value	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Assets				
Derivative financial instruments	Ps. 524,467	Ps. 497,403	Ps. 524,467	Ps. 497,403
Liabilities				
Financial debt	(3,461,033)	(3,476,742)	(3,464,211)	(3,481,741)
Total	Ps. (2,936,566)	Ps. (2,979,339)	Ps. (2,939,744)	Ps. (2,984,338)

The following table summarizes the fair value measurements at June 30, 2018:

	Fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Derivatives financial instruments:				
Jet fuel Asian call options contracts*	Ps. -	Ps. 439,774	Ps. -	Ps. 439,774
Foreign currency forward		84,693		84,693
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings**		(3,464,211)		(3,464,211)
Net	Ps. -	Ps. (2,939,744)	Ps. -	Ps. (2,939,744)

* Jet fuel forwards levels.

** LIBOR curve

There were no transfers between level 1 and level 2 during the period.

The following table summarizes the fair value measurements at December 31, 2017:

	Fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Derivatives financial instruments:				
Jet fuel Asian call options contracts*	Ps. -	Ps. 497,403	Ps. -	Ps. 497,403
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings**	-	(3,481,741)	-	(3,481,741)
Net	Ps. -	Ps. (2,984,338)	Ps. -	Ps. (2,984,338)

* Jet fuel forwards levels.

** LIBOR curve.

There were no transfers between level 1 and level 2 during the period.

The following table summarizes the gain (loss) from derivatives financial instruments recognized in the unaudited interim condensed consolidated statements of operations for the three months ended June 30, 2018 and 2017:

Consolidated statements of operations

Instrument	Financial statements line	Three months ended	
		June 30, 2018	June 30, 2017
Jet fuel Asian call options contracts	Fuel	Ps. 133,098	Ps. (73,036)
Interest rate swap contracts	Aircraft and engine rent expenses	-	(2,041)
Total		Ps. 133,098	Ps. (75,077)

The following table summarizes the gain (loss) from derivatives financial instruments recognized in the unaudited interim condensed consolidated statements of operations for the six months ended June 30, 2018 and 2017:

Consolidated statements of operations

Instrument	Financial statements line	Six months ended	
		June 30, 2018	June 30, 2017
Jet fuel Asian call options contracts	Fuel	Ps. 201,474	Ps. (132,482)
Interest rate swap contracts	Aircraft and engine rent expenses	-	(13,827)
Total		Ps. 201,474	Ps. (146,309)

The following table summarizes the net gain (loss) on CFH before taxes recognized in the unaudited interim condensed consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017:

Consolidated statements of other comprehensive income

Instrument	Financial statements line	Three months ended June 30,	
		2018	2017
Jet fuel Asian call options	OCI	Ps. (147,920)	Ps. (152,224)
Interest rate swap contracts	OCI	-	2,043
Foreign currency contracts	OCI	(84,693)	(10,565)
Total		Ps. (232,613)	Ps. (160,746)

The following table summarizes the net gain (loss) on CFH before taxes recognized in the unaudited interim condensed consolidated statements of comprehensive income for the six months ended June 30, 2018 and 2017:

Consolidated statements of other comprehensive income

Instrument	Financial statements line	Six months ended June 30,	
		2018	2017
Jet fuel Asian call options	OCI	Ps. (153,914)	Ps. (467,135)
Interest rate swap contracts	OCI	-	14,144
Foreign currency contracts	OCI	(84,693)	(10,565)
Total		Ps. (238,607)	Ps. (463,556)

8. Financial assets and liabilities

At June 30, 2018 and December 31, 2017, the Company's financial assets are represented by cash and cash equivalents, trade and other accounts receivable, accounts receivable with carrying amounts that approximate their fair value.

a) Financial assets

	June 30, 2018	December 31, 2017
Derivative financial instruments designated as cash flow hedges (effective portion recognized within OCI)		
Jet fuel Asian call options	Ps. 439,774	Ps. 497,403
Foreign currency forward	84,693	-
Total financial assets	Ps. 524,467	Ps. 497,403

Presented on the consolidated statements of financial position as follows:

	June 30, 2018	December 31, 2017
Current	Ps. 524,467	Ps. 497,403
Non-current	Ps. -	Ps. -

b) Financial debt

i) At June 30, 2018 and December 31, 2017, the Company's short-term and long-term debt consists of the following:

	June 30, 2018	December 31 2017
I. Revolving line of credit with Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander ("Santander") and Banco Nacional de Comercio Exterior, S.N.C. ("Bancomext"), in U.S. dollars, to finance pre-delivery payments, maturing on November 30, 2021, bearing annual interest rate at the three-month LIBOR plus a spread according to the contractual conditions of each disbursement in a range of 199 to 225 basis points.	Ps. 2,941,493	Ps. 2,528,388
II. In December 2016, the Company entered into a short-term working capital facility with Banco Nacional de México S.A. ("Citibanamex") in Mexican pesos, bearing annual interest rate at TIIE 28 days plus a spread of 70 basis points.	519,540	948,354
III. Accrued interest	23,055	5,972
	3,484,088	3,482,714
Less: Short-term maturities	2,576,504	2,403,562
Long-term	Ps. 907,584	Ps. 1,079,152

TIIE: Mexican interbank rate

(ii) The following table provides a summary of the Company's scheduled principal payments of financial debt and accrued interest at June 30, 2018:

	<u>Within one year</u>	<u>July 2019- June 2020</u>	<u>July 2020- June 2021</u>	<u>Total</u>
Finance debt:				
Santander/Bancomext	Ps. 2,055,475	Ps. 755,684	Ps. 151,900	Ps. 2,963,059
Citibanamex	521,029	-	-	521,029
Total	Ps. 2,576,504	Ps. 755,684	Ps. 151,900	Ps. 3,484,088

The "Santander/Bancomext" loan agreement provides for certain covenants, including limits to the ability to, among others:

- i) Incur debt above a specified debt basket unless certain financial ratios are met.
- ii) Create liens.
- iii) Merge with or acquire any other entity without the previous authorization of the Banks.
- iv) Dispose of certain assets.
- v) Declare and pay dividends, or make any distribution on the Company's share capital unless certain financial ratios are met.

At June 30, 2018 and December 31, 2017, the Company was in compliance with the covenants under the above-mentioned loan agreement.

For purposes of financing the pre-delivery payments, Mexican trust structures were created whereby, the Company assigned its rights and obligations under the Airbus Purchase Agreement with Airbus S.A.S. ("Airbus"), including its obligation to make pre-delivery payments to the Mexican trusts, and the Company guaranteed the obligations of the Mexican trusts under the financing agreement (Deutsche Bank Mexico, S.A. Trust 1710 and 1711).

9. Related parties

- a) An analysis of balances due from/to related parties at June 30, 2018 and December 31, 2017 is provided below. All companies are considered affiliates, since the Company's primary shareholders or directors are also direct or indirect shareholders of the related parties:

Due to:	Type of transaction	Country of origin	June 30, 2018	December 31, 2017	Terms
One Link, S.A. de C.V. ("One Link")	Call center fees	El Salvador	Ps. 35,169	Ps. 24,980	30 days
Aeromantenimiento, S.A. ("Aeroman")	Aircraft and engine maintenance	El Salvador	28,578	15,951	30 days
Human Capital International HCI, S.A. de C.V. ("HCI")	Professional Fees	México	306	-	30 days
Mijares, Angoitia, Cortés y Fuentes, S.C.	Professional Fees	México	1,314	-	30 days
			Ps. 65,367	Ps. 40,931	

- b) During the three months ended June 30, 2018 and 2017, the Company had the following transactions with related parties:

Related party transactions	Country of origin	2018	2017
Expenses:			
Aircraft and engine maintenance	El Salvador/Guatemala	Ps. 101,065	Ps. 75,507
Call center fees and other fees	Mexico/El Salvador	43,876	45,326
Other	Mexico/El Salvador/ Guatemala	-	2,225

During the six months ended June 30, 2018 and 2017, the Company had the following transactions with related parties:

Related party transactions	Country of origin	2018	2017
Expenses:			
Aircraft and engine maintenance	El Salvador/Guatemala	Ps. 186,977	Ps. 130,780
Call center fees and other fees	Mexico/El Salvador	88,526	96,421
Other	Mexico/El Salvador/ Guatemala	-	4,216

c) Servprot

Servprot S.A. de C.V. ("Servprot") is a related party because Enrique Beltranena, the Company's Chief Executive Officer, and Rodolfo Montemayor, a member of the board of directors, are shareholders of such company. Servprot provides security services for Mr. Beltranena and his family, as well as for Mr. Montemayor.

During the three months ended June 30, 2018 and 2017 the Company expensed Ps.663 and Ps.420, respectively, for this concept.

During the six months ended June 30, 2018 and 2017 the Company expensed Ps.1,237 and Ps.842, respectively, for this concept.

d) Aeroman

Aeroman is a related party because Roberto José Kriete Ávila, a member of the Company's board of directors, and members of his immediate family are shareholders of Aeroman. The Company entered into an aircraft repair and maintenance service agreement with Aeroman on January 1 2017. This agreement provides that we the Company has to use Aeroman, exclusively for aircraft repair and maintenance services, subject to availability. Under this agreement, Aeroman provides inspection, maintenance, repair and overhaul services for aircraft. The Company makes payments under this agreement depending on the services performed. This agreement is for a 10 year term.

As of June 30, 2018 and December 31, 2017, the balances due under the agreement with Aeroman were Ps.28,578 and Ps.15,951, respectively.

During the three months ended June 30, 2018 and 2017, the Company expensed Ps.101,065 and Ps.76,212, respectively for this concept.

During the six months ended June 30, 2018 and 2017, the Company expensed Ps.186,977 and Ps.132,343, respectively for this concept.

e) HCI

The Company entered into a professional services agreement with Human Capital International HCI, S.A. de C.V., or Human Capital International, on February 25, 2015, for the selection and hiring of executives. Rodolfo Montemayor Garza, member of the Company's board of directors until April 19, 2018, is a founder and chairman of the board of directors of Human Capital International.

As of June 30, 2018 and December 31, 2017, the balances due under the agreement with HCI were Ps.306 and Ps.0, respectively.

During the three months period ended June 30, 2018 and 2017, the Company expensed Ps.528 and Ps.260, respectively, for this concept.

During the six months period ended June 30, 2018 and 2017, the Company expensed Ps.588 and Ps.796, respectively, for this concept.

f) One Link, S.A de C.V.

One Link is a related party because Marcho Baldocchi, an alternate member of the board, is a director of the Company. Pursuant to this agreement, One Link receives calls from our customers to book flights and provides customers with information about fares, schedules and availability.

As of June 30, 2018 and December 31, 2017, the balances due under the agreement with One Link were Ps.35,169 and Ps.24,980, respectively.

During the three months period ended June 30, 2018 and 2017, the Company expensed Ps.42,162 and Ps.44,646, respectively, for this concept.

During the six months period ended June 30, 2018 and 2017, the Company expensed Ps.86,178 and Ps.94,783, respectively, for this concept.

g) SearchForce, Inc.

SearchForce is a related party because William Dean Donovan, an alternate member of the board, is a director of the Company. Pursuant to this agreement, SearchForce provides consultation services, reports, findings, analysis or other deliverables to us regarding the software and the implementation of the internet marketing strategy developed to the Company at its request.

During the three months ended June 30, 2018 and 2017, the Company expensed Ps.0 and Ps.527, respectively, for this concept.

During the six months ended June 30, 2018 and 2017, the Company expensed Ps.0 and Ps.1,418, respectively, for this concept.

h) Mijares, Angoitia, Cortés y Fuentes, S.C.

Mijares, Angoitia, Cortés y Fuentes, S.C. is a related party because Eugenio Macouzet and Ricardo Maldonado Yañez, members of the board since April 2018, are partners of the Company.

As of June 30, 2018 and December 31, 2017, the balances due under the agreement with Mijares, Angoitia, Cortés y Fuentes were Ps.1,314 and Ps.0, respectively.

During the three months period ended June 30, 2018 and 2017, the Company expensed Ps 523 and Ps.0, respectively, for this concept.

During the six months period ended June 30, 2018 and 2017, the Company expensed Ps 523 and Ps.0, respectively, for this concept.

i) Directors and officers

During the three months ended June 30, 2018 and 2017, all of the Company's senior managers received an aggregate compensation of short and long-term benefits of Ps.26,479 and Ps.20,986, respectively.

During the six months ended June 30, 2018 and 2017, all of the Company's senior managers received an aggregate compensation of short and long-term benefits of Ps.51,654 and Ps.66,710, respectively.

During the three months ended June 30, 2018 and 2017, the chairman and the independent members of the Company's board of directors received an aggregate compensation of approximately Ps.2,869 and Ps.2,095, respectively, and the rest of the directors received a compensation of Ps .2,066 and Ps.1,584, respectively.

During the six months ended June 30, 2018 and 2017, the chairman and the independent members of the Company's board of directors received an aggregate compensation of approximately Ps.4,998 and Ps.4,131, respectively, and the rest of the directors received a compensation of Ps .3,767 and Ps.3,411, respectively.

10. Rotable spare parts, furniture and equipment, net

a) Acquisitions and disposals

During six months period ended June 30, 2018 and the year ended December 31, 2017, the Company acquired rotable spare parts, furniture and equipment by an amount of Ps.1,162,278 and Ps.2,584,232, respectively.

Rotable spare parts, furniture and equipment by Ps.304,954 and Ps.319,671 were disposed during six months period ended June 30, 2018 and during the year ended December 31, 2017 respectively. These amounts included reimbursements of pre-delivery payments for aircraft acquisition of Ps.0 and Ps.213,947 respectively.

b) Depreciation expense

Depreciation expense for the six months ended June 30, 2018 and 2017 was Ps.219,214 and Ps.243,116, respectively. Depreciation expense for the three months ended June 30, 2018 and 2017 was Ps.105,414 and Ps.127,035, respectively. Depreciation charges for the period are recognized as a component of operating expenses in the unaudited interim condensed consolidated statements of operations.

11. Intangible assets, net

a) Acquisitions

During six months period ended June 30, 2018 and the year ended December 31, 2017, the Company acquired intangible assets by an amount of Ps.23,364 and Ps.130,908 respectively.

b) Amortization expense

Software amortization expense for the six months ended June 30, 2018 and 2017 was Ps.36,721 and Ps.24,609, respectively. Software amortization expense for the three months ended June 30, 2018 and 2017 was Ps.18,215 and Ps.12,319, respectively. These amounts were recognized in depreciation and amortization in the unaudited interim condensed consolidated statements of operations.

12. Operating leases

The most significant operating leases are as follows:

Aircraft and engine rent. At June 30, 2018, the Company leases 70 aircraft (71 as of December 31, 2017) and 10 spare engines under operating leases (8 as of December 31, 2017) that have maximum terms through 2032. Rents are guaranteed by deposits in cash or letters of credit. The aircraft lease agreements contain certain covenants to which the Company is bound. The most significant covenants include the following:

- (i) Maintain the records, licenses and authorizations required by the competent aviation authorities and make the corresponding payments.
- (ii) Provide maintenance services to the equipment based on the approved maintenance program.
- (iii) Maintain insurance policies on the equipment for the amounts and risks stipulated in each agreement.
- (iv) Periodic submission of financial and operating information to the lessors.
- (v) Comply with the technical conditions relative to the return of aircraft.

As of June 30, 2018 and December 31 2017, the Company was in compliance with the covenants under the above mentioned aircraft lease agreements.

Composition of the fleet and spare engines, operating leases*:

Aircraft Type	Model	At June 30, 2018	At December 31, 2017
A319	132	4	6
A319	133	4	6
A320	233	39	39
A320	232	4	4
A320NEO	271N	7	6
A321	231	10	10
A321NEO	271N	2	0
		70	71

Engine Type	Model	At June 30, 2018	At December 31, 2017
V2500	V2527M-A5	3	3
V2500	V2527E-A5	3	3
V2500	V2527-A5	2	2
PW1100	PW1127G-JM	2	0
		10	8

* Certain of the Company's aircraft and engine lease agreements include an option to extend the lease term period. Terms and conditions are subject to market conditions at the time of renewal.

During the six months period ended June 30, 2018, the Company incorporate three new aircraft to its fleet, one A320NEO and two A321NEO

During the six months period ended June 30, 2018, the Company also incorporate two NEO spare engines to its fleet based on the terms of the Pratt and Whitney purchase agreement (FMP). These two engines incorporated were subject to sale and leaseback transactions and their respective lease agreements were accounted as operating leases

Also during the period of six months ending June 30, 2018, the Company extended the lease term of two aircraft (effective from 2019) and two spare engine (effective from february and april 2018), additionally during this period the Company returned four aircraft to their respective lessors.

During the year ended December 31, 2017, the Company incorporate five aircraft to its fleet (one of them based on the terms of the Airbus purchase agreement and four from a lessor's order book). These new aircraft lease agreements were accounted for as operating leases. Also, the Company returned three aircraft to their respective lessors. All the aircraft incorporated through the lessor's aircraft order book were not subject to sale and leaseback transactions.

Additionally, during 2017 the Company extended the lease term of three aircraft (effective from 2018) and two spare engines (effective from July 2017 and September 2017 respectively). Such leases were accounted as operating leases and were not subject to sale and leaseback transactions.

As of June 30, 2018 and December 31, 2017, all of the Company's aircraft and spare engines lease agreements were accounted for as operating leases.

Provided below is an analysis of future minimum aircraft and engine rent payments in U.S. dollars and its equivalent to Mexican pesos:

	Aircraft operating leases		Engine operating leases	
	in U.S. dollars	in Mexican pesos ⁽¹⁾	in U.S. dollars	in Mexican pesos ⁽¹⁾
2018	US\$ 135,032	P\$ 2,682,181	US\$ 3,719	P\$ 73,872
2019	265,342	5,270,568	7,314	145,280
2020	259,915	5,162,770	6,694	132,965
2021	252,172	5,008,968	6,537	129,846
2022 and thereafter	1,047,621	20,809,210	16,251	322,798
Total	<u>US\$ 1,960,082</u>	<u>P\$ 38,933,697</u>	<u>US\$ 40,515</u>	<u>P\$ 804,761</u>

(1) Using the exchange rate as of June 30, 2018 of Ps. 19.8633.

Such amounts are determined based on stipulated rent contained within the agreements without considering renewals and using the prevailing exchange rate and interest rates as of June 30, 2018.

During the six months period ended June 30, 2018, the Company entered into sale and leaseback transactions for two NEO spare engines, which resulted in a gain of Ps 220,297.

During the year ended December 31, 2011, the Company entered into aircraft and spare engines sale and leaseback transactions, which resulted in a loss of Ps.30,706. This loss was deferred on the unaudited interim condensed consolidated statements of financial position and is being amortized over the contractual lease term. As of June 30, 2018 and December 31, 2017, the current portion of the loss on sale amounts to Ps.3,047 and Ps.3,047, respectively, which is recorded in the caption of prepaid expenses and other current assets, and the non-current portion amounts to Ps.9,889 and Ps.11,413, respectively, which is recorded in the caption of other assets.

For the three months ended June 30, 2018 and 2017, the Company amortized a loss of Ps.762, and Ps.762, respectively, as additional aircraft rental expense.

For the six months ended June 30, 2018 and 2017, the Company amortized a loss of Ps.1,524, and Ps.1,524, respectively, as additional aircraft rental expense.

13. Equity

As of June 30, 2018, the total number of authorized shares was 1,011,876,677; represented by common registered shares, issued and with no par value, fully subscribed and paid, comprised as follows:

	Shares		Total shares
	Fixed Class I	Variable Class II	
Series A shares	10,478	923,814,326	923,824,804
Series B shares	13,702	88,038,171	88,051,873
	24,180	1,011,852,497	1,011,876,677
Treasury shares	-	(13,257,945)	(13,257,945)
	24,180	998,594,552	998,618,732

All shares representing the Company's capital stock, either Series A shares or Series B shares, grant the holders the same economic rights and there are no preferences and/or restrictions attaching to any class of shares on the distribution of dividends and the repayment of capital. Holders of the Company's Series A common stock and Series B common stock are entitled to dividends when, and if, declared by a shareholder resolution. The Company's revolving line of credit with Santander and Bancomext limits the Company's ability to declare and pay dividends in the event that the Company fails to comply with the payment terms thereunder.

During the six months period ended June 30, 2018 and for the year ended December 31, 2017, the Company did not declare any dividends.

a) (Loss) Earnings per share

Basic earnings (loss) per share ("EPS" "LPS") amounts are calculated by dividing the net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS and LPS amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following table shows the calculations of the basic and diluted earnings (loss) per share for the three months ended June 30, 2018 and 2017:

	2018		2017	
	Ps.		Ps.	
Net income (loss) for the period		38,140		(507,677)
Weighted average number of shares outstanding (in thousands):				
Basic		1,011,877		1,011,877
Diluted		1,011,877		1,011,877
EPS/LPS:				
Basic		0.038		(0.502)
Diluted		0.038		(0.502)

The following table shows the calculations of the basic and diluted loss per share for the six months ended June 30, 2018 and 2017:

	2018	2017
	Ps.	Ps.
Net loss for the period	(1,080,043)	(1,825,634)
Weighted average number of shares outstanding (in thousands):		
Basic	1,011,877	1,011,877
Diluted	1,011,877	1,011,877
LPS:		
Basic	(1.067)	(1.804)
Diluted	(1.067)	(1.804)

14. Income tax

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the unaudited interim condensed statement of operations are:

Consolidated statement of operations

	Three months ended June 30,	
	2018	2017
	Ps.	Ps.
Deferred income tax expense	(46,658)	-
Total income tax expense on profits	(46,658)	-

The Company's effective tax rate during the three months period ended June 30, 2018 and 2017 was 55.02% and 0.00% respectively.

	Six months ended June 30,	
	2018	2017
	Ps.	Ps.
Deferred income tax benefit	432,560	555,514
Total income tax benefit on profits	432,560	555,514

The Company's effective tax rate during the six months period ended June 30, 2018 and 2017 was 28.59% and 23.30% respectively.

15. Commitments and contingencies

Committed expenditures for aircraft purchase and related flight equipment related to the Airbus purchase agreement, including estimated amounts for contractual prices escalations and pre-delivery payments, will be as follows:

	Commitment expenditures in U.S. dollars	Commitment expenditures equivalent in Mexican pesos (1)
2018	\$ 56,222	\$ 1,116,754
2019	\$ 130,013	\$ 2,582,487
2020	\$ 101,585	\$ 2,017,813
2021	\$ 145,683	\$ 2,893,745
2022 and thereafter	\$ 669,902	\$ 13,306,464
	<u>\$ 1,103,405</u>	<u>\$ 21,917,263</u>

(1) Using the exchange rate as of June 30, 2018 of Ps. 19.8633.

All aircraft acquired by the Company through the Airbus purchase agreement at June 30, 2018 and December 31, 2017 have been executed through sale and leaseback transactions.

Litigation

- a) The Company is a party to legal proceedings and claims that arise during the ordinary course of business. The Company believes the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.
- b) On January 18, 2018, the Mexican antitrust authority, Comisión Federal de Competencia Económica ("COFECE"), served Volaris with a preliminary ruling of potential responsibility (Dictamen de Probable Responsabilidad or "DPR") in which the investigating body of COFECE asserts certain allegations regarding antitrust activities in Mexico's domestic commercial air passenger transportation market during the period from April 2008 up to February 2010 by different Mexican carriers, including Volaris. The DPR does not constitute a final ruling of culpability against Volaris. Since all the activities which were allegedly committed by the carriers were committed within the framework of the Mexican Federal Antitrust Law (Ley Federal de Competencia Económica) in effect during 2010, any applicable fines would be made pursuant to such 2010 law. The maximum fine contemplated by Article 35 section IV of such law is one million five hundred thousand times the minimum wage for Mexico City in effect during 2010. Therefore, in the event that the final ruling imposes a fine on Volaris, such fine is not expected to have a material adverse effect on the financial position or performance of the Company. Nevertheless, the COFECE proceedings are ongoing and the Company cannot predict the final outcome of such proceedings and accordingly the Company has not established a provision on the accompanying consolidated financial statements for a loss arising from this assessment.

16. Operating segments

The Company is managed as a single business unit that provides air transportation services. The Company has two geographic segments identified below:

	Three months ended June 30,	
	2018	2017
Operating revenues:		
Domestic (Mexico)	Ps. 4,201,087	Ps. 4,214,365
International:		
United States of America and Central America	2,029,155	1,779,469
Total operating revenues	Ps. 6,230,242	Ps. 5,993,834

	Six months ended June 30,	
	2018	2017
Operating revenues:		
Domestic (Mexico)	Ps. 8,048,689	Ps. 8,370,213
International:		
United States of America and Central America	4,031,727	3,322,252
Total operating revenues	Ps. 12,080,416	Ps. 11,692,465

Revenues are allocated by geographic segments based upon the origin of each flight. The Company does not have material non-current assets located in foreign countries.

The breakdown of our non-ticket revenues for the three months ended June 30, 2018 and 2017 is as follows:

	Three months ended June 30,	
	2018	2017
Non-ticket revenues		
Air travel-related services	Ps. 1,874,269	Ps. 1,551,719
Non-air travel-related services	166,556	151,765
Cargo	52,837	38,538
Total non-ticket revenues	Ps. 2,093,662	Ps. 1,742,022

The breakdown of our non-ticket revenues for the six months ended June 30, 2018 and 2017 is as follows:

	Six months ended June 30,	
	2018	2017
Non-ticket revenues		
Air travel-related services	Ps. 3,627,768	Ps. 3,051,642
Non-air travel-related services	329,116	284,599
Cargo	101,394	79,633
Total non-ticket revenues	<u>Ps. 4,058,278</u>	<u>Ps. 3,415,874</u>

17. Subsequent events

Subsequent to June 30, 2018 and through July 19, 2018, the Company does not have any relevant subsequent event to report.

Notes - List of accounting policies

Basis of preparation

Statement of compliance

The unaudited interim condensed consolidated financial statements, which include the consolidated statements of financial position as of June 30, 2018 (unaudited) and December 31, 2017 (adjusted), and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the six months period ended June 30, 2018 and 2017, have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and using the same accounting policies applied in preparing the annual financial statements, except as explained below.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2017 and 2016 (audited), and for the three years period ended December 31, 2017.

Basis of measurement and presentation

The accompanying consolidated financial statements have been prepared under the historical-cost convention, except for derivative financial instruments that are measured at fair value and investments in marketable securities measured at fair value through profit and loss (“FVTPL”). The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from those estimates.

a) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- (ii) Exposure, or rights, to variable returns from its involvement with the investee.
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement with the other vote holders of the investee.
- (ii) Rights arising from other contractual arrangements.
- (iii) The Company’s voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions are eliminated in full.

On consolidation, the assets and liabilities of foreign operations are translated into Mexican pesos at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

b) Revenue recognition

During the first quarter 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers*.

IFRS 15 was issued in May 2014 and amended in April 2016 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard supersedes all current revenue recognition requirements under IFRS, including IAS 18. IFRS 15 also requires additional disclosures about the nature, timing, and uncertainty of revenue cash flows arising from customer contracts, including significant judgments and changes in judgments.

The Company adopted the new standard on the required effective date as of January 1, 2018, using the full retrospective method of adoption, in order to provide for comparative results in all periods presented, recognizing the effect in retained earnings as of January 1, 2016.

During 2016, the Company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017. The main impact of IFRS 15 is the timing of recognition of certain air travel-related services ("ancillaries"). Under IAS 18 *Revenue* (standard used before IFRS 15), certain ancillaries are recognized as revenue at the time of the booking by customer (or when the service is provided); under the new standard, those ancillaries are recognized when the air transportation service is rendered (at the time of the flight). This change arises primarily because those ancillaries do not constitute separate performance obligations or represent administrative tasks that do not represent a promised service and therefore should be accounted for together with the air fare as a single performance obligation of providing passenger transportation. Also, certain services provided to the Company's customers that under the new standard qualify as variable considerations that will be recorded as reduction to revenues. The Company considers this accounting change will not have a material impact on its results of operations and financial position.

The classification of certain ancillary fees in the statement of operations, such as advanced seat selection, fees charges for excess baggage, itinerary changes and other air travel-related services, changed upon adoption of IFRS 15 since they are part of the single performance obligation of providing passenger transportation. The revenues classified as non-ticket revenues, by an approximately amount of Ps.5,915,263 in 2017 and Ps.4,758,074 in 2016, were reclassified to passenger revenues.

The Company also evaluated the principal versus agent considerations as it relates to certain non-air travel services arrangements with third party providers. The Company expects that there will be no changes on revenue.

The Company has also identified and implemented changes to its accounting policies and practices, systems and controls, as well as designed and implemented specific controls over its evaluation of the impact of the new guidance on the Company, including a calculation of the cumulative effects, disclosure requirements and the collection of relevant data into the reporting process.

Passenger revenues:

Revenues from the air transportation of passengers are recognized at the earlier of when the service is provided or when the non-refundable ticket expires at the date of the scheduled travel.

Ticket sales for future flights are initially recognized as liabilities under the caption unearned transportation revenue and, once the transportation service is provided by the Company or when the non-refundable ticket expires at the date of the scheduled travel, the earned revenue is recognized as passenger ticket revenues and the unearned transportation revenue is reduced by the same amount. All of the Company's tickets are non-refundable and are subject to change upon a payment of a fee. Additionally, the Company does not operate a frequent flier program.

The most significant passenger revenue includes revenues generated from: (i) fare revenue and (ii) air-related services. Air travel-related services include but are not limited to fees charged for excess baggage, bookings through the call center or third-party agencies, advanced seat selection, itinerary changes, charters and airport passenger facility charges for no-show tickets. They are recognized as revenue when the obligation of passenger transportation service is provided by the Company or when the non-refundable ticket expires at the date of the scheduled travel.

Non-passenger revenues:

The most significant non-passenger revenues include revenues generated from: (i) revenues from non-air travel-related services and (ii) cargo services.

Revenues from non-air travel-related services include commissions charged to third parties for the sale of hotel rooms, trip insurance and rental cars. They are recognized as revenue at the time the service is provided. Additionally, services not directly related to air transportation include Volaris' sale of VClub membership and the sale of advertising spaces to third parties. VClub membership fees are recognized as revenues over the term of the membership. Revenue from the sale of advertising spaces is recognized over the period in which the space is provided.

Revenues from cargo services are recognized when the cargo transportation is provided (upon delivery of the cargo to destination).

c) Cash and cash equivalents

Cash and cash equivalents are represented by bank deposits and highly liquid investments with maturities of 90 days or less at the original purchase date.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term investments as defined above.

d) Financial instruments

Adoption of IFRS 9 (2013)

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company early adopted IFRS 9 on October 1, 2014.

Under IFRS 9 (2013), the FVTPL category used under IAS 39 remains permissible, although new categories of financial assets are introduced. These new categories are based on the characteristics of the instruments and the business model under which these are held, to either be measured at fair value or at amortized cost.

For financial liabilities, categories provided under IAS 39 are kept. As a result, there was no difference in valuation and recognition of the financial assets under IFRS 9 (2013), since those financial assets categorized under IAS 39 as FVTPL remain in that same category under IFRS 9 (2013). In the case of trade receivables, these were not affected in terms of valuation model by this version of IFRS 9 (2013), since they are carried at amortized cost and continued to be accounted for as such.

Also, the hedge accounting section of IFRS 9 (2013) requires for options that qualify and are formally designated as hedging instruments, the intrinsic value of the option to be defined as the hedging instrument, thus allowing for the exclusion of changes in fair value attributable to extrinsic value (time value and volatility), to be accounted, under the transaction-related method, separately as a cost of hedging that needs to be initially recognized in OCI and accumulated in a separate component of equity, since the hedged item is a portion of the forecasted jet fuel consumption. The extrinsic value is recognized in the consolidated statement of operations when the hedged item is recognized in income.

IFRS 9 requires the Company to record expected credit losses on all trade receivables, either on a 12 month or lifetime basis. The Company recorded lifetime expected losses on all trade receivables.

e) Financial assets

Classification of financial assets

The Company determines the classification and measurement of financial assets, in accordance with the new categories introduced by IFRS 9 (2013), which are based on both: the characteristics of the contractual cash flows of these assets and the business model objective for holding them.

Financial assets include those carried at FVTPL, whose objective to hold them is for trading purposes (short-term investments), or at amortized cost, for accounts receivables held to collect the contractual cash flows, which are characterized by solely payments of principal and interest ("SPPI"). Derivative financial instruments are also considered financial assets when these represent contractual rights to receive cash or another financial asset.

Initial recognition

All the Company's financial assets are initially recognized at fair value, including derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their initial classification, as is described below:

1. Financial assets at FVTPL which include financial assets held for trading.
2. Financial assets at amortized cost, whose characteristics meet the SPPI criterion and were originated to be held to collect principal and interest in accordance with the Company's business model.
3. Derivative financial instruments are designated for hedging purposes under the cash flow hedge ("CFH") accounting model and are measured at fair value.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- a) The rights to receive cash flows from the asset have expired;
- b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- c) When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

ii) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events has occurred since the initial recognition of an asset (an incurred 'loss event'), that has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in receivable, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For trade receivables, the Company records allowance for credit losses in accordance with the objective evidence of the incurred losses. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

iii) Financial liabilities

Classification of financial liabilities

Financial liabilities under IFRS 9 (2013) are classified at amortized cost or at FVTPL.

Derivative financial instruments are also considered financial liabilities when these represent contractual obligations to deliver cash or another financial asset.

Initial recognition

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payable to suppliers, unearned transportation revenue, other accounts payable, financial debt and financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at amortized cost

Accounts payable are subsequently measured at amortized cost and do not bear interest or result in gains and losses due to their short-term nature.

After initial recognition at fair value (consideration received), interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on issuance and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of operations. This amortized cost category generally applies to interest-bearing loans and borrowings.

Financial liabilities at FVTPL

FVTPL include financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities under the fair value option are classified as held for trading, if they are acquired for the purpose of selling them in the near future. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 (2013). During the years ended December 31, 2017 and 2016 the Company has not designated any financial liability as at FVTPL.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is:

- (i) A currently enforceable legal right to offset the recognized amounts, and
- (ii) An intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

f) Other accounts receivable

Other accounts receivables are due primarily from major credit card processors associated with the sales of tickets and are stated at cost less allowances made for credit losses, which approximates fair value given their short-term nature.

g) Inventories

Inventories consist primarily of flight equipment expendable parts, materials and supplies, and are initially recorded at acquisition cost. Inventories are carried at the lower of cost and their net realization value. The cost is determined on the basis of the method of specific identification, and expensed when used in operations.

h) Intangible assets

Cost related to the purchase or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over the period in which it will generate benefits not exceeding five years on a straight-line basis. The Company annually reviews the estimated useful lives and salvage values of intangible assets and any changes are accounted for prospectively.

The Company records impairment charges on intangible assets used in operations when events and circumstances indicate that the assets or related cash generating unit may be impaired and the carrying amount of a long-lived asset or cash generating unit exceeds its recoverable amount, which is the higher of (i) its fair value less cost to sell, and (ii) its value in use.

The value in use calculation is based on a discounted cash flow model, using our projections of operating results for the near future. The recoverable amount of long-lived assets is sensitive to the uncertainties inherent in the preparation of projections and the discount rate used in the calculation.

i) Guarantee deposits

Guarantee deposits consist primarily of aircraft maintenance deposits paid to lessors, deposits for rent of flight equipment and other guarantee deposits. Aircraft and engine deposits are held by lessors in U.S. dollars and are presented as current assets and non-current assets, based on the recovery dates of each deposit established in the related agreements.

Aircraft maintenance deposits paid to lessors

Most of the Company's lease agreements require the Company to pay maintenance deposits to aircraft lessors to be held as collateral in advance of the Company's performance of major maintenance activities. These lease agreements provide that maintenance deposits are reimbursable to the Company upon completion of the maintenance event in an amount equal to the lesser of (i) the amount of the maintenance deposits held by the lessor associated with the specific maintenance event, or (ii) the qualifying costs related to the specific maintenance event.

Substantially all of these maintenance deposits are calculated based on a utilization measure of the leased aircrafts and engines, such as flight hours or cycles, and are used solely to collateralize the lessor for maintenance time run off the aircraft and engines until the completion of the maintenance of the aircraft and engines.

Maintenance deposits expected to be recovered from lessors are reflected as guarantee deposits in the accompanying consolidated statement of financial position. The portion of prepaid maintenance deposits that is deemed unlikely to be recovered, primarily relating to the rate differential between the maintenance deposits and the expected cost for the next related maintenance event that the deposits serve to collateralize, is recognized as supplemental rent in the consolidated statements of operations. Thus, any excess of the required deposit over the expected cost of the major maintenance event is recognized as supplemental rent in the consolidated statements of operations starting from the period the determination is made.

Any usage-based maintenance deposits to be paid to the lessor, related with a major maintenance event that (i) is not expected to be performed before the expiration of the lease agreement, (ii) is nonrefundable to the Company and (iii) is not substantively related to the maintenance of the leased asset, is accounted for as contingent rent in the consolidated statements of operations. The Company records lease payment as contingent rent when it becomes probable and reasonably estimable that the maintenance deposits payments will not be refunded.

During the year ended December 31, 2017 and 2016, the Company added five and 17 new aircraft to its fleet, respectively. Some lease agreements of these aircraft do not require the obligation to pay maintenance deposits to lessors in advance in order to ensure major maintenance activities, so the Company does not record guarantee deposits regarding these aircraft. However, some of these agreements provide the obligation to make a maintenance adjustment payment to the lessors at the end of the contract period. This adjustment covers maintenance events that are not expected to be made before the termination of the contract. The Company recognizes this cost as a contingent rent during the lease term of the related aircraft, in the consolidated statement of operations.

The Company makes certain assumptions at the inception of the lease and at each consolidated statement of financial position date to determine the recoverability of maintenance deposits. These assumptions are based on various factors such as the estimated time between the maintenance events, the date the aircraft is due to be returned to the lessor, and the number of flight hours the aircraft and engines is estimated to be utilized before it is returned to the lessor.

In the event that lease extensions are negotiated, any extension benefit is recognized as a deferred lease incentive. The aggregate benefit of extension is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

During the years ended December 31, 2017 and 2016, the Company extended the lease term of three and two aircraft agreements, respectively, and two engine agreements in 2017. These extensions made available to the Company maintenance deposits that were recognized in prior periods in the consolidated statements of operations as contingent rent. The maintenance event for which the maintenance deposits were previously expensed was scheduled to occur after the original lease term and as such the contingent rental payments were expensed. However, when the leases were amended the maintenance deposits amounts became probable of recovery due to the longer lease term and as such they are being recognized as an asset.

The effect of these lease extensions were recognized as a guarantee deposit and a deferred lease incentive in the consolidated statements of financial position at the time of lease extension.

Because the lease extension benefits are considered lease incentives, the benefits are deferred in the statement of financial position and are being recognized on a straight-line basis over the remaining revised lease terms.

j) Aircraft and engine maintenance

The Company is required to conduct diverse levels of aircraft maintenance. Maintenance requirements depend on the type of aircraft, age and the route network over which it operates.

Fleet maintenance requirements may involve short cycle engineering checks, for example, component checks, monthly checks, annual airframe checks and periodic major maintenance and engine checks.

Aircraft maintenance and repair consists of routine and non-routine works, divided into three general categories: (i) routine maintenance, (ii) major maintenance and (iii) component service.

(i) Routine maintenance requirements consists of scheduled maintenance checks on the Company's aircraft, including pre-flight, daily, weekly and overnight checks, any diagnostics and routine repairs and any unscheduled tasks performed as required. This type of maintenance events is currently serviced by the Company mechanics and are primarily completed at the main airports that the Company currently serves. All other maintenance activities are sub-contracted to qualified maintenance business partner, repair and overhaul organizations. Routine maintenance also includes scheduled tasks that can take from seven to 14 days to accomplish and typically are required approximately every 22 months. All routine maintenance costs are expensed as incurred.

(ii) Major maintenance consist of a series of more complex tasks that can take up to six weeks to accomplish and typically are required approximately every five to six years.

Major maintenance is accounted for under the deferral method, whereby the cost of major maintenance and major overhaul and repair is capitalized (leasehold improvements to flight equipment) and amortized over the shorter of the period to the next major maintenance event or the remaining contractual lease term. The next major maintenance event is estimated based on assumptions including estimated usage. The United States Federal Aviation Administration (" FAA ") and the Mexican Civil Aeronautic Authority (Dirección General de Aeronáutica Civil, or " DGAC ") mandate maintenance intervals and average removal times as suggested by the manufacturer.

These assumptions may change based on changes in the utilization of aircraft, changes in government regulations and suggested manufacturer maintenance intervals. In addition, these assumptions can be affected by unplanned incidents that could damage an airframe, engine, or major component to a level that would require a heavy maintenance event prior to a scheduled maintenance event. To the extent the planned usage increases, the estimated life would decrease before the next maintenance event, resulting in additional expense over a shorter period.

(iii) The Company has a power-by-the hour agreement for component services, which guarantees the availability of aircraft parts for the Company's fleet when they are required. It also provides aircraft parts that are included in the redelivery conditions of the contract (hard time) without constituting an additional cost at the time of redelivery. The monthly maintenance cost associated with this agreement is recognized as incurred in the consolidated statements of operations.

The Company has an engine flight hour agreement that guarantees a cost per overhaul, provides miscellaneous engines coverage, caps the cost of foreign objects damage events, ensures there is protection from annual escalations, and grants an annual credit for scrapped components. The cost associated with the miscellaneous engines coverage is recorded as incurred in the consolidated statements of operations.

k) Rotable spare parts, furniture and equipment, net

Rotable spare parts, furniture and equipment, are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method.

Aircraft spare engines have significant parts with different useful lives; therefore, they are accounted for as separate items (major components) of rotatable spare parts.

Pre-delivery payments refer to prepayments made to aircraft and engine manufacturers during the manufacturing stage of the aircraft.

The borrowing costs related to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset.

Depreciation rates are as follows:

	Annual depreciation rate
Aircraft parts and rotatable spare parts	8.3-16.7%
Aircraft spare engines	4.0-8.3%
Standardization	Remaining contractual lease term
Computer equipment	25%
Communications equipment	10%
Office furniture and equipment	10%
Electric power equipment	10%
Workshop machinery and equipment	10%
Service carts on board	20%
Leasehold improvements to flight equipment	The shorter of: (i) remaining contractual lease term, or (ii) the next major maintenance event

The Company reviews annually the useful lives and salvage values of these assets and any changes are accounted for prospectively.

The Company records impairment charges on rotatable spare parts, furniture and equipment used in operations when events and circumstances indicate that the assets may be impaired or when the carrying amount of a long-lived asset or related cash generating unit exceeds its recoverable amount, which is the higher of (i) its fair value less cost to sell and (ii) its value in use.

The value in use calculation is based on a discounted cash flow model, using our projections of operating results for the near future. The recoverable amount of long-lived assets is sensitive to the uncertainties inherent in the preparation of projections and the discount rate used in the calculation.

l) Foreign currency transactions and exchange differences

The Company's consolidated financial statements are presented in Mexican peso, which is the reporting and functional currency of the parent company. For each subsidiary, the Company determines the functional currency and items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements of foreign subsidiaries prepared under IFRS and denominated in their respective local currencies, are translated into the functional currency as follows:

- Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates at the dates of the transactions.
- All monetary assets and liabilities were translated at the exchange rate at the consolidated statement of financial position date.
- All non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.
- Equity accounts are translated at the prevailing exchange rate at the time the capital contributions were made and the profits were generated.
- Revenues, costs and expenses are translated at the average exchange rate during the applicable period.

Any differences resulting from the currency translation are recognized in the consolidated statements of operations.

Foreign currency differences arising on translation into the presentation currency are recognized in OCI.

m) Liabilities and provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

For the operating leases, the Company is contractually obligated to return the leased aircraft in a specific condition. The Company accrues for restitution costs related to aircraft held under operating leases throughout the term of the lease, based upon the estimated cost of satisfying the return condition criteria for each aircraft. These return obligations are related to the costs to be incurred in the reconfiguration of aircraft (interior and exterior), painting, carpeting and other costs, which are estimated based on current cost adjusted for inflation. The return obligation is estimated at the inception of each leasing arrangement and recognized over the term of the lease.

The Company records aircraft lease return obligation reserves based on the best estimate of the return obligation costs under each aircraft lease agreement.

The aircraft lease agreements of the Company also require that the aircraft and engines be returned to lessors under specific conditions of maintenance. The costs of return, which in no case are related to scheduled major maintenance, are estimated and recognized ratably as a provision from the time it becomes likely such costs will be incurred and can be estimated reliably. These return costs are recognized on a straight-line basis as a component of supplemental rent and the provision is included as part of other liabilities, through the remaining lease term. The Company estimates the provision related to airframe, engine overhaul and limited life parts using certain assumptions including the projected usage of the aircraft and the expected costs of maintenance tasks to be performed.

n) Employee benefits

i) Personnel vacations

The Company and its subsidiaries in Mexico and Central America recognize a reserve for the costs of paid absences, such as vacation time, based on the accrual method.

ii) Termination benefits

The Company recognizes a liability and expense for termination benefits at the earlier of the following dates:

a) When it can no longer withdraw the offer of those benefits; and

b) When it recognizes costs for a restructuring that is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

The Company is demonstrably committed to a termination when, and only when, it has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

iii) Seniority premiums

In accordance with Mexican Labor Law, the Company provides seniority premium benefits to the employees which rendered services to its Mexican subsidiaries under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days' wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

Obligations relating to seniority premiums other than those arising from restructurings, are recognized based upon actuarial calculations and are determined using the projected unit credit method.

Remeasurement gains and losses are recognized in full in the period in which they occur in OCI. Such remeasurement gains and losses are not reclassified to profit or loss in subsequent periods.

The defined benefit asset or liability comprises the present value of the defined benefit obligation using a discount rate based on government bonds (*Certificados de la Tesorería de la Federación* , or “ *CETES* ” in Mexico), less the fair value of plan assets out of which the obligations are to be settled.

For entities in Costa Rica and Guatemala; there is no obligation to pay seniority premium or other retirement benefits.

iv) Incentives

The Company has a quarterly incentive plan for certain personnel whereby cash bonuses are awarded for meeting certain performance targets. These incentives are payable shortly after the end of each quarter and are accounted for as a short-term benefit under IAS 19, *Employee Benefits* . A provision is recognized based on the estimated amount of the incentive payment.

During the year ended December 31, 2015, the Company adopted a new short-term benefit plan for certain key personnel whereby cash bonuses are awarded when certain Company’s performance targets are met. These incentives are payable shortly after the end of each year and also are accounted for as a short-term benefit under IAS 19, *Employee Benefits*. A provision is recognized based on the estimated amount of the incentive payment.

v) Long-term retention plan (“LTRP”)

The Company has adopted a Long-term incentive plan (“LTIP”). This plan consists of a share purchase plan (equity-settled) and a share appreciation rights “SARs” plan (cash settled), and therefore accounted under IFRS 2 “Shared based payments”.

vi) Share-based payments

a) LTIP

- Share purchase plan (equity-settled)

Certain key employees of the Company receive additional benefits through a share purchase plan denominated in Restricted Stock Units (“RSUs”), which has been classified as an equity-settled share-based payment. The cost of the equity-settled share purchase plan is measured at the grant date, taking into account the terms and conditions on which the share options were granted. The equity-settled compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits, over the requisite service period.

- SARs plan (cash settled)

The Company granted SARs to key employees, which entitle them to a cash payment after a service period. The amount of the cash payment is determined based on the increase in the share price of the Company between the grant date and the time of exercise. The liability for the SARs is measured, initially and at the end of each reporting period until settled, at the fair value of the SARs, taking into account the terms and conditions on which the SARs were granted. The compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits, over the requisite service period.

b) Management incentive plan (“MIP”)

- MIP I

Certain key employees of the Company receive additional benefits through a share purchase plan, which has been classified as an equity-settled share-based payment. The equity-settled compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits, over the requisite service period.

- MIP II

On February 19, 2016, the Board of Directors of the Company authorized an extension to the MIP for certain key employees, this plan was named MIP II. In accordance with this plan, the Company granted SARs to key employees, which entitle them to a cash payment after a service period. The amount of the cash payment is determined based on the increase in the share price of the Company between the grant date and the time of exercise. The liability for the SARs is measured initially and at the end of each reporting period until settled at the fair value of the SARs, taking into account the terms and conditions on which the SARs were granted. The compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits, over the requisite service period.

vii) Employee profit sharing

For the years ended December 2017 and 2016, the Mexican Income Tax Law ("MITL"), establishes that the base for computing current year employee profit sharing shall be the taxpayer's taxable income of the year for income tax purposes, including certain adjustments established in the Income Tax Law, at the rate of 10%. The cost of employee profit sharing earned for the current-year is presented as an expense in the consolidated statements of operations. Subsidiaries in Central America do not have such profit sharing benefit, as it is not required by local regulation.

o) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Property and equipment lease agreements are recognized as finance leases if the risks and benefits incidental to ownership of the leased assets have been transferred to the Company when (i) the ownership of the leased asset is transferred to the Company upon termination of the lease; (ii) the agreement includes an option to purchase the asset at a reduced price; (iii) the term of the lease is for the major part of the economic life of the leased asset; (iv) the present value of minimum lease payments is at least substantially all of the fair value of the leased asset; or (v) the leased asset is of a specialized nature for the Company.

When the risks and benefits incidental to the ownership of the leased asset remain mostly with the lessor, they are classified as operating leases and rental payments are charged to results of operations on a straight-line over the term of the lease.

The Company's lease contracts for aircraft, engines and components parts are classified as operating leases.

Sale and leaseback

The Company enters into sale and leaseback agreements whereby an aircraft or engine is sold to a lessor upon delivery and the lessor agrees to lease such aircraft or engine back to the Company. Leases under sale and leaseback agreements meet the conditions for treatment as operating leases.

Profit or loss related to a sale transaction followed by an operating lease, is accounted for as follows:

- (i) Profit or loss is recognized immediately when it is clear that the transaction is established at fair value.

- (ii) If the sale price is at or below fair value, any profit or loss is recognized immediately. However, if the loss is compensated for by future lease payments at below market price, such loss is recognized as an asset in the consolidated statements of financial position, and amortized to the consolidated statements of operations in proportion to the lease payments over the contractual lease term.
- (iii) If the sale price is above fair value, the excess of the price above the fair value is deferred and amortized to the consolidated statements of operations over the asset's expected lease term, including probable renewals, with the amortization recorded as a reduction of rent expense.

p) Other taxes and fees payable

The Company is required to collect certain taxes and fees from customers on behalf of government agencies and airports and to remit these to the applicable governmental entity or airport on a periodic basis. These taxes and fees include federal transportation taxes, federal security charges, airport passenger facility charges, and foreign arrival and departure fees. These charges are collected from customers at the time they purchase their tickets, but are not included in passenger revenue. The Company records a liability upon collection from the customer and discharges the liability when payments are remitted to the applicable governmental entity or airport.

q) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except, in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any available tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and available tax losses can be utilized, except, in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

The Company considers the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized: (a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilized before they expire; (b) whether it is probable that the Company will have taxable profits before the unused tax losses or unused tax credits expire; (c) whether the unused tax losses result from identifiable causes which are unlikely to recur; and (d) whether tax planning opportunities are available to the Company that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction in OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The charge for income taxes incurred is computed based on tax laws approved in Mexico, Costa Rica and Guatemala at the date of the consolidated statement of financial position.

r) Derivative financial instruments and hedge accounting

The Company mitigates certain financial risks, such as volatility in the price of jet fuel, adverse changes in interest rates and exchange rate fluctuations, through a risk management program that includes the use of derivative financial instruments.

In accordance with IFRS 9 (2013), derivative financial instruments are recognized in the consolidated statement of financial position at fair value. At inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting; as well as, the risk management objective and strategy for undertaking the hedge. The documentation includes the hedging strategy and objective, identification of the hedging instrument, the hedged item or transaction, the nature of the risks being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk(s).

Only if such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows of the hedge item(s) and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated, hedge accounting treatment can be used.

Under the CFH accounting model, the effective portion of the hedging instrument's changes in fair value is recognized in OCI, while the ineffective portion is recognized in current year earnings. During the years ended December 31, 2016 and 2015, there was no ineffectiveness with respect to derivative financial instruments. The amounts recognized in OCI are transferred to earnings in the period in which the hedged transaction affects earnings.

The realized gain or loss of derivative financial instruments that qualify as CFH is recorded in the same caption of the hedged item in the consolidated statement of operations.

Accounting for the time value of options

The Company accounts for the time value of options in accordance with IFRS 9 (2013), which requires all derivative financial instruments to be initially recognized at fair value. Subsequent measurement for options purchased and designated as CFH requires that the option's changes in fair value be segregated into its intrinsic value (which will be considered the hedging instrument's effective portion in OCI) and its correspondent changes in extrinsic value (time value and volatility). The extrinsic value changes will be considered as a cost of hedging (recognized in OCI in a separate component of equity) and accounted for in income when the hedged items also is recognized in income.

s) Financial instruments – Disclosures

IFRS 7 requires a three-level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements.

t) Treasury shares

The Company's equity instruments that are reacquired (treasury shares), are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Any difference between the carrying amount and the consideration received, if reissued, is recognized in additional paid in capital.

Share-based payment options exercised during the reporting period are settled with treasury shares.

u) Operating segments

The Company is managed as a single business unit that provides air transportation and related services, accordingly it has only one operating segment.

The Company has two geographic areas identified as domestic (Mexico) and international (United States of America and Central America).

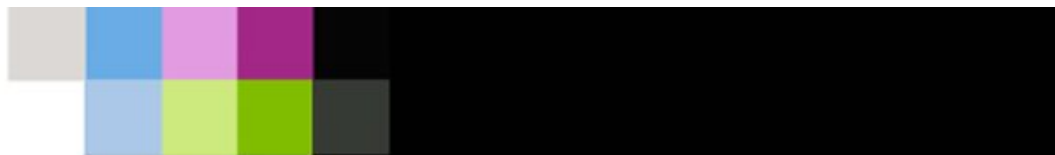
v) Current versus non-current classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is: (i) expected to be realized or intended to be sold or consumed in normal operating cycle, (ii) expected to be realized within twelve months after the reporting period, or, (iii) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: (i) it is expected to be settled in normal operating cycle, (ii) it is due to be settled within twelve months after the reporting period, or, (iii) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

w) Convenience translation

U.S. dollar amounts at June 30, 2018 shown in the unaudited interim condensed consolidated financial statements have been included solely for the convenience of the reader and are translated from Mexican pesos, using an exchange rate of Ps.19.8633 per U.S. dollar, as reported by the Mexican Central Bank (Banco de México) as the rate for the payment of obligations denominated in foreign currency payable in Mexico in effect on June 30, 2018. Such translation should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at this or any other rate. The referred information in U.S. dollars is solely for information purposes and does not represent the amounts are in accordance with IFRS or the equivalent in U.S. dollars in which the transactions were conducted or in which the amounts presented in Mexican pesos can be translated or realized.



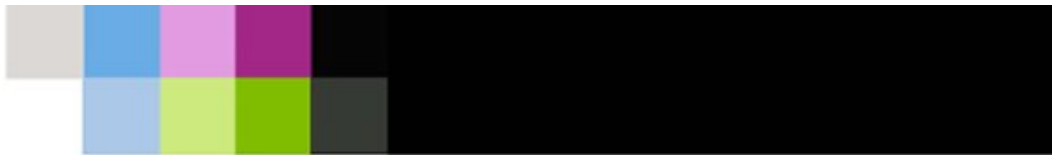
Volaris Reports Second Quarter 2018 Results: Ancillary Revenue Expansion and Reduction of Unit Cost Excluding Fuel

Mexico City, Mexico, July 20, 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 second quarter 2018.

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

Second Quarter 2018 Highlights

- Total operating revenues reached Ps.6,230 million for the second quarter, an increase of 3.9% year over year.
- Total ancillary revenues were Ps.2,093 million for the second quarter, an increase of 20.1% year over year. The total ancillary revenues per passenger for the second quarter were Ps.466, increasing 8.7% year over year.
- Total operating revenues per available seat mile (TRASM) were Ps.123.1 cents for the second quarter, a decrease of 4.7% year over year.
- Operating expenses per available seat mile (CASM) were Ps.134.5 cents for the second quarter, an increase of 5.0% year over year; with an average economic fuel cost per gallon of Ps.45.3, increasing 41.2% year over year, and an average exchange rate of Ps.19.37, a year over year increase of 4.2%. Operating expenses per available seat mile excluding fuel (CASM ex fuel) were Ps. 86.2 cents for the second quarter, a decrease of 5.9% year over year.
- Operating loss was Ps.575 million for the second quarter, with an operating margin of (9.2%), equal to a year over year operating margin decrease of 10.1 percentage points.
- Net income was Ps.38 million (Ps.0.04 per share / US\$0.02 per ADS) for the second quarter, with a net income margin of 0.6%, equal to a year over year net margin increase of 9.1 percentage points.
- At the end of the second quarter, the Mexican peso depreciated 8.3% against the U.S. dollar with respect to the end of period exchange rate of the previous quarter. The Company booked a foreign exchange gain of Ps.653 million as a consequence of our U.S. dollar net monetary asset position.
- Net cash flow used in operating activities was Ps.493 million, in conjunction with cash flow used in investing activities of Ps.348 million, net cash flow used in financing activities of Ps.204 million, and a positive net foreign exchange difference of Ps.499 million, the net cash decrease in the second quarter was Ps.546 million. As of June 30, 2018, cash and cash equivalents were Ps.6,771 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 second quarter were stable, with same store sales ¹ increasing 4.5% year over year; remittances ² increased 18.9% year over year during April and May 2018; and the Mexican General Economic Activity Indicator (IGAE) ³ increasing 1.4% year over year in April of 2018.
- **Air traffic volume increase:** The Mexican DGAC reported overall passenger volume growth for Mexican carriers of 9.9% year over year in April and May; domestic overall passenger volume increased 9.6%, while international overall passenger volume increased 11.0%.
- **Exchange rate volatility:** The Mexican peso depreciated 4.2% year over year against the US dollar, from an average exchange rate of Ps.18.60 pesos per US dollar in the second quarter 2017 to Ps.19.37 pesos per US dollar during the second quarter 2018. At the end of the second quarter, the Mexican peso depreciated 8.3% with respect to the end of period exchange rate of the previous quarter. The Company booked a foreign exchange gain of Ps.653 million as a consequence of our US dollar net monetary asset position.
- **Higher fuel prices:** The average economic fuel cost per gallon increased 41.2%, year over year, to Ps.45.3 per gallon (US\$2.3) in the second quarter 2018, year over year.

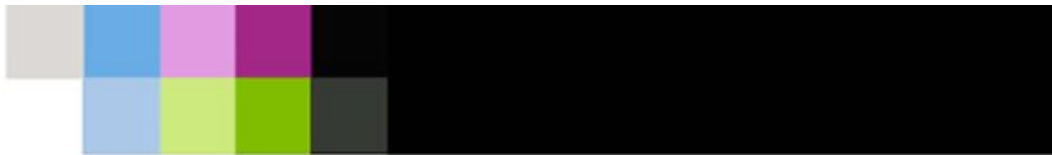
Passenger Traffic Stimulation and Further Ancillary Revenue Expansion, Partially Offset Challenged Fare Environment

- **Passenger traffic stimulation:** Volaris booked 4.5 million passengers in the second quarter of 2018, up 10.5% year over year. Volaris traffic (measured in terms of fare revenue miles, or RPMs) increased 9.2% for the same period. System load factor during the quarter increased 0.1 percentage points year over year to 85.8%.
- **Challenged fare environment:** For the second quarter of 2018, yield decreased 10.9% with TRASM decreasing 4.7%, year over year. During the second quarter, in terms of ASMs, domestic capacity grew 14.0%, while international capacity decreased 0.5%, year over year.
- **Total ancillary revenue growth:** Total ancillary revenues and total ancillary revenues per passenger increased 20.1% and 8.7% year over year for the second quarter of 2018, respectively. The total ancillary revenues generation continues to grow with new and matured products, appealing to customers' needs, representing 34% of the total operating revenues.

¹ Source: *Asociación Nacional de Tiendas de Autoservicio y Departamentales, A. C. (ANTAD)*

² Source: *Banco de México (BANXICO)*

³ Source: *Instituto Nacional de Estadística y Geografía (INEGI)*



- **New routes:** In the second quarter 2018, Volaris began operations in two new international routes between: a) San Jose, Costa Rica – San Salvador, El Salvador – New York City, New York; and b) San Jose, Costa Rica - San Salvador, El Salvador – Washington, D.C.

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

- CASM and CASM ex fuel for the second quarter 2018 were Ps.134.5 (US\$6.9 cents) and Ps.86.2 cents (US\$4.4 cents), respectively. This represented an increase of 5.0% and decrease of 5.9%, respectively; mainly driven by increase in the average economic fuel cost per gallon by 41.2%, average exchange rate depreciation of 4.2% and tightening cost control discipline.

Young and Fuel-efficient Fleet

- During the second quarter 2018, the Company incorporated three aircraft (two A321 neo and one A320 neo) to its fleet and three aircraft (A319) were redelivered during the second quarter. As of June 30, 2018, Volaris fleet was composed of 70 aircraft (8 A319s, 50 A320s and 12 A321s), with an average age of 4.5 years. At the end of the second quarter 2018, Volaris' fleet had an average of 184 seats, 70% of which were in sharklet-equipped aircraft.

Solid Balance Sheet and Good Liquidity

- Net cash flow used in operating activities was Ps.493 million, in conjunction with cash flow used in investing activities of Ps.348 million, net cash flow used in financing activities of Ps.204 million, and a positive net foreign exchange differences of Ps.499 million, the net cash used in the second quarter was Ps.546 million. As of June 30, 2018, cash and cash equivalents were Ps.6,771 million, representing now 27% of last twelve months operating revenues. Volaris registered negative net debt (or a positive net cash position) of Ps.3,287 million and total equity of Ps.9,145 million.

Active in Risk Management

- Volaris remains active in its fuel risk management program. Volaris used call options to hedge 65% of its second quarter 2018 fuel consumption, at an average strike price of US \$1.74 per gallon, which combined with the 35% 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.

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. Fernando Suárez, EVP & CFO

Date:

Friday, July 20, 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):

00-1-800-514-6145

Brazil dial in (toll free):

0800-891-6744

International dial in:

+1-785-424-1726

Participant passcode:

VOLARIS (8652747)

Webcast will be available at:

<https://www.webcaster4.com/Webcast/Page/1174/26449>





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 70 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

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 or beliefs concerning future events. When used in this release, the words "expects," "estimates," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "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. All forward-looking statements in this release are based upon information available to the Company on the date of this release. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. 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.

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Media Contact:

Gabriela Fernández / volaris@gcya.net / +52 55 5246 0100



Unaudited (In Mexican pesos, except otherwise indicated)	Three months ended June 30, 2018 (US Dollars)*	Three months ended June 30, 2018	Three months ended June 30, 2017 (Adjusted)	Variance (%)
Total operating revenues (millions)	314	6,230	5,994	3.9%
Total operating expenses (millions)	343	6,805	5,943	14.5%
EBIT (millions)	(29)	(575)	51	NA
EBIT margin	(9.2%)	(9.2%)	0.9%	(10.1) pp
Depreciation and amortization	6	124	139	(11.3%)
Aircraft and engine rent expense	76	1,504	1,378	9.2%
Net income (loss) (millions)	2	38	(508)	NA
Net income (loss) margin	0.6%	0.6%	(8.5%)	9.1 pp
Income (loss) per share:				
Basic (pesos)	0.00	0.04	(0.50)	NA
Diluted (pesos)	0.00	0.04	(0.50)	NA
Income (loss) per ADS:				
Basic (pesos)	0.02	0.38	(5.02)	NA
Diluted (pesos)	0.02	0.38	(5.02)	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)	-	5,060	4,639	9.1%
Domestic	-	3,488	3,059	14.0%
International	-	1,572	1,580	(0.5%)
Revenue passenger miles (RPMs) (millions) (1)	-	4,337	3,973	9.2%
Domestic	-	3,095	2,715	14.0%
International	-	1,242	1,257	(1.2%)
Load factor (2)	-	85.8%	85.7%	0.1 pp
Domestic	-	88.7%	88.8%	(0.1) pp
International	-	79.1%	79.5%	(0.4) pp
Total operating revenue per ASM (TRASM) (cents)	6.2	123.1	129.2	(4.7%)
Fare revenue per ASM (RASM) (cents)	4.1	81.7	91.7	(10.8%)
Fare revenue per RPM (Yield) (cents)	4.8	95.4	107.0	(10.9%)
Average fare (2)	46	923	1,051	(12.2%)
Average other passenger revenue	20	399	356	12.0%
Average non-passenger revenue	3.4	67	72	(7.4%)
Total ancillary revenue per passenger (4)	23.5	466	429	8.7%
Operating expenses per ASM (CASM) (cents)	6.8	134.5	128.1	5.0%
Operating expenses per ASM (CASM) (US cents) (3)	-	6.9	6.9	0.8%
CASM ex fuel (cents)	4.3	86.2	91.6	(5.9%)
CASM ex fuel (US cents) (3)	-	4.4	4.9	(9.7%)
Booked passengers (thousands) (1)	-	4,491	4,063	10.5%
Departures (1)	-	28,497	26,429	7.8%
Block hours (1)	-	77,263	72,035	7.3%
Fuel gallons consumed (millions)	-	54.0	52.8	2.2%
Average economic fuel cost per gallon	2.3	45.3	32.1	41.2%
Aircraft at end of period	-	70	66	6.1%
Average aircraft utilization (block hours)	-	13.2	12.8	3.6%
Average exchange rate	-	19.37	18.60	4.2%
End of period exchange rate	-	19.86	17.90	11.0%

*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)	Six months ended June 30, 2018 (US Dollars)*	Six months ended June 30, 2018	Six months ended June 30, 2017 (Adjusted)	Variance (%)
Total operating revenues (millions)	608	12,080	11,692	3.3%
Total operating expenses (millions)	683	13,562	12,371	9.6%
EBIT (millions)	(75)	(1,481)	(678)	>100%
EBIT margin	(12.3%)	(12.3%)	(5.8%)	(6.5) pp
Depreciation and amortization	13	256	268	(4.4%)
Aircraft and engine rent expense	156	3,100	3,077	0.8%
Net loss (millions)	(54)	(1,080)	(1,826)	(40.8%)
Net loss margin	(8.9%)	(8.9%)	(15.6%)	6.7 pp
Loss per share:				
Basic (pesos)	(0.05)	(1.07)	(1.80)	(40.8%)
Diluted (pesos)	(0.05)	(1.07)	(1.80)	(40.8%)
Loss per ADS:				
Basic (pesos)	(0.54)	(10.67)	(18.04)	(40.8%)
Diluted (pesos)	(0.54)	(10.67)	(18.04)	(40.8%)
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)	-	10,115	9,186	10.1%
Domestic	-	6,935	6,139	13.0%
International	-	3,180	3,047	4.4%
Revenue passenger miles (RPMs) (millions) (1)	-	8,491	7,756	9.5%
Domestic	-	5,996	5,313	12.9%
International	-	2,495	2,443	2.1%
Load factor (2)	-	84.0%	84.5%	(0.5) pp
Domestic	-	86.5%	86.5%	0.0 pp
International	-	78.5%	80.2%	(1.7) pp
Total operating revenue per ASM (TRASM) (cents)	6.0	119.4	127.3	(6.2%)
Fare revenue per ASM (RASM) (cents)	4.0	79.3	90.1	(12.0%)
Fare revenue per RPM (Yield) (cents)	4.8	94.5	106.7	(11.5%)
Average fare (2)	46	918	1,036	(11.4%)
Average other passenger revenue	20	393	352	11.5%
Average non-passenger revenue	3.6	71	73	(3.2%)
Total ancillary revenue per passenger (4)	23.3	464	426	8.9%
Operating expenses per ASM (CASM) (cents)	6.7	134.1	134.7	(0.4%)
Operating expenses per ASM (CASM) (US cents) (3)	-	7.0	6.9	1.7%
CASM ex fuel (cents)	4.5	88.4	95.6	(7.6%)
CASM ex fuel (US cents) (3)	-	4.6	4.9	(5.5%)
Booked passengers (thousands) (1)	-	8,754	8,028	9.0%
Departures (1)	-	56,685	53,183	6.6%
Block hours (1)	-	154,507	143,837	7.4%
Fuel gallons consumed (millions)	-	108.2	103.8	4.3%
Average economic fuel cost per gallon	2.1	42.7	34.6	23.5%
Aircraft at end of period	-	70	66	6.1%
Average aircraft utilization (block hours)	-	13.2	12.7	4.4%
Average exchange rate	-	19.07	19.49	(2.2%)
End of period exchange rate	-	19.86	17.90	11.0%

*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 June 30, 2018 (US Dollars)*	Three months ended June 30, 2018	Three months ended June 30, 2017 (Adjusted)	Variance (%)
Operating revenues:				
Passenger revenues	298	5,929	5,699	4.0%
Fare revenues	208	4,137	4,252	(2.7%)
Other passenger revenues	90	1,792	1,448	23.8%
Non-passenger revenues	15	301	294	2.4%
Cargo	3	53	39	37.1%
Other non-passenger revenues	13	249	256	(2.9%)
Total operating revenues	314	6,230	5,994	3.9%
Other operating income	(12)	(231)	(10)	>100%
Fuel	123	2,445	1,694	44.3%
Aircraft and engine rent expense	76	1,504	1,378	9.2%
Landing, take-off and navigation expenses	58	1,150	1,006	14.4%
Salaries and benefits	38	750	717	4.5%
Sales, marketing and distribution expenses	19	382	387	(1.3%)
Maintenance expenses	19	381	362	5.2%
Other operating expenses	15	301	271	11.2%
Depreciation and amortization	6	124	139	(11.3%)
Operating expenses	343	6,805	5,943	14.5%
Operating (loss) income	(29)	(575)	51	NA
Finance income	2	37	21	73.4%
Finance cost	(2)	(31)	(22)	41.6%
Exchange gain (loss), net	33	653	(558)	NA
Comprehensive financing result	33	660	(559)	NA
Income (loss) before income tax	4	85	(508)	NA
Income tax expense	(2)	(47)	-	NA
Net income (loss)	2	38	(508)	NA

*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)	Six months ended June 30, 2018 (US Dollars)*	Six months ended June 30, 2018	Six months ended June 30, 2017 (Adjusted)	Variance (%)
Operating revenues:				
Passenger revenues	577	11,462	11,106	3.2%
Fare revenues	404	8,022	8,277	(3.1%)
Other passenger revenues	173	3,440	2,830	21.6%
Non-passenger revenues	31	619	586	5.5%
Cargo	5	101	80	27.3%
Other non-passenger revenues	26	517	507	2.1%
Total operating revenues	608	12,080	11,692	3.3%
Other operating income	(12)	(232)	(11)	>100%
Fuel	233	4,620	3,586	28.8%
Aircraft and engine rent expense	156	3,100	3,077	0.8%
Landing, take-off and navigation expenses	115	2,275	2,040	11.5%
Salaries and benefits	75	1,496	1,413	5.9%
Sales, marketing and distribution expenses	37	739	744	(0.7%)
Maintenance expenses	37	732	713	2.6%
Other operating expenses	29	575	540	6.6%
Depreciation and amortization	13	256	268	(4.4%)
Operating expenses	683	13,562	12,371	9.6%
Operating loss	(75)	(1,481)	(678)	>100%
Finance income	4	71	43	65.7%
Finance cost	(3)	(65)	(43)	51.8%
Exchange loss, net	(2)	(38)	(1,703)	(97.8%)
Comprehensive financing result	(2)	(31)	(1,703)	(98.2%)
Loss before income tax	(76)	(1,513)	(2,381)	(36.5%)
Income tax benefit	22	433	556	(22.1%)
Net loss	(54)	(1,080)	(1,826)	(40.8%)

*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:

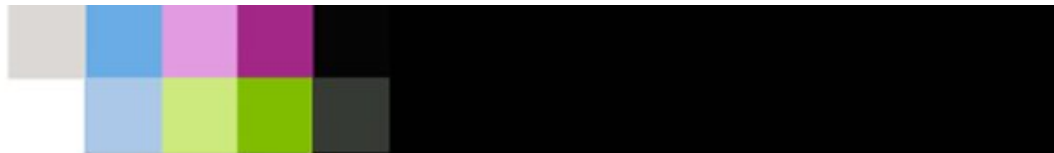
Unaudited (In millions of Mexican pesos)	Three months ended June 30, 2018 (US Dollars)*	Three months ended June 30, 2018	Three months ended June 30, 2017 (Adjusted)	Variance (%)
Other passenger revenues	90	1,792	1,448	23.8%
Non-passenger revenues	15	301	294	2.4%
Total ancillary revenues	105	2,093	1,742	20.1%
Booked passengers (thousands)	4,491	4,491	4,063	10.5%
Total ancillary revenue per passenger	23.5	466	429	8.7%

*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)	June 30, 2018 Unaudited (US Dollars)*	June 30, 2018 Unaudited	December 31, 2017 (Adjusted)
Assets			
Cash and cash equivalents	341	6,771	6,951
Accounts receivable	82	1,633	1,449
Inventories	16	316	295
Prepaid expenses and other current assets	40	793	768
Financial instruments	26	524	497
Guarantee deposits	63	1,261	1,353
Total current assets	569	11,299	11,313
Rotable spare parts, furniture and equipment, net	254	5,046	4,376
Intangible assets, net	8	168	190
Deferred income taxes	29	573	562
Guarantee deposits	305	6,051	6,098
Other assets	7	140	126
Total non-current assets	603	11,978	11,353
Total assets	1,172	23,277	22,666
Liabilities			
Unearned transportation revenue	172	3,419	2,293
Accounts payable	64	1,271	1,118
Accrued liabilities	114	2,263	2,051
Other taxes and fees payable	87	1,731	1,245
Income taxes payable	7	141	111
Financial debt	130	2,577	2,404
Other liabilities	5	105	281
Total short-term liabilities	579	11,506	9,503
Financial debt	46	908	1,079
Accrued liabilities	8	159	200
Other liabilities	14	273	217
Employee benefits	1	21	19
Deferred income taxes	64	1,265	1,616
Total long-term liabilities	132	2,626	3,131
Total liabilities	711	14,132	12,635
Equity			
Capital stock	150	2,974	2,974
Treasury shares	(4)	(85)	(85)
Contributions for future capital increases	-	-	-
Legal reserve	15	291	291
Additional paid-in capital	91	1,809	1,805
Retained earnings	195	3,868	4,948
Accumulated other comprehensive losses	14	287	99
Total equity	460	9,145	10,031
Total liabilities and equity	1,172	23,277	22,666
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



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 June 30, 2018 (US Dollars)*	Three months ended June 30, 2018	Three months ended June 30, 2017 (Adjusted)
Net cash flow used in operating activities	(25)	(493)	(215)
Net cash flow used in investing activities	(18)	(348)	(502)
Net cash flow (used in) provided by financing activities	(10)	(204)	91
Decrease in cash and cash equivalents	(53)	(1,045)	(625)
Net foreign exchange differences	25	499	(232)
Cash and cash equivalents at beginning of period	368	7,317	6,839
Cash and cash equivalents at end of period	341	6,771	5,981

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

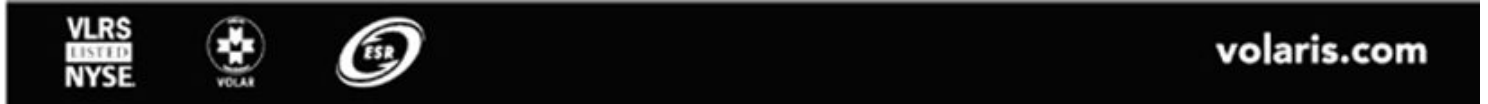




Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and Subsidiaries
Consolidated Statement of Cash Flows – Cash Flow Data Summary

Unaudited (In millions of Mexican pesos)	Six months ended June 30, 2018 (US Dollars)*	Six months ended June 30, 2018	Six months ended June 30, 2017 (Adjusted)
Net cash flow provided by operating activities	30	599	254
Net cash flow used in investing activities	(33)	(661)	(844)
Net cash flow (used in) provided by financing activities	(7)	(139)	265
Decrease in cash and cash equivalents	(10)	(201)	(325)
Net foreign exchange differences	1	21	(765)
Cash and cash equivalents at beginning of period	350	6,951	7,071
Cash and cash equivalents at end of period	341	6,771	5,981

*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 (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
Operating revenues:					
Passenger revenues	5,407	5,699	6,286	6,258	23,649
Fare revenues	4,025	4,252	4,773	4,742	17,791
Other passenger revenues	1,382	1,448	1,513	1,516	5,858
Non-passenger revenues	292	294	286	267	1,139
Cargo	41	39	38	53	171
Other non-passenger revenues	251	256	248	214	968
Total operating revenues	5,699	5,994	6,571	6,524	24,788
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	4,010
Salaries and benefits	696	717	695	715	2,824
Sales, marketing and distribution expenses	358	387	468	479	1,692
Maintenance expenses	351	362	324	396	1,433
Other operating expenses	269	271	249	300	1,088
Depreciation and amortization	128	139	150	131	549
Operating expenses	6,428	5,943	5,948	6,508	24,827
Operating (loss) income	(729)	51	623	17	(39)
Finance income	21	21	30	33	106
Finance cost	(21)	(22)	(20)	(24)	(86)
Exchange (loss) gain, net	(1,145)	(558)	125	784	(794)
Comprehensive financing result	(1,144)	(559)	135	793	(774)
(Loss) income before income tax	(1,873)	(508)	758	810	(813)
Income tax benefit	556	-	(39)	(356)	161
Net (loss) income	(1,318)	(508)	720	454	(652)
(Loss) earnings per share:					
Basic (pesos)	(1.30)	(0.50)	0.71	0.45	(0.64)
Diluted (pesos)	(1.30)	(0.50)	0.71	0.45	(0.64)
(Loss) earnings per ADS:					
Basic (pesos)	(13.02)	(5.02)	7.11	4.49	(6.44)
Diluted (pesos)	(13.02)	(5.02)	7.11	4.49	(6.44)

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

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
Operating revenues:						
Passenger revenues	17,791	1,382	1,448	1,513	1,516	23,649
Fare revenues	17,791	-	-	-	-	17,791
Other passenger revenues	-	1,382	1,448	1,513	1,516	5,858
Non-passenger revenues	7,054	(1,339)	(1,435)	(1,524)	(1,617)	1,139
Cargo	171	-	-	-	-	171
Other non-passenger revenues	6,883	(1,339)	(1,435)	(1,524)	(1,617)	968
Total operating revenues	24,845	43	12	(11)	(101)	24,788
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	4,010	-	-	-	-	4,010
Salaries and benefits	2,824	-	-	-	-	2,824
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	549	-	-	-	-	549
Operating expenses	24,827	-	-	-	-	24,827
Operating income (loss)	19	43	12	(11)	(101)	(39)
Finance income	106	-	-	-	-	106
Finance cost	(86)	-	-	-	-	(86)
Exchange (loss), net	(794)	-	-	-	-	(794)
Comprehensive financing result	(774)	-	-	-	-	(774)
(Loss)income before income tax	(756)	43	12	(11)	(101)	(813)
Income tax benefit	161	-	-	-	-	161
Net (loss) income	(595)	43	12	(11)	(101)	(652)
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	5,858
Non-passenger revenues	292	294	286	267	1,139
Total ancillary revenues	1,674	1,742	1,798	1,783	6,997
Booked passengers (thousands)	3,964	4,063	4,173	4,226	16,426
Total ancillary revenue per passenger	422	429	431	422	426
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”.