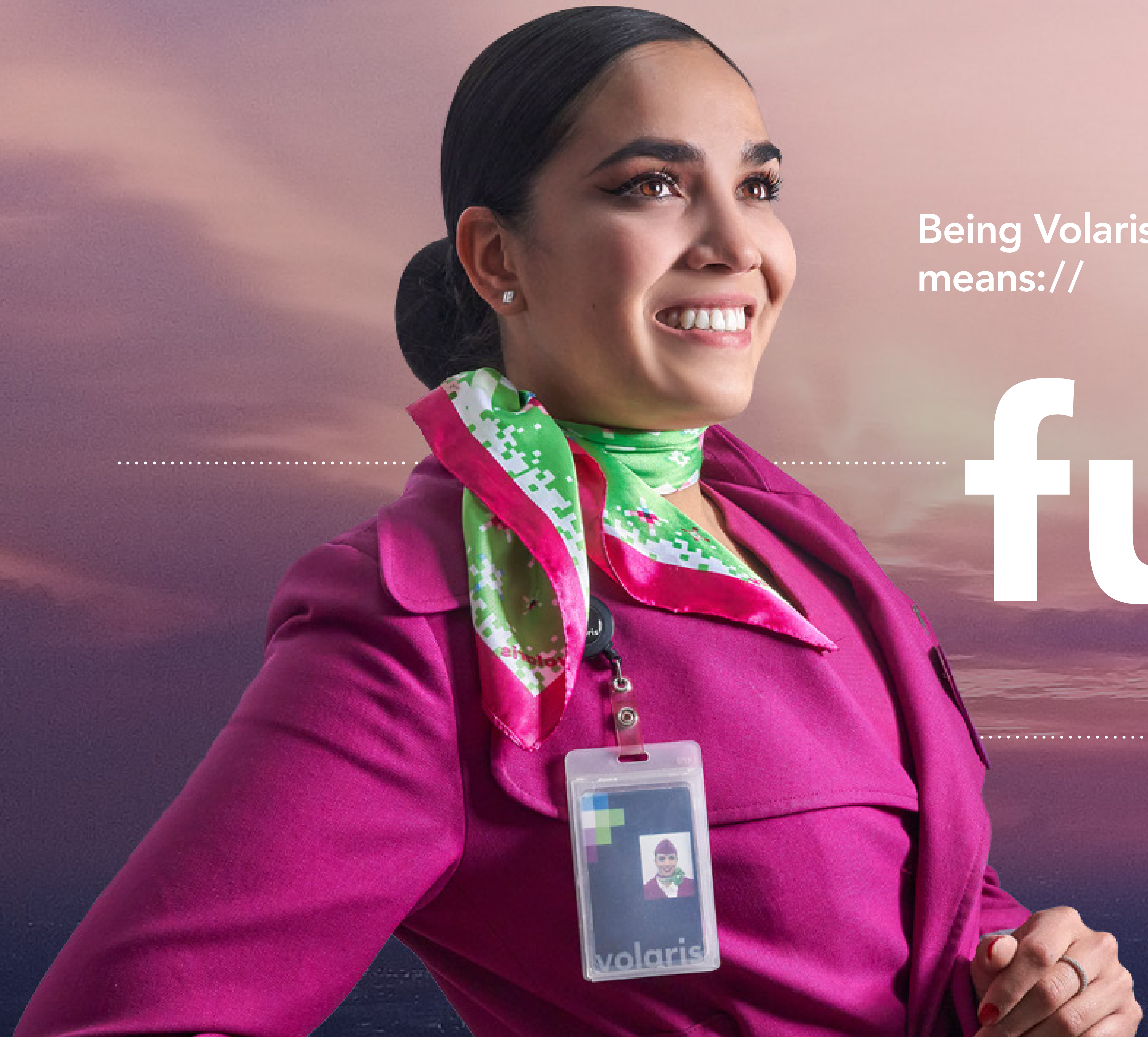
volaris

Being Volaris means://

fly further



2021

Integrated Annual Report

Not a day goes by that we don't ask ourselves how we can do more...**how we can do better.**

More for our Ambassadors, for our clients, for our environment, and **for continuing to generate value.**

Being Volaris means:

Pride in forming a family of committed and capable Ambassadors, **up to any challenge.**

Being resilient and adapting quickly to a constantly changing environment.

Anticipate and focus our efforts **on transforming challenges into opportunities.**

Being Volaris means... fly further.

Content

Table of contents

Letter of the CEO

GRI 2-22

To our stakeholders:

2021 was a successful year for Volaris. However, it was not without challenges: Just like 2020, 2021 was deeply marked by the continued impact of the COVID-19 pandemic. In spite of these challenges, I am proud to say that we managed to turn 2021 into the most successful year in the Company's history: We carried more than 24.4 million passengers, had a total operating revenue of Ps.44.66 billion, a net income of Ps.2.12 billion and cash and cash equivalents and restricted cash of Ps.15.25 billion. This positions us as one of the strongest competitors in the Mexican airline industry.

These results surpassed the expectations we had at the beginning of the year. The uncertainty that our industry faced led us to predict a conservative growth, but we quickly pivoted towards high-growth opportunities: Strong demand for air transportation in Volaris' core markets, and our resilient and adaptable ultra-low-cost business model, which allowed us to recover our number of passengers carried and load factor to pre-pandemic levels. Consequently, we had one of the healthiest EBITDAR margins in the airline industry globally.

We continued to face other challenges throughout the year: The downgrading of the IASA safety rating from Category 1 to Category 2 applied by the Federal Aviation Administration (FAA) to the Mexican Aeronautical Authority (AFAC), the capacity constraints at the Mexico City International Airport, and changes or new interpretations in laws and regulations. But once again, our ultra-low-cost business proved resilient and positioned us as one of the favorite airlines in the markets where we operate, based on the number of passengers we transported in 2021.

> "Our ultra-low-cost business proved resilient and positioned us as one of the favorite airlines in the markets where we operate"

Overall, our strong financial performance was driven by four key factors: 1) we demonstrated our ability to adapt to changes in demand quickly; 2) our capacity to capitalized on both domestic and international market opportunities; 3) our flexible growth plans, and 4) our ultra-low-cost per available seat mile (CASM), operating expense, and debt profile position Volaris well for success.

Our corporate sustainability strategy, which is aligned with environmental, social, and corporate governance criteria and the United Nations Sustainable Development Goals, has become, in recent years, an essential part of Volaris' DNA.

To that end, we committed to reducing 35.4% of our operations' gCO_2/RPK emissions by 2030 vs. 2015. In 2021, we were able to issue our second asset-backed trust notes linked to sustainability for Ps.1.5 billion. Our corporate sustainability strategy has been well received by our investors, whom I want to thank for their continued trust in our business model.

To further understand the issues that generate the most impact on our stakeholders, we updated our materiality study at the end of this year. With this and other tools, we will continue to integrate our corporate sustainability strategy into every aspect of the Company, defining objectives and managing the risks and opportunities that the current and future environment brings us, to meet the expectations of our stakeholders and increase our certainty in the sustainability of Volaris in the coming years.

Volaris' role in the decarbonization of aviation by 2050

At Volaris, we feel a great sense of responsibility to the people, the planet, and the communities in which we operate. Therefore, in 2021, we formally adopted targets to decarbonize the industry by 2050 and have set airline CO_2 emission reduction targets in the short, medium, and long term. We are already making progress: We have optimized the number of seats in each aircraft to transport more passengers on a single flight, decreasing our environmental footprint; we are reducing waste generation on-board; and we seek to implement other weight reduction measures on-board to reduce fuel burn and CO_2 emissions, such as using lighter seats and service carts, among other criteria.

In addition, our point-to-point network allows us to use our aircraft efficiently, reducing fossil fuel use. Since 2015, we have sought to acquire the best aircraft technology available: 45% of the fleet has more fuel-efficient engines, and 82% is equipped with sharklets. We also have one of the youngest fleets in North America with an average age of 5.4 years. These measures allow us to improve our fuel efficiency, contributing to our cost discipline, a true advantage in a high fuel price environment such as we are currently experiencing, and reducing our CO_2 emissions per passenger. By the end of the year 2021, we reduced fuel consumption by 15.9% and had a decrease in CO_2 emissions of 14.8%, compared to the year 2015. Moreover, these measures to reduce CO_2 emissions were recertified in 2021 under ISO 9001 and 14001, guaranteeing that our program has the highest quality standards.

45%
of the fleet has more fuel-efficient engines and **82%** is equipped with sharklets.

Of course, much more needs to be done to continue generating favorable results from our environmental performance, we aim to convert 100% of our fleet to NEO by 2028. We are committed to collaborating with stakeholders to promote the transformation of the aviation industry into a more eco-efficient one in the coming years. To achieve our long-term goals, the entire aviation value chain must work together, i.e., airport operators, authorities, airlines, aviation services, and suppliers, must work together. We take great pride in learning from our peers and stakeholders and adapting their lessons learned to our business model.

People at the core of the business

Volaris' growth over the past year has allowed us to generate significant economic and social value in the markets in which we operate. Due to our disciplined cost management, we could preserve jobs during the COVID-19 pandemic crisis, benefiting our Ambassadors, and their families. In 2021 alone, we generated approximately 1,850 new jobs.

Today, 99% of Volaris' Ambassadors are fully vaccinated. Since the beginning of the pandemic, we have implemented a successful health care campaign, including disease screening and staggered office attendance to reduce health risks.

We have a zero COVID-19 fatality rate in our workforce. In turn, the well-being of our Ambassadors has allowed us to provide security to our clients, restoring their confidence in travel and ensuring that our operations are minimally affected by the COVID-19 virus.

To maintain our current performance in the years to come, we seek to provide our Ambassadors with professional development opportunities in a safe and inclusive work environment. Therefore, in 2021, we supported the International Air Transport Associations' (IATA) initiative to increase by 25% the representation of women in leadership positions and in other areas where women are underrepresented by 2025.

We want to ensure that the aviation industry generates opportunities for everyone and, consequently, to have an increasingly more rubust industry. In 2021, we implemented for the first time a scholarship program to enable our Ambassadors to study to become pilots.

The primary beneficiaries of this first edition of the program are women and we are thrilled to help more women become pilots. Likewise, this program also seeks to develop the best talent to meet our growing operational needs.

Since the beginning of the pandemic, we have implemented a successful health care campaign, including disease screening and staggered office attendance schemes to reduce health risks.

Moreover, in 2021, we received recognition from institutions such as 5050 Women on Boards and Women Corporate Directors for being one of the publicly-traded companies in Mexico with the most women on the Board of Directors.

To date, our commitment to better environmental, social, and corporate governance practices has earned us membership in the *Dow Jones Sustainability MILA Pacific Alliance Index* as the only airline in Latin America included in the Index for the second consecutive year and, for the first time, in the *Total Mexico ESG Index* of the Mexican Stock Exchange.

Continuing to democratize aviation in the Americas

During our 16 years of operations and after an unprecedented health crisis, we have continued to focus on maintaining our customers and attracting new passengers, especially those visiting friends and relatives, cost-concious business and leisure travelers, and first-time air travelers, i.e., those who switch from bus to air travel, thanks to our low prices and extensive route network. In 2021, we transported 24.4 million passengers under the highest safety standards, which were recertified by the IATA Operational Safety Audit (IOSA) during the year.

While we are committed to growing our operations, our 2022 growth plan remains flexible enough to respond to regional demand patterns and strengths in different customer segments. Our three airlines give us many strategic options that we can quickly implement, so I feel more confident than ever that we have a resilient business model, the necessary talent, customer preference, the support of our suppliers, and the confidence of our investors.

I would like to end this letter by offering my heartfelt thanks to the Volaris Family for their efforts, resilience, and leadership during the turbulent times we have experienced. Their hard work and commitment have enabled Volaris to take flight. Our Family will continue to grow to ensure that the benefits of ultra-low-cost aviation are available to present and future generations.

Sincerely,

Enrique Beltranena,
President and Chief Executive Officer

2021 Highlights

volaris

Corporate Governance and Economic Performance

Ps. **1.5 billion** Issuance of asset-backed trust notes **linked to sustainability** (CEBUR)

New Certificate of Operations in El Salvador

Volaris is Mexico's largest airline. **24.4 million** passengers carried in 2021

183 routes, 70 destinations, and two new countries: Colombia and Honduras

1st year in the Total Mexico ESG Index of the Mexican Stock Exchange

Ps. **44.66 billion** Total operating revenue

Ps. **19.39 billion** Revenue from additional services

2nd consecutive year as a member of the Dow Jones Sustainability MILA Pacific Alliance Index

Ps. **2.12 billion** Net Income

Women on Boards Award 2021. **14% of women** on our Board of Directors

The "Volaris" trademark received the **Declaration of Famous Trademark** by the Mexican Institute of Industrial Property (IMPI)

Environmental Performance

Signing of the IATA Fly Net Zero commitment to collaborate in the decarbonization of the industry by 2050

35.4% gCO_2/RPK by 2030 vs. 2015 CO_2 emissions reduction commitment

Fleet **101 aircraft; 45%** with NEO engines and **82%** with sharklets

154.5 tons of paper saved

5.4 years average age of the fleet

ISO 9001 and 14001 certified environmental programs

51.7 million gallons of fuel saved in 2021 vs. 2015

Reduction of CO_2 emissions (Scope 1): **14.8% gCO_2/RPK** less in 2021 vs. 2015

Social Performance

Zero aviation accidents

12th consecutive year with the Socially Responsible Company Distinction (ESR) awarded by CEMEFI

6,714 Ambassadors in Mexico and Central America; 47% women and 53% men

We believe that, during 2021, **we did not have cases** related to losses and leaks of our customers' personal data

81% of Ambassadors are unionized

Adherence to IATA's *25by2025* initiative to increase the representation of women in leadership and underrepresented women's positions

3,683.5 hours of human **rights** training

99% of our Ambassadors vaccinated against COVID-19

01

FROM

Being **Volaris** means:

TO

Trace the route to **be the best**

CHAPTER

01

PAGE

8

We are Volaris

GRI

2-1, 2-6, 3-3

SASB

TR-AL-000.B,
TR-AL-000.E,
TR-AL-000.F

SDGs

3, 4, 5, 8, 9, 10, 12, 13, 16, 17

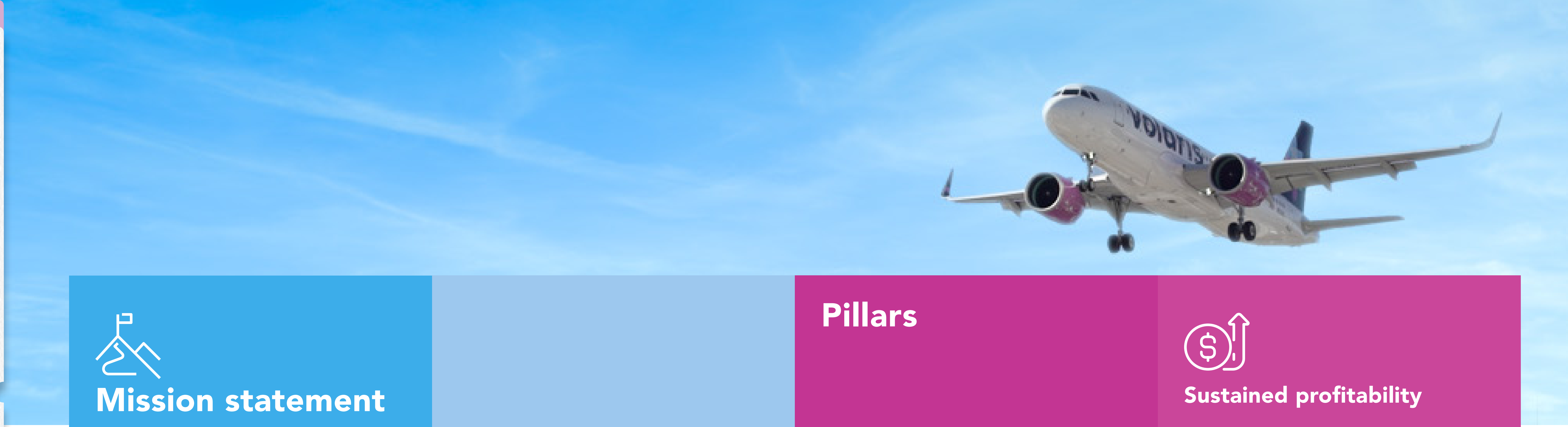
We are **Volaris**

Volaris is an ultra-low-cost carrier with point-to-point operations, serving Mexico, the United States, Central America, and South America. We offer low base fares to build our market, providing quality service and extensive Customer choice that adapts to their needs. At Volaris, we focus on passengers Visiting Friends and Relatives (*VFR*), price-conscious business travelers, and leisure travelers. Since the airline began operations in March 2006, we have increased, by the end of 2021, our routes from 5 to 183 and our fleet from 4 to 101 aircraft and have transported more than 163 million passengers, with an average of 79 thousand passengers per day and an average of 483 daily flights , in the 4Q 2021. In addition, we have a fuel-efficient fleet 82% equipped with sharklets and 45% with NEO engines, and one of the most modern fleets in North America, with an average age of 5.4 years. Our aircraft has an average of 187 seats. Since 2019, Volaris has been the largest airline in Mexico by number of passengers carried and, in 2021, the "Volaris" brand received the Declaration of Famous Trademark by the Mexican Institute of Industrial Property (IMPI).

Our organizational culture, centered on the individual, is composed of the values and behaviors that we expect from everyone who is part of the Volaris Family.

Therefore, we have established five axles for their comprehensive development: **health, family, professional development, spirit, and social commitment.** In addition, we have a clear mission and vision, as well as pillars and behaviors to guide us.

SDGs



Mission statement

With the best people and at a low cost, we enable more people to travel well.

Vision

Transcending by creating and materializing the best travel experiences

Pillars

Sustained profitability

The lowest cost always wins. Our goal is to grow steadily and maximize profits on a sustained basis. Fulfilling the above guarantees the growth of the Volaris Family

Safety

Nothing is more important than the safety and security of our customers and Ambassadors; it is our top priority.

Customer service

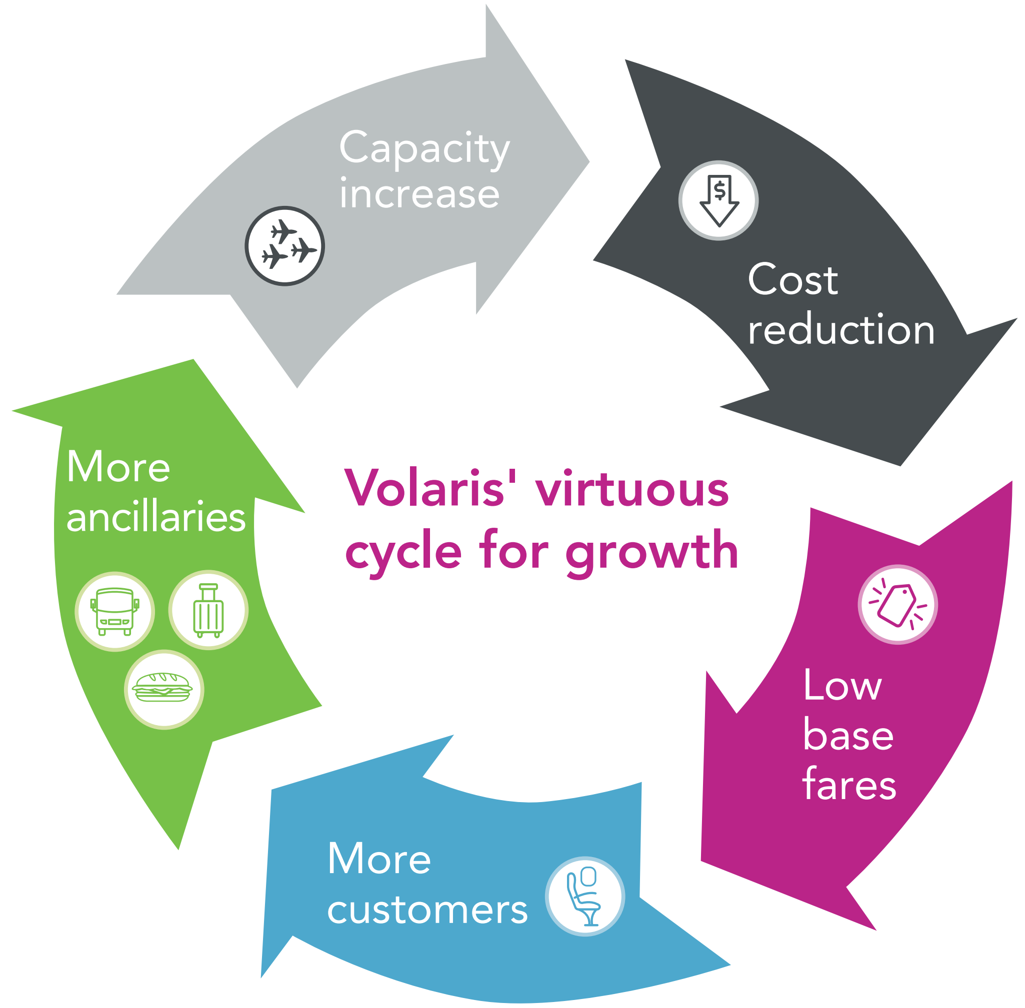
We create new experiences that make a difference; by knowing how to listen, propose solutions, solve efficiently, creatively and with an excellent attitude to the needs of our internal and external customers.

Ultra-low-cost business model

Our ultra-low-cost business model is disruptive and allows us to provide a broader range of flights so that more people can travel by air and enjoy the benefits of aviation. With our business model ideal for emerging market, we contribute to the democratization of aviation and, as a result, generate social and economic value in the countries where we operate.

FY 2021 TRASM
USD7.80 cents

Volaris' resilient, emerging market ultra-low-cost business model:



Cost reduction:

Volaris is one of the lowest-cost operators worldwide.

FY 2021 USD4.25 cents (CASM ex-fuel)

Low base fares:

We are committed to offering the lowest base fares to our customers, essential to stimulate the market, as well as to maintain high load factors.

FY 2021 USD$51 average base fare

More customers:

By offering low fares that compete with other forms of transportation, we make air travel accessible to more people.

FY 2021 passengers 24.4 million

More ancillaries "You Decide"

We offer a wide range of ancillary products. This way our customers can pay only for what they need. Track record of succesfully increasing non-ticket revenues that complements the ticket revenues.

FY 2021 ancillaries represent 43% of total revenues

Capacity increase:

We are focused on expanding our network by increasing our fleet and the number of point-to-point routes.

FY 2021 ASM growth 54% vs. 2020

The strengths and competitive advantages of our ultra-low-cost business model are:

1. **The lowest cost structure, which we achieve through:**
    - **a.** A consistent and efficient fleet of Airbus A320 family aircraft
    - **b.** High asset utilization. We have a high-density seating configuration and one of the highest aircraft utilization rates in the world
    - **c.** Distribution in direct sales channels. We encourage our customers to purchase their airline tickets through our digital channels. We do not use global distribution systems, which allows us to save costs
    - **d.** Variable performance-based compensation structure for our Ambassadors. They are financially incentivized to contribute to the Company's success, rather than just for their seniority

2. **Additional revenue generation:**

    Our "*You Decide*" strategy, in which our customers can choose other products and services, increased our non-ticket revenue. Different product and services include: Excess baggage fees, use of excess cargo space, subscription to our V-Club loyalty program, INVEX-Volaris credit card, itinerary add-ons (such as car rental, airport parking, hotel reservations through Ya Vas, among others), and sale of in-flight advertising space. Customers only pay for what they need and there is transparency about the base fares and additional services the customer purchases.

Our fare families for **domestic flights** are as follows:

Basic
- 2 standard cabin bags
  The allowed dimensions for each are 22 x 16 x 10 in, and their combined weight must not exceed 22 lbs nor limit the passengers' comfort and safety.
- Checked bag not included
- Board last

Classic
- 2 large cabin bags
  44 lbs between the 2 bags. Preferential space for your cabin bags (subject to availability).
- Checked bag not included
- Board second

Plus
- 2 large cabin bags
  44 lbs between the 2 bagsPreferential space for your cabin bags (subject to availability).
- 1 checked bag of 55 lbs
- Board first

Our fare families for **international flights** are as follows:

Basic	1 personal item (must fit under the seat) Lowest rate Without luggage documentation
Classic	1 personal item (must fit under the seat) 1 carry-on luggage
Plus	1 personal item (must fit under the seat) 2 carry-on luggage 1 checked luggage (25 kilograms) Boarding priority

3. Disciplined approach to market and route selection:

We select the markets and routes where we can achieve the highest profitability within a reasonable timeframe and only continue to operate on those routes where we achieve and maintain a certain level of profitability. We also focus on routes that have been neglected or where higher-cost carriers are positioned through the offering of a competitive product to our customers.

4. Operational efficiency and market-leading performance:

In line with our cost reduction strategy and our ability to adapt, we measure various indicators to monitor our operational efficiency, such as: i) Schedule reliability, ii) on-time performance, iii) maintenance reliability, iv) booked passengers, v) ASMs, vi) load factor, vii) gallons of fuel consumed, viii) Ambassadors per aircraft, ix) block hours, x) flown hours, among others. By 2021, we have achieved an average on-board load factor of 84.7% and an average aircraft utilization rate of 12.53 block hours per day, with a standard turnaround time between flights of approximately 64 minutes.

5. Financial situation that positions us for growth:

We have a relatively low level of indebtedness. We believe that our strong financial position enables us to prudently fund growth opportunities in our markets and defend our existing route network from our competitors.

6. **Primary focus on VFR travelers:**

Our primary target market is travelers visiting friends and relatives, price-conscious business travelers, and leisure travelers in Mexico, the U.S., Central America, and, more recently, South America. We believe that these customers have the most significant growth potential in our target markets. By offering low promotional fares, we stimulate travel demand and attract new customers, including those who have only traveled by bus. We also use our revenue management system to set fare levels based on the time of booking.

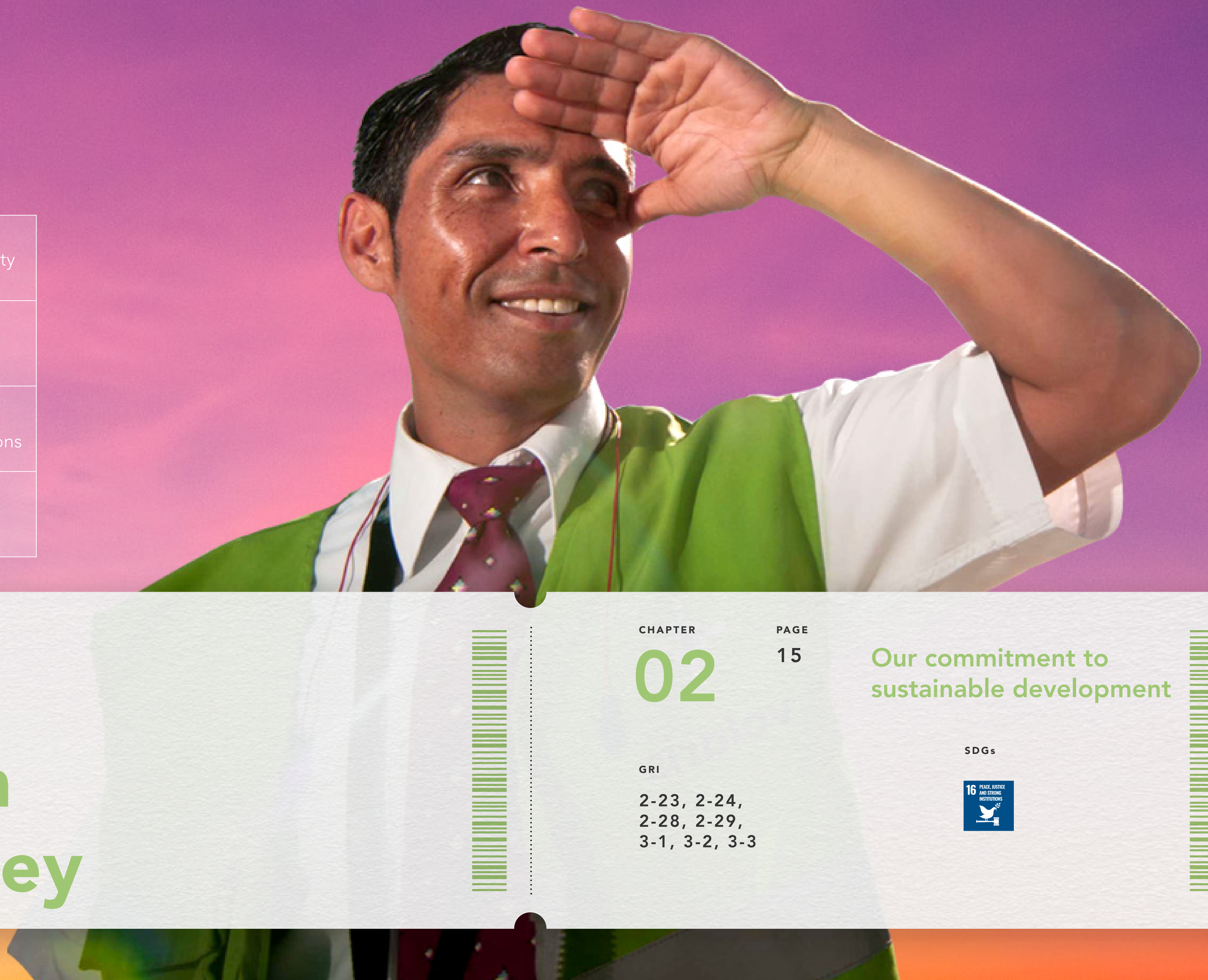
Furthermore, we have more than 93,000 points of payment throughout Mexico, the U.S., Guatemala, El Salvador, and Costa Rica that allow our customers who do not have credit cards or do not wish to use them to book their seats. In addition, we offer red-eye flights, which attract our domestic and international clients who want to save on lodging expenses.

7. **Brand awareness with a rapidly growing fan base:**

Our brand is well known in Mexico. We have a significant presence on various social networks which we use mainly for marketing, customer service, and promotional purposes. We have also developed several programs that make air travel more attractive for first-time passengers and for travelers seeking additional services, such as services for unaccompanied minors or senior citizens. In 2021, the “Volaris” brand received the Declaration of Famous Trademark from IMPI.

8. **Company culture, experienced management team, and shareholders:**

We have developed a culture focused on safety, meritocracy, efficiency, and profitability, with an essential component of performance-based compensation. Our Board of Directors comprises experienced executives in their respective fields. Additionally, our major shareholders have experience with airlines around the world, which has helped us develop our ultra-low-cost business model, and we have benefited from their buying power and relationships with key suppliers.



FROM

Being **Volaris** means:

TO

Being united **on the same journey**

CHAPTER

02

PAGE

15

Our commitment to sustainable development

GRI

2-23, 2-24, 2-28, 2-29, 3-1, 3-2, 3-3

SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FROM
Being **Volaris** means:

TO
Being united **on the same journey**

NAME
Our commitment to sustainable development

CHAPTER
02

GRI
2-23, 2-24

SDGs

Our commitment to **sustainable development**

At Volaris, we are committed to sustainable development and to ensure that the ultra-low-cost aviation business generates value for our stakeholders for many years to come.

To meet these commitments, we developed and implemented a sustainability strategy, which has become a fundamental part of the Company's DNA and is supported by the **Volaris Corporate Sustainability Program.**

Volaris Corporate Sustainability Program

The main objective of our Program is to direct the business towards sustainable future growth, by generating value for our stakeholders, including customers, Ambassadors, investors, communities where we operate, suppliers, unions, industry, authorities, and regulators.

Our sustainability program is based on the Environmental, Social and Corporate Governance (ESG) criteria and the United Nations Sustainable Development Goals (SDGs) to meet this objective.

Volaris' Corporate Sustainability Program has three main focuses:

1. Economic and Corporate Governance approach
2. Social approach
3. Environmental approach

Through our **Economic and Corporate Governance approach,** we develop initiatives and actions that allow us to reduce costs, optimize resources, increase operational efficiency and reliability, manage our corporate reputation, ensure transparency and legality in all our operations and processes, manage risks, opportunities, and crises, and keep confidential information secure.

Through our **Social approach,** we implement the necessary initiatives to strengthen our commitment to the well-being of people, the fundamental center of the management of a sustainable business, and our priority. Some of the actions we carry out at Volaris are:

- We design work practices that ensure the well-being, health, and safety, as well as the personal and professional development of our Ambassadors
- We implement training that allows us to comply with respect for human rights
- We adhere to commitments to address gender equality in the Company and in the industry
- We established programs to promote our Ambassadors' sense of pride and belonging and to support the communities where we operate, such as our volunteer program, the *Avión Ayuda Volaris* Program, and the Human Rights Protection Program in our operations
- We implement actions that guarantee the welfare, safety, health, and protection of the rights of our customers. We strictly comply with the highest standards of operational safety, aviation security, biosecurity, and customer service, as well as the standards of privacy and protection of their personal data

Finally, through our **Environmental approach,** we implement practices that allow us to achieve our goals related to protecting the environment. We have a Comprehensive Environmental Protection Policy, which guides our goal of positioning ourselves as the greenest airline in Mexico in the coming years. This Policy includes the following initiatives:

- Fuel Saving Program, which includes various initiatives to reduce fuel use and polluting emissions
- #CielitoLimpio Carbon Emissions Offset Program
- Initiatives to protect the planet, such as paper and electricity saving programs in our corporate offices, and waste management programs, including recycling
- Compliance with current environmental regulations and certification of our environmental programs

Volaris' Corporate Sustainability Program:

1. Economic and corporate governance

A. Business strategy – Ultra-Low-Cost business model

- The Publicly Listed Airline with one of the lowest unit cost in the Americas
- Operational efficiency in terms of ASMs, high load factor, high on-time performance, high-density, low fares, and ancillaries at the lowest cost

B. Corporate governance

- 64% independent members of the Board of Directors
- 14% of women as members of the Board of Directors
- 99% of the Ambassadors are certified in our Code of Ethics
- 98% of the Ambassadors are trained in anti-corruption practices
- Risk management through the COSO ERM framework

C. Investor relations

- Member of the Dow Jones Sustainability MILA Pacific Alliance Index
- Member of the BMV/S&P Total Mexico ESG Index

D. Corporate affairs

- IATA member
- Strengthening of the corporate reputation

E. Supply chain

- Responsible Supply Chain Management Program
- Suppliers Ethics Policy: We require ackowledgement ahead of transaction's performance
- Critical suppliers evaluated on ESG issues

2. Social

A. Relations, practices, and wellbeing of the Ambassadors

- Organizational culture centered on the people and their wellbeing
- 6,714 Ambassadors: 47% women, 53% men
- Wages and compensations at market competitive levels, promoting talent retention[1]
- High-level of variable compensation (KPI Program)
- 81% of the Ambassadors are unionized
- 99% of the Ambassadors were vaccinated against COVID-19
- NOM-35 labor compliance
- Corporate Volunteer Program

B. Human rights and community relations

- +4,900 Ambassadors trained in human rights and non-discrimination in 2021
- Humanitarian aid and transportation of transplant organs and tissues through the *Avión Ayuda Volaris* Program
- 12th year obtaining the Socially Responsible Company Distinctive awarded by CEMEFI

C. Our customers' welfare

- Obtained the safety IOSA Certification
- Customers transported with our biosecurity protocol
- We believe that, during 2021, we did not have cases related to losses and leaks of our customers' personal data
- Implementation of the Contact Center to automatize the customer experience processes
- Zero aviation accidents

D. Social commitments

- Executed IATA´s initiative for gender equality "25by2025"

3. Environmental

A. Fuel Saving Program

- 101 aircraft: 45% NEO, 82% with sharklets
- Second youngest fleet of North America: Average age of 5.4 years
- On-board weight reduction initiatives.

B. #CielitoLimpio Carbon Emissions Offset Program

- We invite our customers to purchase the additional product #CielitoLimpio, to buy certified carbon credits and mitigate part of the environmental footprint generated by their trip.

C. Environmental protection initiatives and efforts for biodiversity

- +1,300 kg of office waste recycled
- +140 tons of paper saved through our Paperless Policy
- -5.23% of energy consumption vs. 2019 in the corporate office
- On-board plastic-free initiatives

D. Management and regulatory compliance

- ISO 9001 and 14001 certifications
- Environmental programs management through the WG Green Team
- Domestic and international CO_2 emissions reporting (Scope 1 and 2)
- Hazardous and non-hazardous waste management
- No sanctions or fines received related to non-compliance with environmental regulation

E. Environmental commitments

- Asset-backed trust notes linked to Sustainability KPI: -35.4% CO_2/RPK in 2030 vs 2015
- Supported IATA´s initiative "Fly Net Zero" for industry´s decarbonization by 2050
- 100% NEO fleet by 2028

Note: All data as of December 2021

1. Lower position remuneration is 165% above the minimum wage

FROM
Being Volaris means:

TO
Being united on the same journey

NAME
Our commitment to sustainable development

CHAPTER
02B

GRI
2-23, 2-24, 3-3

SDGs

Our financial, environmental, social, and corporate governance performance has allowed us to obtain and maintain our memberships in important national and international indexes.

In 2021, we were included for the first time in the **S&P/BMV Total Mexico ESG Index,** the index of the Mexican Stock Exchange where the public companies with the best sustainable performance are positioned, and, for the second consecutive year, in the **Dow Jones MILA Pacific Alliance Index.** It is important to mention that we positioned ourselves as one of the five-member airlines of the DJSI.

Our ESG goals

At Volaris, our main objective is to direct the business towards sustainable future growth, which is why we have established some key goals and commitments in environmental and social matters:

2025

- In 2021, we adhered to IATA's "25by2025" initiative, to achieve a greater representation of women in leadership positions and in areas underrepresented by them in the airline industry with an increase of 25%, by 2025

2028

- We expect to have a fleet composed of 100% NEO aircraft and equipped with sharklets, by 2028

2030

- We committed to reducing our CO_2 emissions by 35.4% gCO_2/RPK, by 2030 vs. 2015. We used this ambitious target/KPI for the issuance of asset-backed trust notes linked to sustainability, in 2021

2050

- In 2021, we committed to collaborating in the decarbonization of the industry by 2050, by joining the IATA's "Fly Net Zero" initiative

Awards and certifications

We are members of the **Dow Jones Sustainability MILA Pacific Alliance Index** for the second consecutive year. This index measures the performance of companies that are members of the S&P MILA Pacific Alliance Composite and that meet certain sustainability requirements with better performance than their peers within a given industry.

We are one of the 29 companies included in the BMV/S&P Total Mexico ESG Index. This Index, which uses S&P's methodology, includes public companies in Mexico that have the best environmental, social, and corporate governance (ESG) practices.

Women on Boards, an international non-profit organization that seeks to promote the inclusion of women on boards of directors, granted us an award for having two independent female directors in our Board of Directors, which represent 14.29%. This placed us among the 10 Mexican companies listed with the highest percentage of independent female directors.

Airline Ratings recognized us as **the safest ultra-low-cost airline in Latin America in 2021,** in addition to being recognized as one of the safest airlines in the world.

We obtained the **IOSA certification by IATA,** for our operational safety standards.

Since 2009, we have been recognized with the **ESR Distinction,** awarded annually by the Mexican Center for Philanthropy (CEMEFI) and AliaRSE. This award accredits companies before their employees, investors, customers, authorities, and society in general, as an organization voluntarily and publicly committed to socially responsible management.

The Code Top Member in partnership with **ECPAT** organization, we are committed to sustainable tourism and the development of solutions to prevent and combat crimes of commercial sexual exploitation of children and adolescents in travel and tourism.

ISO 9001 and 14001 certifications for some of our operations. Through these certifications, we demonstrate our commitment to the highest standards of quality and environmental care.

We have joined the list of companies receiving the **Safe Travels Stamp, awarded by the World Travel and Tourism Council (WTTC).** We apply biosecurity measures aligned with the recommendations issued by the International Air Transport Association (IATA), the European Aviation Safety Agency (EASA), and the International Civil Aviation Organization (ICAO).

We are the first airline to receive the **CDMX Tourist Security Seal** for the prompt and successful implementation of its biosecurity protocol.

We obtained the certificate of **good sanitary practices granted by the Government of the State of Yucatán,** for our excellent work performed for the care of travelers under the best standards of quality and sanitary measures.

Creating value for our stakeholders

At Volaris, we have a mission that with the best people and at a low cost, we enable more people to travel well. We want this mission to allow us to bring the benefits of ultra-low-cost air transportation to present and future generations. We know that to achieve this, it is necessary to generate value for our stakeholders.

The stakeholders that we have identified as the main ones for the viability and profitability of the business are **our customers, Ambassadors, investors, communities where we operate, suppliers, unions, our industry, and authorities/regulators.** For this reason, at Volaris we recognize the importance of maintaining an assertive dialogue with the members of these groups to learn about their needs, expectations, changes in preferences, concerns, and opinions.

Volaris' Value Creation Model

Through our Value Creation Model, we seek to know and understand the needs of our stakeholders. We know that:

Stakeholders
Our customers

Seek to have the best travel experience and that they want to arrive safely and on time at their destination, but that they also want to fly with an airline that is sustainable

Stakeholders
Our Ambassadors

Want to belong to an organization that looks after their well-being, equal opportunities, their personal and professional growth, and that allows them to have a sense of pride in being part of the Volaris Family

Stakeholders
Our Union

Wants us to care for and ensure the rights of all our Ambassadors

Stakeholders
Our investors

Want to invest in a company that is profitable in financial terms and that protects their capital, but also that contributes to preserving the planet, that has ethical and transparency practices, and creates social value

Stakeholders
Our authorities and regulators

Seek to grant state permits and concessions to a company that is responsible for fulfilling its obligations, that generates qualified and well-paid jobs, and that generates economic value for the communities where it operates

Stakeholders
The aviation industry

Expects us to be a strong competitor to contribute to the sustainable growth of our sector

Stakeholders
Our suppliers

Seek to be part of the value chain of a reliable company committed to a sustainable development

Volaris Value Creation Model

Economic and Corporate Governance Focus

- Ultra-low-cost business model
- Corporate governance
- Investor relations
- Corporate affairs
- Supply chain

People Care Focus

- Relations, practices, and wellbeing of the Ambassadors
- Human rights and community relations
- Our customers' welfare

Planet Care Focus

- Fuel Saving Program
- #CielitoLimpio Carbon Emissions Offset Program
- Environmental management and regulatory compliance
- Environmental protection initiatives and efforts for biodiversity

Value created for our stakeholders

Customers

- Accessibility and connectivity (opening of new routes)
- Low fares
- Aviation security, operational safety, and biosecurity
- Travel and customer experience
- Corporate reputation
- Privacy and personal data protection
- Opportunity to voluntary offset part of the polluting footprint
- Contribution to the Sustainable Development Goals (SDGs)

Ambassadors

- Corporate culture (Volaris Family)
- Equal opportunities and non-discrimination practices
- Volaris Ethics Line
- Competitive compensation and benefits
- Training, professional, and personal development
- Sense of pride and belonging
- Biosecurity, occupational health and safety
- Union relations
- Labor flexibility practices (home office, Maternity, Paternity, and Use of Breastfeeding Rooms Policy, agreements with daycare centers)
- Corporate volunteering
- Environmental protection culture
- Contribution to the Sustainable Development Goals (SDGs)

Union

- Long-term and reliable relationship with the Company
- Strong communication channels with the Company and the Ambassadors
- Labor legislation compliance
- Human rights protection
- Freedom of association and collective bargaining
- Contribution to the Sustainable Development Goals (SDGs)

Community

- Positive impact on the communities where we operate
- Reduction of the polluting footprint and awareness about environmental protection
- Economic spill for tourism, VFR passengers, and business trips
- Protection of human rights
- Strategic alliances to achieve objectives
- Contribution to the Sustainable Development Goals (SDGs)

Suppliers

- Reliable customer
- Long-term and trustful relationships
- Sustainable value chain
- Protection of human rights
- Reduction of the polluting footprint and protection of the environment
- Contribution to the Sustainable Development Goals (SDGs)

Investors

- Short, medium, and long-term business plan
- Return on investment
- Income generation
- Cost reduction
- Resource optimization
- Corporate governance best practices
- Risks, opportunities, and crisis management
- Ethics, transparency, and compliance culture
- Climate change strategy
- Social value generation
- Gender equality and inclusion practices
- Contribution to the Sustainable Development Goals (SDGs)

Authorities/Industry

- Compliance with applicable legislation
- Employment generation and economic development
- Collaboration and communication with the government and industry organizations
- Tax payment
- Demand and transported passengers
- Reduction and compensation of the polluting footprint
- Contribution to the Sustainable Development Goals (SDGs)

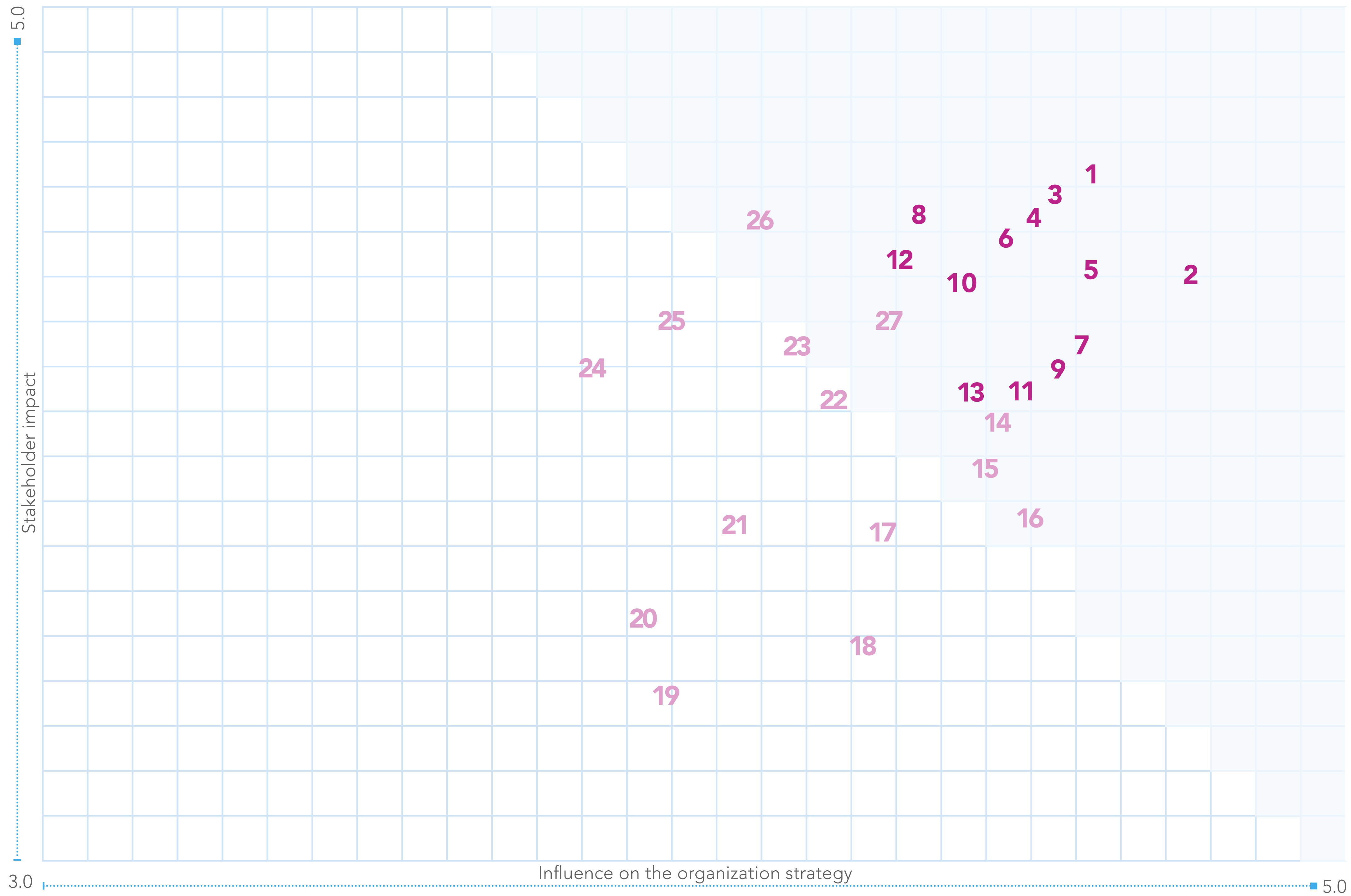
Some of the topics and communication channels that we have identified with some of our stakeholders are shown in the following table:

Stakeholders	Key issues	Communication channels	Results
Customers	■ Accessibility and connectivity (opening of new routes) ■ Low fares ■ Aviation security, operational safety, and biosecurity ■ Travel and customer experience ■ Corporate reputation ■ Privacy and personal data protection ■ Pollution footprint offsetting ■ Contribution to the Sustainable Development Goals SDGs	■ Digital platform (website, app, and social media) ■ Call Center ■ Volaris points of sale ■ Airports ■ On-board service and magazine ■ Net Promoter Score (NPS) ■ External communication/means of communication, marketing campaigns, and corporate brand management strategies ■ Annual Reports (20-F and Integrated)	■ Accessibility and connectivity (opening new routes) ■ Low fares ■ Security and biosecurity ■ Confidence in going back to air travel ■ More people using air transportation ■ Travel experience ■ Corporate reputation ■ Opportunity to offset part of the pollution footprint ■ Alignment with Sustainable Development Goals SDGs
Ambassadors	■ Corporate culture (Volaris Family) ■ Equal opportunities and non-discrimination practices ■ Business ethics ■ Competitive compensation and benefits ■ Training, professional, and personal development ■ Sense of pride and belonging ■ Biosecurity, occupational health and safety ■ Union relations ■ Labor flexibility practices (home office, Maternity, Paternity, and Use of Breastfeeding Rooms Policy, agreements with daycare centers) ■ Corporate volunteering ■ Environmental protection culture ■ Contribution to the Sustainable Development Goals SDGs	■ Volaris Ethics Line ■ Human resources team in main airports where we operate ■ Institutional communication ■ Surveys ■ Periodic reports from the Executive Committee and management team ■ Special messages from the President and Chief Executive Officer and management team ■ Labor union ■ Annual Reports (20-F and Integrated)	■ Ethics cases reported to be investigated ■ A great place to work (Volaris Family) ■ Equal opportunities and non-discrimination practices ■ Competitive compensation ■ Sense of pride and belonging ■ Biosecurity and wellbeing ■ Union relations ■ Awareness of environmental protection ■ Alignment with Sustainable Development Goals SDGs
Union	■ Long-term and reliable relationship with the Company ■ Strong communication channels with the Company and the Ambassadors ■ Labor legislation compliance ■ Human rights protection ■ Freedom of association and collective bargaining ■ Contribution to the Sustainable Development Goals SDGs	■ E-mail ■ Volaris Ethics Line ■ Institutional Communication ■ Contracts ■ Annual Reports (20-F and Integrated)	■ Ensure Ambassadors' labor and human rights ■ Update of labor protocols and manuals ■ Ensure Ambassadors' occupational health and safety ■ Positive work environment ■ Collaborative decision-making processes to ensure Ambassadors well-being ■ Competitive compensations and benefits ■ Ensure equal opportunities

Stakeholders	Key issues	Communication channels	Results
Community	■ Positive impact on the communities where we operate ■ Reduction of the polluting footprint and awareness about environmental protection ■ Economic spill for tourism, VFR passengers, and business trips ■ Protection of human rights ■ Strategic alliances to achieve objectives ■ Contribution to the Sustainable Development Goals SDGs	■ On-board magazine ■ Biannual reports issued by foundations ■ Annual Reports (20-F and Integrated) ■ Corporate voluntary work activities ■ External communication/means of communication, marketing campaigns, and corporate brand management strategies	■ Pollution footprint reduction ■ Economic impact from tourism, VFR passengers, and business travel ■ Human rights protection ■ Positive impact on communities where we operate ■ Awareness of environmental protection ■ Strategic alliances to achieve goals ■ Corporate voluntary work ■ Alignment with Sustainable Development Goals SDGs ■ Sustainable reactivation of the airline industry and its value chain
Suppliers	■ Reliable customer ■ Long-term and trustful relationships ■ Sustainable value chain ■ Protection of human rights ■ Reduction of the polluting footprint and protection of the environment ■ Contribution to the Sustainable Development Goals SDGs	■ Institutional communication channels ■ Informative circulars ■ Annual evaluation ■ Audits ■ Annual Reports (20-F and Integrated)	■ Reliable customer ■ Long-term relationships ■ Sustainable value chain ■ Human rights protection ■ Reduction of pollution footprint ■ Environmental protection ■ Alignment with Sustainable Development Goals SDGs ■ Contracts' renegotiation
Investors	■ Short, medium, and long-term business plan ■ Return on investment ■ Income generation ■ Cost reduction ■ Resource optimization ■ Corporate governace best practices ■ Risks, opportunities, and crisis management ■ Ethics, transparency, and compliance culture ■ Climate change strategy ■ Social value generation ■ Gender equality and inclusion practices ■ Contribution to the Sustainable Development Goals SDGs	■ Committees and Board of Directors meetings ■ Annual Shareholders' Meeting ■ Financial reports ■ Annual Reports (20-F and Integrated) ■ Volaris website ■ Media ■ Volaris newsletters ■ Surveys, indexes, and ratings	■ Short, medium, and long-term business plan ■ Return on investment ■ Income generation ■ Cost reduction ■ Resource optimization ■ Strict risk control ■ Ethics and transparency ■ Alignment with Sustainable Development Goals SDGs ■ Sustainable reactivation of the airline industry
Authorities / Industry	■ Compliance with applicable legislation ■ Employment generation and economic development ■ Collaboration and communication with the government and industry organizations ■ Tax payment ■ Demand and transported passengers ■ Reduction and compensation of the polluting footprint ■ Contribution to the Sustainable Development Goals SDGs	■ Direct communication with strategic partnerships ■ Participation in chambers and discussion forums ■ Events and conferences ■ Meetings ■ Annual Reports (20-F and Integrated) ■ Media	■ Regulatory compliance ■ Employment creation and economic development ■ Collaboration and communication with the government and its agencies ■ Tax payment ■ Obtaining and renewing operating certifications ■ Reduction and offsetting of pollution footprint ■ Alignment with Sustainable Development Goals SDGs ■ Sustainable reactivation of the airline industry

Materiality matrix

In 2021, we developed our **materiality assessment** to understand the financial and non-financial material issues to our stakeholders around the Company and that must be considered for Volaris' strategic planning. We considered that this evaluation is relevant because we understand that the preferences of our stakeholders have changed since de COVID-19 pandemic. Knowing the material issues, as defined by our interest groups and the industry trends, allows us to understand our stakeholders' new expectations of Volaris. We are aware that the Company's sustainability depends, in part, on our ability to meet those expectations.

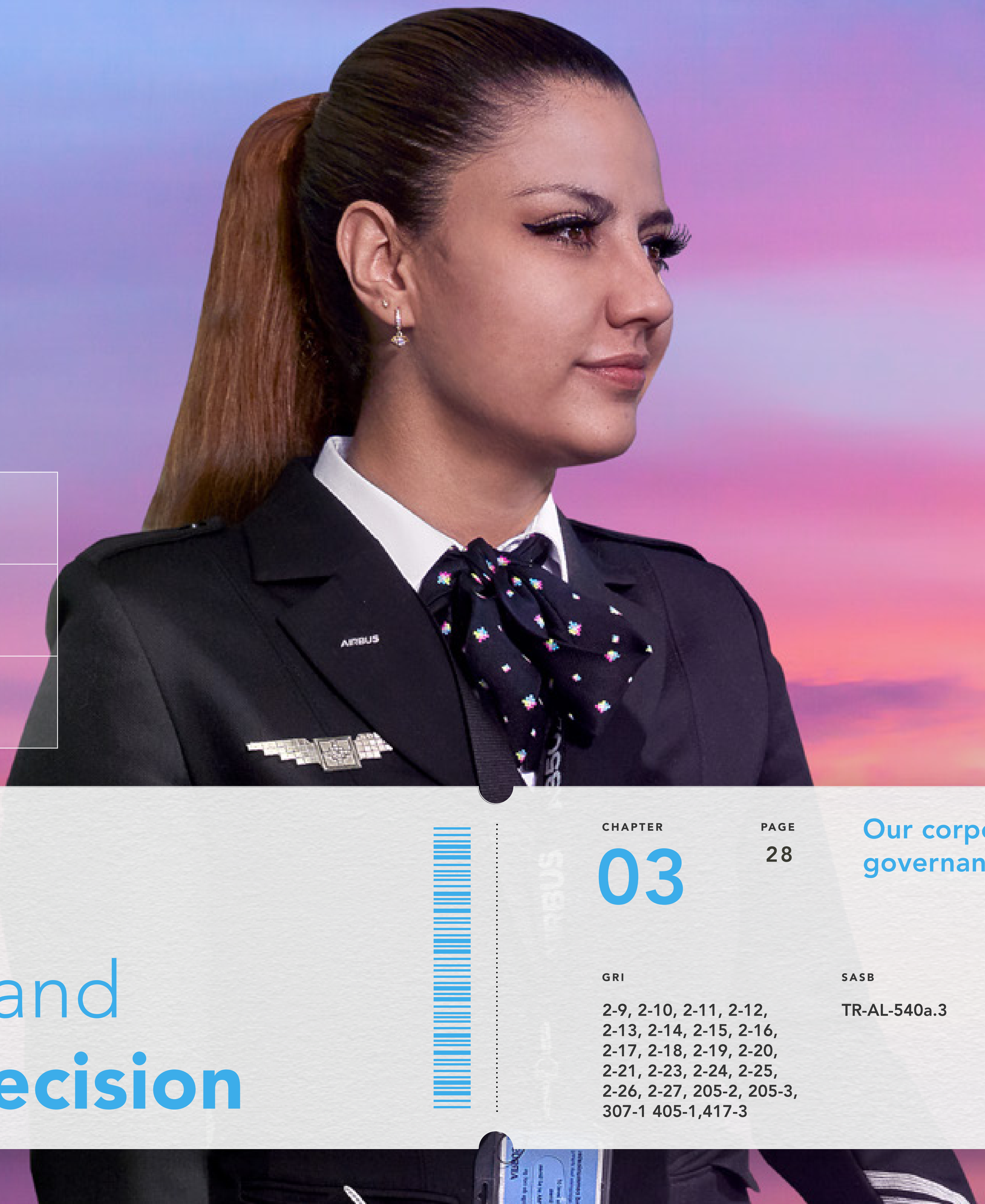


Material topics

1 Operational safety
2 Risk, opportunity, and crisis management
3 Biosecurity
4 Customer satisfaction and experience
5 Regulatory compliance
6 Pandemic response and new normal
7 Economic/financial performance
8 Climate change strategy
9 Ultra-low-cost business model
10 Innovation and new technologies
11 Operational efficiency
12 Recruitment and retaining talent
13 Efficient fuel management

Relevant topics

14 Brand management
15 Cybersecurity
16 Destination network development
17 Sustainability corporate strategy
18 Governance
19 Collaboration in the construction of public policies
20 Supply strategy and relationship with suppliers
21 Involvement with stakeholders
22 Operational eco-efficiency
23 Labor practices
24 Diversity and inclusion
25 Training and development of Ambassadors
26 Human rights and involvement with the communities
27 Ethics and anticorruption



FROM

Being **Volaris** means:

TO

Act with integrity and **ethics in every decision**

CHAPTER

03

PAGE

28

Our corporate governance

GRI

2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2-21, 2-23, 2-24, 2-25, 2-26, 2-27, 205-2, 205-3, 307-1 405-1,417-3

SASB

TR-AL-540a.3

SDGs

Our corporate governance

To guarantee to all our stakeholders the strength of our Corporate Governance, we adhered to the Code of Principles and Best Practices of Corporate Governance of the Business Coordinating Council *(Consejo Coordinador Empresarial)*. Likewise, since 2013, we have been listed on the Mexican Stock Exchange (BMV) and the New York Stock Exchange (NYSE) American Depositary Receipt Level III Program; therefore, we must also guide our structure and behavior to the provisions of these organizations and the applicable legislation.

Our corporate governance comprises the Shareholders' Meeting, the Board of Directors, the Committees, and the Senior Management. According to our By-laws and the applicable law, the members of the Board of Directors and of any of the Committees have the following fiduciary duties:

Act with duty of care:

- Act in good faith and the best interest of the Company
- Request reasonable information for decision-making
- Request attendance and contribution of management and/or external auditors for decision-making
- Keep confidentiality regarding the information submitted
- Postpone a meeting when a Director has not been summoned
- Deliberate and vote in the presence of the rest of the directors and the secretary of the Board of Directors

Conduct themselves with duty of loyalty:

- Disclose any conflict of interest and refrain from participating and being present in the deliberation and voting of said matters in the Board of Directors
- Refrain from using the Company's confidential information for their benefit or that of a third party
- Refrain from exploiting or taking advantage of business opportunities that correspond to the Company for their benefit or for third parties, including those that are in the ordinary course of business of the Company

Shareholders' Meeting

It is the highest governance body, the Meetings will be chaired by the Chairman of the Board of Directors. In their absence, the Meetings will be chaired by the person designated by the shareholders in attendance by the majority of votes. Meetings may be called at the request of the Board of Directors, the chairman or secretary of the Board of Directors; by the Audit and Corporate Governance Committee; by shareholders representing at least 10% of our outstanding capital stock, who may request any of the members of the Board of Directors or the Audit and Corporate Governance Committee to summon a Shareholders' Meeting; by any shareholder, on the understanding that no Annual Shareholders' Meeting has been held in two consecutive years or the matters about the annual Shareholders' Meetings are not addressed, and by a competent Mexican judge, if the Board of Directors does not comply with a valid request of the shareholders by what is mentioned in the two previous points.

The Shareholders Meeting shall convene at least once a year to:

- Approve the financial statements of the previous fiscal year
- Discuss and approve the annual reports of the Audit and Corporate Governance Committee, as well as to determine how the eventual profits for the year will be applied (including, if applicable, the payment of dividends)
- Appointment or ratification of the members of the Board of Directors
- Appoinment or removal of the chairman of the Audit and Corporate Governance Committee
- Approve any increase or reduction in variable capital and the issuance of the corresponding shares
- Approve the annual report of the Chief Executive Officer along with the report of the Board of Directors and its opinion
- Determine the maximum amount that may be used for the acquisition of treasury stock
- Approve any transaction representing 20% or more of our consolidated assets during a fiscal year

Generally, for an Ordinary General Meeting to be legally installed, at least 51% of our shares with voting rights must be represented, and its resolutions will be valid when taken by a majority of the votes in attendance. If such quorum is not met, a second call will be made for which it will be required in the same way that 51% of our shares are represented and the resolutions may be taken by the majority of the capital represented in the said meeting.

Generally, for an Extraordinary General Meeting to be considered legally constituted, at least 75% of the shares must be represented. If a quorum is not present at the first call, a second call will be made and the Meeting will be considered legally constituted when at least 51% of the shares are represented. In any case, resolutions will be valid when adopted by the vote of shares representing at least 50% plus one of the shares of capital stock, except for resolutions referring to the cancellation of the registration of shares in the National Securities Registry, since these require the favorable vote of at least 95% of the outstanding capital stock with voting rights.

The rights of minority shareholders, as well as information on notice of meetings, accreditation of ownership, minutes of meetings, Chairman and Secretary, types of meetings and minority rights, can be found in our By-laws[2].

2. https://www.bmv.com.mx/docs-pub/compulsa/compulsa_1025766_2020_1.pdf.

Shareholders' rights

Under Mexican law, all Volaris A and B shares are entitled to one vote per share[3].

Volaris is a Mexican Company and is subject to foreign investment control regulations.

The Company adopted a neutral investment structure, under the applicable law, which allows foreign investors interested in receiving economic rights, but never voting rights, to participate in securities with underlying shares of Volaris.

This structure allows majority Mexican investors to determine the voting direction of the shares underlying the neutral investment. This information has been made public and is available at all times to investors in the prospectuses and annual reports of the markets in which we are listed.

3. Holders of ADSs and CPOs will not be entitled to vote the underlying A Shares at any time. Mexican holders of Series A shares will be entitled to vote their shares on all matters. Holders of Series B shares will be entitled to vote their shares on all matters and will have the specific voting rights described in "Shareholders' Meetings". The A shares underlying the CPOs and the CPOs underlying the ADSs will be voted by the trustee issuing the CPOs in the same manner as a majority of the votes of the A shares cast at the relevant Shareholders' Meeting in all circumstances.

In addition, under the applicable Mexican law, Volaris is not required to adopt the Say on Pay Policy.

The Mexican Securities Market Law and our By-laws contain provisions that, among other things, require the approval of the Board of Directors before any person or group of persons directly or indirectly acquires: (i) 5% or more of our shares (directly or through the acquisition of ADSs or CPOs), or (ii) 20% or more of our shares (directly or through the acquisition of ADSs or CPOs) and in this case, if such approval is obtained, the acquirer must make an offer to purchase 100% of our shares and CPOs (or securities representing them) at a substantial premium over the market price of our shares to be determined by the Board of Directors, based on the opinion from a financial advisor.

Board of Directors

The management of the business and assets is vested in the Board of Directors and the Chief Executive Officer. The Board of Directors not only establishes the guidelines and supervises their compliance, but also sets the general strategy for the management of the Company.

The Shareholders' Meeting annually selects the members of the Board of Directors and the President, which must be comprised of a maximum of 21 members, of which at least 25% must be independent, in accordance with the Mexican Securities Market Law.

Moreover, members may remain in office for one year and may be re-elected or removed at any time.

Regarding the requirements of the members of the Board, they may or may not be shareholders. In no event, does a person who has held the position of the external auditor of the Company or its subsidiaries become a director of the Company. Furthermore, our Board members have backgrounds and experience in aviation, business, marketing, finance, economics, legal, technology, among others.

14.29% of the members are women

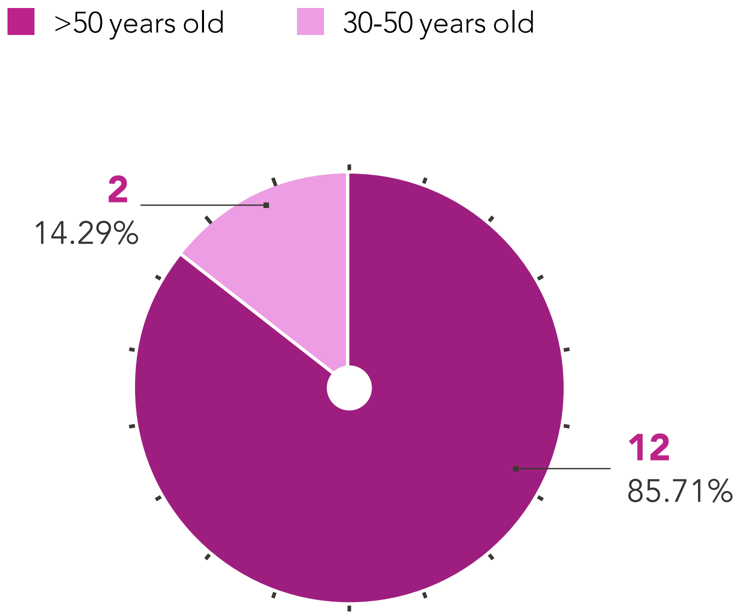
Volaris' Board of Directors comprises of **14 proprietary members; of these, 9 proprietary and 2 alternate directors are independent, 64.29%.** In addition, **14.29% of the members are women.** The average tenure of Board members is **7.71 years.** Likewise, 50% of the members of the Board of Directors are on 3 or more boards and 57% of the members of the Board of Directors are on 2 or more boards. Below you may find the detail:

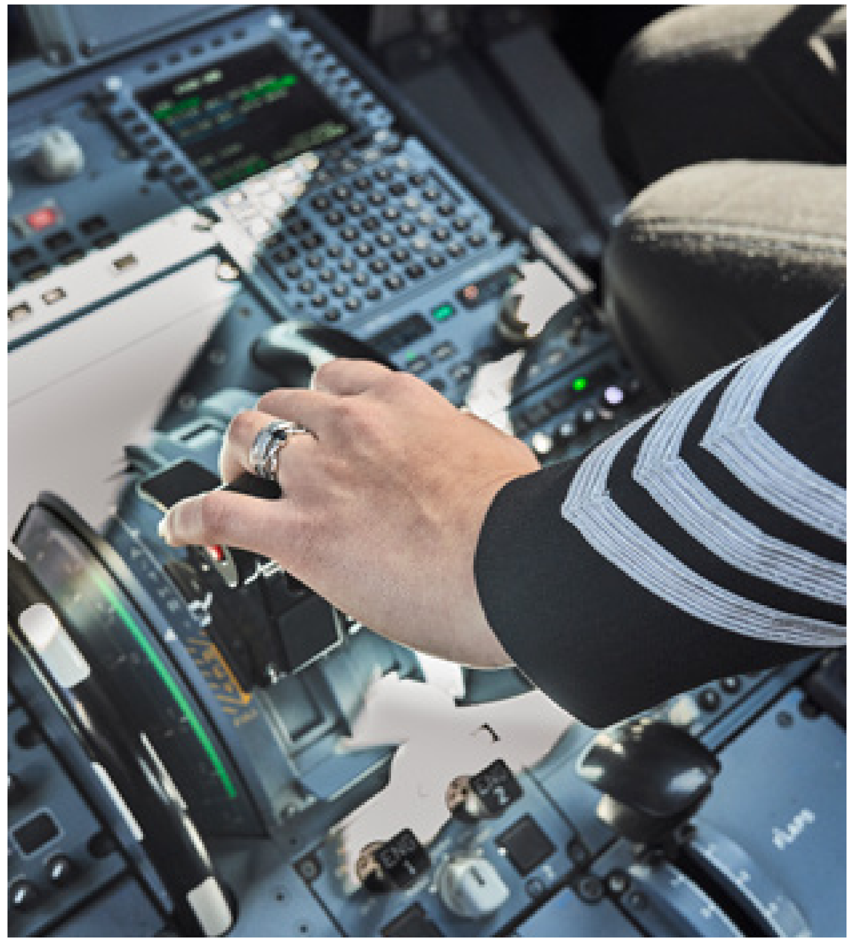
($) Expert Financial, (I) Industry experience,
(R) Risk Expert (CEO), Chief Executive Officer, (COB) Chair of the Board

Name	Gender	Age	Tenure	Other Boards	Independence	Related Party Transactions
Alfonso González Migoya ($)	M	78	7	4*, among others	Yes	No
Brian Franke (COB) ($) (I)	M	58	12	4*	No	Yes
Enrique Beltranena Mejicano (CEO) (I)	M	60	5	0	No	Yes
Guadalupe Phillips Margain (CEO) (R) ($)	F	51	2	5*	Yes	Yes
Harry Krensky ($)	M	59	16	5*	No	No
Joaquín Alberto Palomo Déneke ($) (R) (I)	M	71	16	1	Yes	No
John Slowik ($) (R) (I)	M	71	10	4	Yes	No
José Luis Fernández Fernández (R) ($)	M	63	10	4*, among others	Yes	Yes
Marco Baldocchi Kriéte (CEO)	M	48	2	1	No	Yes
Mónica Aspe Bernal (CEO)	F	44	2	0	Yes	No
Ricardo Maldonado Yáñez (R)	M	54	4	2*	Yes	Yes
Stanley Pace (I)	M	68	5	0	Yes	No
William (Bill) Franke (I) ($)	M	85	12	5*	No	Yes
William Dean Donovan (I) ($)	M	60	5	1	Yes	No

*At least one of the companies in which they participate as directors is public.

Chart 1. Members of the Board of Directors age





Proprietary Directors

- Brian H. Franke
  Chairman of the Board
- William A. Franke
  Director
- Harry F. Krensky
  Director
- Marco Baldocchi Kriete
  Director
- Enrique Javier Beltranena Mejicano
  Director
- Alfonso González Migoya
  Independent Director
- Stanley L. Pace
  Independent Director
- William Dean Donovan
  Independent Director
- José Luis Fernández Fernández
  Independent Director
- Joaquín Alberto Palomo Déneke
  Independent Director
- John A. Slowik
  Independent Director
- Ricardo Maldonado Yañez
  Independent Director
- Guadalupe Phillips Margain
  Independent Director
- Mónica Aspe Bernal
  Independent Director

Alternate Directors

- Andrew Broderick
  Alternate
- Andrew Broderick
  Alternate
- Rodrigo Antonio Escobar Nottebohm
  Alternate
- José Carlos Silva Sánchez-Gavito
  Alternate
- José Carlos Silva Sánchez-Gavito
  Alternate
- José Carlos Silva Sánchez-Gavito
  Alternate
- Eugenio Macouzet de León
  Alternate

The members of the Board of Directors must carry out their duties to create value for the Company's benefit, without favoring a particular shareholder or group of shareholders. They must comply with various obligations, including:

- The Company's overall strategy
- Overseeing our operations and those of our subsidiaries
- Approve, with the prior opinion of the Audit and Corporate Governance Committee, each one individually: (i) Related party transactions, subject to certain limited exceptions, (ii) the appointment, election and, where appropriate, dismissal of our Chief Executive Officer and their comprehensive compensation and removal, as well as the policies for the appointment and comprehensive compensation of other Senior Management, (iii) our guidelines on internal control and internal audit, including those guidelines of our subsidiaries, (iv) our policies of accounting, (v) our financial statements and those of our subsidiaries, (vi) the operations considered as unusual or non-recurring as well as any operations that are executed, either simultaneously or successively, in the period of a fiscal year that involve: (a) The acquisition or disposal of goods with a value equal to or greater than 5% of our consolidated assets or (b) the granting of guarantees

- or the assumption of liabilities for a total amount equal to or greater than 5% of our consolidated assets, and (vii) the election of external auditors
- Summon a Shareholders' Meeting and execute its resolutions
- Submit annually to the Shareholders' Meeting (i) the report of the CEO and, (ii) the opinion of the Board of Directors about the report of the CEO
- Approve the creation of special Committees and ensure or guarantee the authority of such Committees, provided that such Committees will not have those powers expressly vested to our shareholders or the Board of Directors in accordance with our By-laws
- Determine the voting power of the shares we hold in our subsidiaries and our disclosure policies

The meetings of our Board of Directors, according to the By-laws, shall be validly convened and held if the majority of the members or their respective alternates are present. The agreements adopted in said meetings will be valid if they are approved by a majority of the members without any conflict of interest regarding the matters discussed. In the event of a tie, the Chairman of the Board of Directors will not have a tie-breaking vote.

Meetings of our Board of Directors may be summoned by (i) 25.0% of the members of our Board of Directors, (ii) the chairman of our Board of Directors, (iii) the chairman of the Audit and Corporate Governance Committee, and (iv) the Secretary of our Board of Directors.

In 2021, the Board of Directors met 5 times in ordinary meetings with an attendance of 98.57%. On one occasion it adopted unanimous resolutions taken out of meetings.

Biographies of the members of the Board of Directors:

Name
Brian H. Franke

As a member of our Board of Directors since 2010 and as Chairman of our Board of Directors since 2020. He is currently a principal specializing in aviation investments with Indigo Partners LLC, a private equity firm based in the United States. Mr. Franke is also a member of the Board of Directors of Frontier, JetSMART (Chile), APiJET (USA) and Cebu Pacific. He previously served on the Board of Directors of Tiger Airways Holdings (Singapore) from 2008 to 2010 and Tiger Airways Australia from 2009 to 2010. Prior to that, Mr. Franke was vice president of Franke & Company Inc., a boutique private equity firm focused on small and medium enterprises investments. He was also a director in marketing for Anderson Company, a U.S. real estate developer, from 1989 to 1992 and a consumer marketing manager for United Brands Inc., a U.S. distribution and licensing Company for consumer goods, from 1987 to 1989. Mr. Franke holds a B.S. in Business from the University of Arizona and a M.A. in International Management from Thunderbird School of Global Management. He also serves on the University of Arizona Foundation Board and participates on its Investment Committee. He is William A. Franke's son.

Name
William A. Franke

Has served as a member of our Board of Directors since 2010. He is also a member of the Board of Directors of Wizz Air Holdings Plc (Hungary). He is currently the managing member of Indigo Partners LLC (since 2002), which is a private equity firm. Mr. Franke is chairman of the Board of Directors of Frontier, JetSMART (Chile), Lynx Air (Canada) and APiJET (USA) and was the founding chairman of Tiger Airways Holdings (Singapore), a member of the Board of Directors of Spirit and the Chief Executive Officer and chairman of America West Airlines from 1993 to 2001. He is also a member of the Board of Directors of Falcon Acquisitions Group, Inc. Mr. Franke holds a B.A. in History from Stanford University and an LL.B. from Stanford Law School. He also holds an honorary doctorate from Northern Arizona University awarded in 2008 and the University of Montana awarded in 2020. He is Brian H. Franke's father.

Name
Harry F. Krensky

Has served as a member of our Board of Directors since our founding in 2005. He is also a member of the Board of Directors of Traxion, H+, MasAir, Merited and Kidzania. Mr. Krensky is managing partner of the private equity firms Discovery Americas and Discovery Air. Previously, he was a founder of emerging market hedge fund managers Discovery Capital Management and Atlas Capital Management, and a founder of Deutsche Bank's emerging market hedge fund. He has been an assistant professor in the subject of international business in NYU Stern Business School and was a member of the Board of Trustees of Colby College. Mr. Krensky holds a B.A. in Government from Colby College, a MSc from the London School of Economics and Political Science and a M.B.A. from the Columbia University Graduate School of Business.

Name
Marco Baldocchi Kriete

Has served as a member of our Board of Directors since 2020. He previouslyserved as an interim director from 2019 to 2020 and as an alternate director from 2010 to 2019. He is the Chief Executive Officer of Central American Comercial, S.A. de C.V, a retail Company in Latin America. He was a founder member of Transactel Inc. He is currently a member of the Board of Directors of Aeromantenimiento (MRO Holdings, Inc.). He has previously served on the Board of Directors of Onelink Holdings, Avianca-Taca and Banco Agricola. Mr. Baldocchi holds a B.A. in Arts from Vanderbilt University and a M.B.A. from the Kellogg School of Management at Northwestern University.

Name
Alfonso González Migoya

Has served as a member of our Board of Directors since 2014. He previously served as Chairman of our Board of Directors from 2014 to 2020. He is also a member of the Board of Directors of FEMSA, Coca Cola FEMSA, Bolsa Mexicana de Valores and Business School of the *Instituto Tecnologico y de Estudios Superiores de Monterrey,* among others. Mr. Gonzalez previously served as Chief Executive Officer and chairman of the Board of Directors of Grupo Industrial Saltillo, as Chief Executive Officer of Servicios Interpuerto Monterrey and as executive vice president and chief financial officer of Grupo Financiero BBVA Bancomer. He has also held various senior roles in Grupo ALFA. Mr. González holds a B.S. in Electromechanical Engineering from *Instituto Tecnologico y de Estudios Superiores de Monterrey* and a M.B.A. from Stanford University Graduate School of Business.

Name
Stanley L. Pace

Has served as a member of our Board of Directors since 2017. He is a senior partner at Bain & Company where he has served as a member and chairman of most of the Company's key governance Board of Directors. Mr. Pace was the founder of the transformation and airline practices at Bain & Company and has led many of the Company's largest and most successful relationships and transformations. Mr. Pace served as the Chief Executive Officer of ATA from 1996 to 1997, at that time, ATA was the largest charter airline in the world. Mr. Pace holds a B.A. in Accounting and Finance from Brigham Young University, where he graduated as valedictorian, and a M.B.A. from Harvard Business School, where he graduated with high distinction.

Name
William Dean Donovan

Has served as a member of our Board of Directors since 2017. He previously served as an alternate director from 2010 to 2017. Mr. Donovan serves as Managing Director of Diamond Stream Partners Venture Fund focused on advanced aerial mobility. Mr. Donovan is a member of the Board of Directors of Prophet Brand Strategy, a marketing consultancy, and was a member of the Board of Directors of the Metropolitan Bank. He co-founded Volaris in 2005. Mr. Donovan worked with Bain & Company from 1989 to 2003. He was Managing Director of Bain Africa from 1999 to 2002 and head of Bain's airline practice and auto practice at various times. He also is a consultant for Stellar Labs, a software Company focused on fleet optimization and revenue management in the private aviation space. Mr. Donovan cofounded Casino Marketing Alliance, a provider of marketing and analytics services to the casino industry. Mr. Donovan has served as chief operating officer of Nimblefish Technologies, a specialized micromarketing agency and as Chief Executive Officer of SearchForce, a paid search workflow management and optimization platform. Mr. Donovan holds a B.A. in both Economics and Rhetoric from the University of California Berkeley, where he graduated Phi Beta Kappa and Summa Cum Laude, and a M.B.A. from the Wharton School of the University of Pennsylvania.

Name
Enrique Beltranena

Has served as our Chief Executive Officer since 2006 and as a member of our Board of Directors since 2016. He previously worked as Grupo TACA's chief operating officer, human resources and institutional relations vice president, cargo vice president and commercial director for Mexico and Central America. He also held the position of general director of Aviateca in Guatemala. Mr. Beltranena started his career in the aerospace industry in 1988. During the 1990s, he was responsible for the commercial merger of Aviateca, Sahsa, Nica, Lacsa and TACA Peru, which consolidated them into a single management entity called Grupo TACA. While at Grupo TACA, Mr. Beltranena also led the development of single operating codeshare and the negotiation of open skies bilateral agreements among each of the Central American countries and the United States. In 2001, Mr. Beltranena led Grupo TACA's complete restructuring as its chief operating officer. In 2017, Mr. Beltranena participated in one of the biggest joint negotiations for the purchase of single aisle aircraft with Airbus. In 2009, Mr. Beltranena was awarded the Federico Bloch Award by the Latin American & Caribbean Air Transport Association. Mr. Beltranena was named to the Ernst & Young's Entrepreneur of The Year Hall of Fame in 2012 after winning the 2011 Mexico Entrepreneur of the Year award. He also received the National Order of Merit (Knight's Badge) from the President of France in 2014.

Name
José Luis Fernández Fernández

Has served as a member of our Board of Directors and as chairman of our Audit and Corporate Governance Committee since 2012. He is also a member of the audit committees of various companies, including Grupo Televisa, S.A.B., Grupo Financiero Banamex and Banco Nacional de México S.A., and an alternate member of the Board of Directors of Arca Continental, S.A.B. de C.V. Mr. Fernández is a non-managing limited partner at Chevez Ruiz Zamarripa. Mr. Fernández holds a Public Accounting Degree from Universidad Iberoamericana and a certification issued by the Mexican Institute of Public Accountants.

Name
Joaquín Alberto Palomo Déneke

Has served as a member of our Board of Directors since 2005 and as a member of our Audit and Corporate Governance Committee since 2012. He is also a member of the Board of Directors of Aeroman. Mr. Palomo has over two decades of experience in the financial air transportation and commercial aerospace sectors, where he created and implemented the first organization for Grupo TACA. He also actively participated in the planning, purchasing negotiations, closing, organization and final merger of AVIATECA, Tan/Sahsa, TACA de Honduras, Nica, Lacsa, Isleña de Inversiones, La Costeña, Aeroperlas and Trans American Airlines to form Grupo TACA. Mr. Palomo has negotiated the financing of more than $1 billion in aircraft leases, sales and leasebacks. Mr. Palomo holds a B.S. in Agricultural Economics from Texas A&M University.

Name
John A. Slowik

Has served as a member of our Board of Directors and as a member of our Audit and Corporate Governance Committee since 2012. He has over three decades of experience in the air transportation and commercial aerospace sectors as a banker at Citi (and its predecessors) and Credit Suisse, where he managed its America's Airline Industry investment banking practice. His extensive experience includes corporate and investment banking, where his activities involved public and private capital raising, structured debt issuance, aircraft leasing, principal investment and mergers and acquisitions advisory work. Mr. Slowik is also a member of the Board of Directors of Fan Engine Securitization, Ltd. and Turbine USA LLC, private commercial jet engine leasing companies operating out of Ireland and the United States, respectively. He is also an alternate director of Rotor Engine Securitization Ltd., a private commercial jet engine leasing Company operating out of Ireland. Mr. Slowik is a member of the Board of Directors and chairman of the audit committee of Quintillion Subsea Holdings, LLC, a privately held Company operating a subsea fiber optic cable system connecting Nome to Prudhoe Bay, with four landing stations in between, and a terrestrial fiber optic cable system connecting Prudhoe Bay to Fairbanks, Alaska. Mr. Slowik serves as a senior advisor to Volofin Capital Management Ltd., a specialty finance Company focused on delivering innovative financing solutions for the commercial aviation market. Mr. Slowik has a B.S. in Mechanical Engineering from Marquette University and a M.B.A. from the Kellogg School of Management at Northwestern University.

Name
Ricardo Maldonado Yáñez

Has served as a member of our Board of Directors since 2018. He is a partner at Mijares, Angoitia, Cortés y Fuentes, S.C. since 1999. Mr. Maldonado has 25 years of experience providing advice and counseling to Mexican and foreign companies and clients on domestic and cross-border merger and acquisition transactions, joint ventures and strategic alliances. He also represents issuers and financial institutions in public and private debt and equity offerings, and advises clients in the negotiation, structuring and drafting of comercial loans, in complex financings and in infrastructure projects. Mr. Maldonado also focuses part of his practice on corporate governance matters advising family-owned and publicly listed companies. Mr. Maldonado serves as member of the Board of Directors of Grupo Aeroportuario del Centro Norte (OMA) and ICA Tenedora, S.A. de C.V. He is a member of the National Association of Corporate Directors (NCD) and of the International Corporate Governance Network (ICGN). Mr. Maldonado holds a Law Degree from the Universidad Nacional Autónoma de México, a certificate in Corporate Law from the *Instituto Tecnologico Autónomo de México* and a LL.M. from University of Chicago Law School.

Name
Guadalupe Phillips Margain

Has served as a member of our Board of Directors since 2020. She is the Chief Executive Officer of Empresas ICA Tenedora, S.A. de C.V. She previously worked in Grupo Televisa where she was Vice-president of Finance and Risk and served in other positions. Ms. Phillips serves as member of the Board of Directors of several companies including Grupo Televisa, Grupo Financiero Banorte, Innova, Grupo Axo and Grupo Aeroportuario del Centro Norte (OMA). Ms. Phillips holds a Law Degree from the Instituto Tecnológico Autónomo de México a M.A.L.D. (Master of Arts in Law and Diplomacy) and a Ph.D. from The Fletcher School of Law and Diplomacy, Tufts University.

Name
Mónica Aspe Bernal

Has served as a member of our Board of Directors since April 2020. She is the Chief Executive Officer of AT&T, Mexico. She previously was Mexico´s ambassador in the OSD. She served as Vice-Minister of Communications of the Ministry of Communications and Transportation. Ms. Aspe holds a Political Science Degree from the *Instituto Tecnológico Autónomo de México* and a M.A. in Political Science from Columbia University.

Regulated and non-regulated committees

Our Board of Directors is supported by regulated Committees, which analyze specific matters concerning the Company and issue recommendations to the Board.

Audit and Corporate Governance Committee

This Committee is comprised exclusively of independent directors, with a minimum of three members appointed or removed by the Board of Directors, at the proposal of the Chairman. In addition, the Chairman of this Committee may not preside over the Board of Directors and is selected based on his experience, ability and professional prestige. The chairman of our Audit and Corporate Governance Committee was ratified at the Annual Ordinary General Shareholders' Meeting held on April 26, 2022.

This Committee is comprised of the following:

($) Financial Expert, (I) Industry Experience, (R) Risk Expert

Name	Gender	Age	Position	Independence
José Luis Fernández Fernández ($) (R)	M	63	Chairman	Yes
Joaquín Alberto Palomo Déneke($) (I) (R)	M	71	Member	Yes
John Slowik ($) (I) (R)	M	71	Member	Yes

The main duties of the Audit and Corporate Governance Committee are:

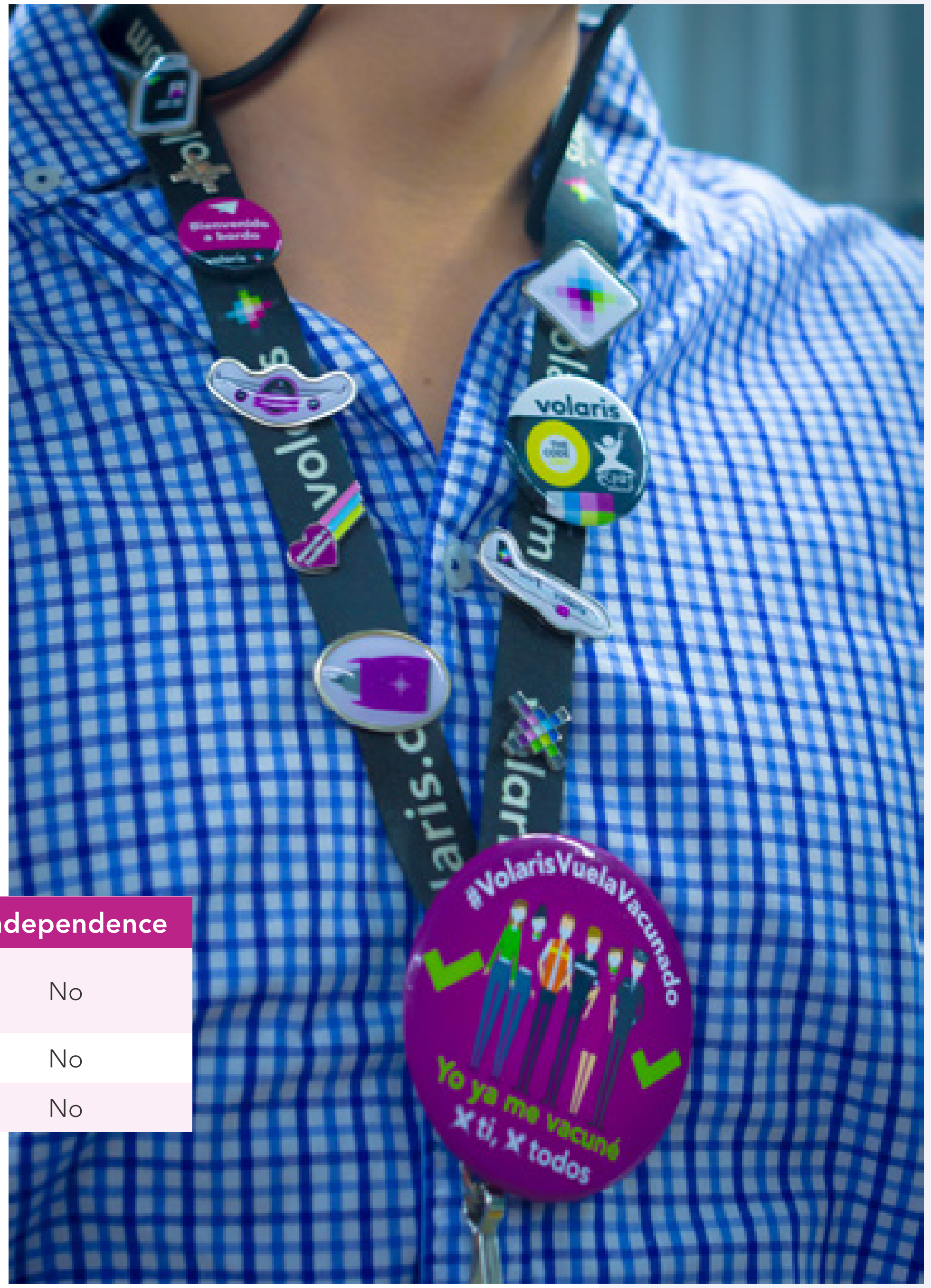
- Supervising and evaluating our external auditors and analyzing their reports (including their audit opinion)
- Analyzing and supervising the preparation of our financial statements and making a recommendation to the Board of Directors for their approval
- Informing the Board of Directors of the status of our internal controls and internal audit and their adequacy
- Supervising the execution of related party transactions and transactions representing 20% or more of consolidated assets being undertaken under applicable law
- Requesting reports from our Executive Officers or independent experts whenever it deems appropriate
- Investigating and informing the Board of Directors of any irregularities that it may encounter
- Receiving and analyzing recommendations and observations made by the shareholders, members of the Board of Directors, Executive Officers or any third party and taking necessary action
- Supervising compliance by our Chief Executive Officer with the instructions provided by our board or shareholders
- Providing an annual report to the board in respect of our accounting policies, their sufficiency and adequacy, and consistency
- Rendering opinions to the Board of Directors in connection with the designation, compensation and removal of our Chief Executive Officer and policies for the description and comprehensive remuneration of other Executive Officers
- Supervising and reporting on the performance of our key officers
- Rendering its opinion to the Board of Directors in connection with a transaction with related parties
- Requesting opinions from independent third-party experts
- Calling Shareholders' Meetings, and
- Assisting the Board of Directors with the preparation of reports for the annual Shareholders' Meeting

Compensation and Nominations Committee

The members are appointed by the Board of Directors, and the General Shareholders' Meeting may assume such authority. The members of this Committee shall serve for a term of one year unless relieved of their duties and may be re-elected. The current members of this Committee were appointed or ratified by the Annual Ordinary General Shareholders' Meeting held on April 26, 2022.

($) Financial Expert, (CEO) Chief Executive Officer, (I) Industry Experience

Name	Gender	Age	Status	Independence
Marco Baldocchi Kriéte (CEO)	M	48	Chairman	No
Brian Franke ($) (I)	M	58	Member	No
Harry F. Krensky ($)	M	59	Member	No



The resolutions of this Committee regarding the compensation of the Chief Executive Officer and Senior Management are submitted to the Board of Directors for approval and reported to the Audit and Corporate Governance Committee.

The Compensation and Nominations Committee is responsible for, among other things:

- Submitting proposals to the Board of Directors relating to the removal of officers within the first two corporate levels
- Proposing the creation, amendment or termination of any incentive plan for officers
- Consulting with third-party experts in connection with any issues related to compensation, organizational development, and other related matters
- Proposing compensation packages for officers within the first four corporate levels
- Proposing to our Board of Directors the entering into, amendment or termination of any collective bargaining agreements
- Informing our Board of Directors of any material contingencies, and
- Submitting periodic reports to our Board of Directors

Non-regulated committees / working groups

Volaris has three non-regulated committees that report their recommendations to the Audit and Corporate Governance Committee, which in turn reports to the Board of Directors. Volaris' non-regulated committees are as follows:

Ethics Committee

This committee meets monthly, and its main duties are as follows:

- Supervise compliance with the Volaris Code of Ethics, resolving any conflicts that may arise through effective and timely decision-making
- Promote a culture of ethics within the organization, as well as periodically review and update the standards of good business practices and conduct
- Ensure that all reports of deviations and non-compliance with regulations are received and addressed through the means indicated in the Ethics Line
- Evaluate controversies, conflicts and breaches related to the Code of Ethics
- Propose sanctions and action plans in cases related to breaches of the Code of Ethics
- Review operating guidelines to ensure compliance and adherence to the Code of Ethics
- Oversee the existence and execution of a training plan on the culture of ethics for all Ambassadors

The Ethics Committee comprises of the President, Chief Executive Officer and Director, the Chief Legal Officer, the Human Resources Director, the Internal Audit Director, the Corporate Controller and Compliance Director, and the Organizational Development Director.

IT and Transformation Working Group

This working group meets quarterly and its duties are as follows:

- Observe and discuss trends in cybersecurity and data protection issues worldwide
- Analyze the different threats, both historical and current, and the measures that have been taken to address them
- Observe and discuss the cybersecurity and data protection strategy that has been implemented, as well as the next evolutionary steps of the strategy
- In coordination with the internal audit department, provide certainty to the Audit and Corporate Governance Committee regarding the measures that have been taken in terms of cybersecurity, data protection and the Company's cyber incident recovery capabilities, as well as inform them of the evolutionary strategy of protection in this matter

The IT and Transformation Working Group is comprised by William Dean Donovan, Andrew Broderick, Joaquín Palomo Deneke, Jonathan Murray (external advisor), with support of the Chief Executive Officer, the Executive Vice-President Airline Commercial and Operations, the Chief Financial Officer, the Chief Legal Officer, the Chief Operating Officer, the Corporate Controller and Compliance Director, the Technology and Corporate Transformation Senior Director, the Information Security and IT Internal Control Manager, and the IT Security Manager.

Sustainability Committee

This Committee meets every quarter and its duties are:

- Ensure the implementation of the sustainable business strategy, approved by the Board of Directors
- Keep the Company's management team informed in the recommendation of relevant decisions about ESG issues
- Integrate sustainability into Volaris' business strategy, seeking to make it transversal to all business and support areas
- Recommend decision making, with the information provided by the ESG Working Group, that favors the Company's sustainability strategy and agree on ESG goals for the future
- Inform the Audit and Corporate Governance Committee of its recommendations on sustainability, which intern reports to the Board of Directors

The Sustainability Committee comprises of the President, Chief Executive Officer and Director, the Executive Vice-President Airline Commercial and Operations, the Chief Financial Officer , the Chief Operating Officer, the Chief Legal Officer, and the Sustainability Director. The Sustainability Committee reports to the Audit and Corporate Governance Committee, which in turn reports to the Board of Directors on the most relevant aspects of the Company's sustainability for its knowledge and approval.

Senior Management[4]

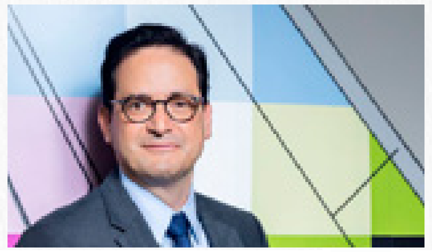
Our Board of Directors appoints, determines compensations, and removes the members of our Senior Management, upon the recommendation of the Compensation and Nominations Committee and the Audit and Corporate Governance Committee. Our Senior Management is comprised as follows:

Name	Age	Title
Enrique Javier Beltranena Mejicano	60	President and Chief Executive Officer
Holger Blankenstein	48	Executive Vice-President Airline Commercial and Operations
Jaime Esteban Pous Fernández	53	Chief Financial Officer
José Luis Suárez Durán	54	Chief Operating Officer
José Alejandro de Iturbide Gutiérrez	56	Chief Legal Officer
Jimmy Zadigue	49	Internal Audit Director

4. http://ir.volaris.com/English/home/default.aspx

Name
Holger Blankenstein

Has served as our Executive Vice President Airline Commercial and Operations since 2018, in charge of the commercial, digital, operations, customer service and maintenance areas of the Company. Prior to his current role, Blankenstein served as Chief Commercial Officer from 2009 2017, leading the areas of sales, marketing, planning, itineraries, revenue management and cargo and leading the IT department. Blankenstein has been with the Company since our founding in 2005 and was part of the team that took the Company public in 2013. Before 2005, he was Director of Strategic Development at TACA International Airlines in El Salvador, from 2003 to 2005, where he led many key projects such as the integrated airline systems migration, TACA's maintenance business growth strategy and the business plan for Volaris. He began his career as a consultant for Bain & Company in 1998 in the Munich office. Blankenstein transferred to the Sydney office in 2000. He was involved with assignments in financial services, automotive and retail industries. Blankenstein holds a B.S. in Business and Economics from Goethe University and a M.B.A. from the University of Iowa.



Name
Jaime E. Pous

Has served as our Chief Financial Officer since 2021. He previously served as our interim Chief Financial Officer from June 2020, he joined the Company in 2013 as General Counsel and served as our Chief Legal Officer and Corporate Affairs Senior Vice President from 2016 to 2020. Additionally, he served as secretary of our Board of Directors from 2018 to 2022 and as secretary of our Audit and Corporate Governance Committee from 2013 to 2022. Prior to joining us, he worked at *Grupo Televisa,* where he was legal director from 1999 to 2012. Mr. Pous holds a law degree from the *Instituto Tecnológico Autónomo de México* and a LL.M. from The University of Texas at Austin, School of Law.

Name
José Luis Suárez Durán

Has served as our Chief Operating Officer since 2015. He joined Volaris in 2006 as sales director and served as Retail and Customer Director from 2011 to 2015, where he supervised the airport operations, ramp management, flight attendants and customer solutions. In his current role, he is responsible for flight operations, maintenance, pilots and flight attendants and airport operations. Prior to joining us, Mr. Suárez worked at Sabre Holdings from 1996 to 2006. Mr. Suárez holds a degree in Industrial Engineering from the Universidad Iberoamericana, a Degree in Executive Management from IPADE Business School, a M.S. in Industrial Engineering and a M.B.A. from the University of Missouri, Columbia.

Name
José Alejandro de Iturbide Gutiérrez

Has served as our Chief Legal Officer since 2021 and as Secretary of our Board of Directors since April 2022. Mr. Iturbide served as General Counsel, Managing Director and Secretary of the Board of Directors of Grupo Financiero Citibanamex, having also served as General Counsel in Mexico at General Electric and Barclays Capital, among others. Mr. Iturbide received and holds a law degree from the Universidad Nacional Autónoma de México and an LL.M. from the University of Notre Dame, School of Law (Program in London, England).

Name
Jimmy Zadigue

Has served as our Internal Audit Director since 2020. He previously served as our Internal Audit Director from 2011 to 2019. Mr. Zadigue worked as the internal audit director of Sempra Mexico (IEnova), the director of operations, finance and administration at Swarovski in Mexico and as the director of finance and business control at Bombardier North America. Mr. Zadigue is also a Chartered Public Accountant in Canada. Mr. Zadigue holds a B.B.A. from HEC-Montreal and a M.S. in Accounting Sciences from the Université du Québec.

The Senior Management are obliged, mainly, to: (i) Comply with the agreements of the shareholders meetings and of our Board of Directors; (ii) submit business strategies for approval by the Board of Directors; (iii) submit for approval of the Audit and Corporate Governance Committee the guidelines of the internal control system; (iv) disseminate relevant information to the public; (v) comply with applicable laws in connection with the repurchase and subsequent acquisitions of shares; (vi) take action with respect to liabilities caused by us; (vii) comply with the applicable legislation regarding the payment of dividends; (viii) adequately maintain the internal accounting and registration control systems and mechanisms, and (ix) establish internal mechanisms and controls that allow verifying that the acts and operations of the Company and legal entities that it controls have adhered to the applicable regulations, as well as follow up on the results of these mechanisms and internal controls and take the necessary measures where appropriate.

The Senior Management will be responsible for the breach or lack of timely and diligent attention within the scope of their powers, in the terms established in the applicable legislation and the Company's By-laws.

Chief Executive Officer

The Chief Executive Officer has several responsibilities, among the most important are:

- The duties of management, conduct and execution of the business of the Company and of the legal entities that it controls
- Powers to represent the Company in acts of administration, lawsuits and collections

In addition, the Chief Executive Officer has an obligation to:

- Submit to the Board of Directors for approval the business strategies of the Company and the legal entities it controls, based on the information provided by the latter
- Comply with the resolutions of the Shareholders' Meetings and the Board of Directors, by the instructions, if any, given by the Shareholders' Meeting itself or by the Board mention above
- Propose to the Audit and Corporate Governance Committee the guidelines for the internal control and internal audit system of the Company and legal entities that it controls, as well as execute the guidelines approved by the Board of Directors for this purpose
- Execute the relevant information of the Company, together with the Senior Management in charge of its preparation in the area of their competence
- Disclose relevant information and events that must be disclosed to the public, by the provisions of the Mexican Securities Market Law
- Comply with the provisions relating to the conclusion of transactions for the acquisition and placement of the Company's shares
- Exercise, by itself or through a delegated authority, within the scope of its competence or on the instructions of the Board of Directors, the appropriate corrective actions, and responsibilities
- Verify that the capital contributions made by the shareholders are made, if applicable
- Comply with the legal and statutory requirements established concerning dividends paid to shareholders
- Ensure that the Company's accounting, registration, filing, or information systems are maintained
- Prepare and submit to the Board of Directors the applicable legal reports
- Establish mechanisms and internal controls to verify that the acts and operations of the Company and legal entities controlled by it have been carried out by applicable regulations, as well as to monitor the results of these mechanisms and internal controls and take such measures as may be necessary
- Exercise the liability actions established in the Mexican Securities Market Law, against related persons or third parties who presumably have caused damage to the Company or the legal entities it controls or in which it has a significant influence, except the Company's Board of Directors determines that the damage caused is not relevant, following the prior opinion of the Audit and Corporate Governance Committee
- Any others established by the Mexican Securities Market Law or provided by our By-laws, by the duties assigned to it by the Mexican Securities Market Law

The Chief Executive Officer and the Senior Management are subject to the liability provided for in the Mexican Securities Market Law and other applicable laws and regulations, in their respective responsabilities. For this reason hey shall be liable for the damages and losses arising from the functions that correspond to them. Furthermore, the Chief Executive Officer and the Senior Management will be responsible for the damages caused to the Company or legal entities controlled by it due to (i) the lack of timely and diligent attention, for reasons attributable to them, to the requests of information and documentation required by the Directors of the Company within the scope of their powers, (ii) knowingly submitting or disclosing false or misleading information, or (iii) engaging in any illegal conduct.

Compensation

We have a **General Compensation Policy** and derived policies that establish the guidelines with which Volaris defines and develops the compensation strategy at different levels of the Company. This provides an equitable remuneration appropriate to the duties, responsibilities, complexity, and contribution of each position to the results of the organization and a competitive remuneration through participation in various salary surveys.

On April 26, 2022, the Annual Ordinary General Shareholders Meeting approved the following compensation for the members of our Board of Directors[5]:

5. For more information, see page 82 in the Board of Directors Incentive Plan (BoDIP) section of the Company's 20F published in April 2022 and the "Additional Information for Directors and Shareholders" section, subsection "Board of Directors Incentive Plan (BoDIP)" of the Company's Annual Report published in April 2022.

Chart 2. Compensation for the members of the Board of Directors

	Member	Fee Type	Fees
Board of Directors	Chairman	Annual fee	USD$150,000.00
		On-site or remote attendance to a meeting	USD$2,500.00
	Proprietary non-independent	Annual fee	USD$50,000.00
		On-site attendance to a meeting	USD$2,500.00
		Remote attendance to a meeting	USD$500.00
	Proprietary independent	Annual fee	USD $50,000.00
		On-site attendance to a meeting	USD$2,500.00[5]
		Remote attendance to a meeting	USD$500.00
		Stock incentive plan[5]	See footnote 5
	Secretary (non-member)	Annual fee	USD$25,000.00
		On-site attendance to a meeting	USD$2,500.00
		Remote attendance to a meeting	USD$500.00
Audit and Corporate Governance Committee	Chairman	Annual fee	USD$10,000.00
		On-site attendance to a meeting	USD$2,500.00
		Remote attendance to a meeting	USD$500.00
	Proprietary	On-site attendance to a meeting	USD$2,500.00
		Remote attendance to a meeting	USD$500.00
	Secretary (non-member)	On-site attendance to a meeting	USD$1,000.00
		Remote attendance to a meeting	USD$500.00
Compensation and Nominations Committee	Proprietary	On-site attendance to a meeting	USD$1,000.00
		Remote attendance to a meeting	USD$500.00
	Secretary (non-member)	On-site attendance to a meeting	USD$1,000.00
		Remote attendance to a meeting	USD$500.00
Work Groups	Proprietary	On-site attendance to a meeting	USD$1,000.00
		Remote attendance to a meeting	USD$500.00

The comprehensive compensation package for the Senior Management, is recommended for approval to our Audit and Corporate Governance Committe and Board of Directors by the Compensation and Nominations Committee, which, in turn, relied on 2021 on the advice of the consulting firm *Willis Towers Watson*, considering the following elements:

- The Mexican market, using a sample of the most representative companies in the country with similar characteristics to Volaris in terms of revenues, number of employees, listed on the stock exchange, etcetera.
- The American and European airline market

With this information, **we seek to position the compensation of our Senior Management between the 75th percentile of the Mexican market and the 50th percentile of the American and European airline market.** Likewise, these markets are used to determine variable compensation plans, as well as long-term retention plans.

To encourage our Senior Management to achieve a high level of results orientation, they have between 70% to 75% of their total compensation in short and long-term variable compensation plans, where the results of the most critical performance metrics of the business: Financial, operational, commercial and, recently, certain key employees have environmental, social, and corporate governance metrics. The long-term variable compensation plan consists of a restricted stock unit annual grant with a 3 year vesting period (33% each year).

Total compensation as a concept includes not only salary, but benefits and emotional salary, the latter understood as growth, development, environment, and working conditions and, in general, the experience of the Ambassador at Volaris.

Ethics and compliance culture

At Volaris we work under a culture of ethics and compliance, which guides all Ambassadors. This culture favors labor relations and relations with third parties, so that they are carried out within the framework of legality and respect for human rights. To align ourselves with this culture, at Volaris we have various tools, such as the Volaris Code of Ethics; the Supplier Ethics Policy, the Volaris Ethics Line; and other internal policies and/or guidelines to prevent acts of corruption, conflicts of interest, money laundering, among others.

Volaris Code of Ethics

At Volaris, we have a Code of Ethics that is available to all Ambassadors, as well as to suppliers and any third party with whom we do business. This document establishes our fundamental values, standards, and Volaris Culture, which govern our daily actions and behaviors in the organization. Our Code of Ethics addresses, among others, the following topics: (i) Health and safety in the workplace, (ii) equal opportunity and non-discrimination, (iii) protection of Human Rights, including the rejection of child and forced labor, (iv) anti-corruption practices, (v) practices to prevent conflicts of interest, (vi) practices to prevent money laundering, vii) non-complexity-simplification, viii) rejection of labor harassment and abuse, ix) protection of the environment, x) elements necessary to offer the best service to customers, xi) prohibition of unfair competition practices, xii) responsible management of the supply chain, etc.

All Ambassadors must know and comply with the guidelines of the Code of Ethics and are trained annually in the content of this document.

In 2021, 99% of the Ambassadors were certified in the Volaris Code of Ethics.

Suppliers' Ethics Policy

The purpose of this policy is to establish a framework for collaboration between Volaris and our suppliers, which promotes solid and lasting business relationships and the achievement of mutual benefits, with the following objectives: (i) Integrate sustainability into its supply chain by sourcing products and services that minimize their environmental footprint and maximize their positive social impact; (ii) create value through mutual trust, transparency, long-term relationships, joint innovation and knowledge; (iii) optimize the relationship with Volaris' suppliers from an ethical, economic and product/service quality standpoint; (iv) ensure that the selection and contracting of suppliers is attached to internal regulations and, in particular, to the values of Volaris' culture.

All suppliers working with Volaris must conduct themselves with the highest standards of honesty, justice, and personal integrity. It is essential that suppliers, in the same way as Volaris Ambassadors, maintain the highest ethical standards, comply with all applicable laws, and avoid conflicts of interest. As of 2022, suppliers must acknowledge this policy to provide services to the Company.

Other internal policies

At Volaris we have internal policies that reinforce the guidelines of the Code of Ethics, such as:

1. **Immunity Policy.** Protects people who report any security infringement at Volaris
2. **Conflict of Interest Policy due to Kinship**. Establishes the procedure for avoiding and solving possible conflicts of interest that may arise in the organization
3. **Son-Grandfather Policy.** Allows all Ambassadors to engage in discussions with the superior of their immediate report, in case they feel intimidated by the latter, or if the latter is violating the Volaris Code of Ethics
4. **Anti-Corruption Compliance Policy and Fraud Prevention and Control Policy.** This includes compliance with all anti-corruption laws applicable to the Company, including the Foreign Corrupt Practices Act (FCPA). Its objectives are to comply with our responsibilities as a public Company listed on the NYSE, to ensure transparent and lawful practices, and to prevent any act of corruption, including fraud, bribery, extortion, and embezzlement. Through these policies we also manage and implement actions related to fraud, bribery, extortion, embezzlement, prohibition of facilitation payments and restriction of donations to political parties.
5. **Policy for Managing Gifts and Benefits from Suppliers or Third Parties.** Establishes the guidelines for Volaris' relationship with third parties, such as suppliers, and public officials, among others, to avoid benefits in exchange for preferential treatment or other activities that may lead to a conflict of interest.

6. **Policy for Managing Gifts and Benefits to Suppliers and Third Parties.** Establishes the guidelines for Volaris to grant gifts to third parties, to create good business relationships or to satisfy local customs, without being of considerable value and by the provisions of the Law. Likewise, it is forbidden to grant gifts or benefits to suppliers or third parties for practices related to bribes, illicit payments, or undue commissions.
7. **Donations Policy.** Establishes the guidelines for the delivery, receipt, and management of donations that Volaris allocates to social welfare institutions and individuals through the Company's social responsibility programs, such as the *Avión Ayuda Volaris* Program and donations with cause.

In 2021, there was 98% compliance in training for Ambassadors on anti-corruption practices.

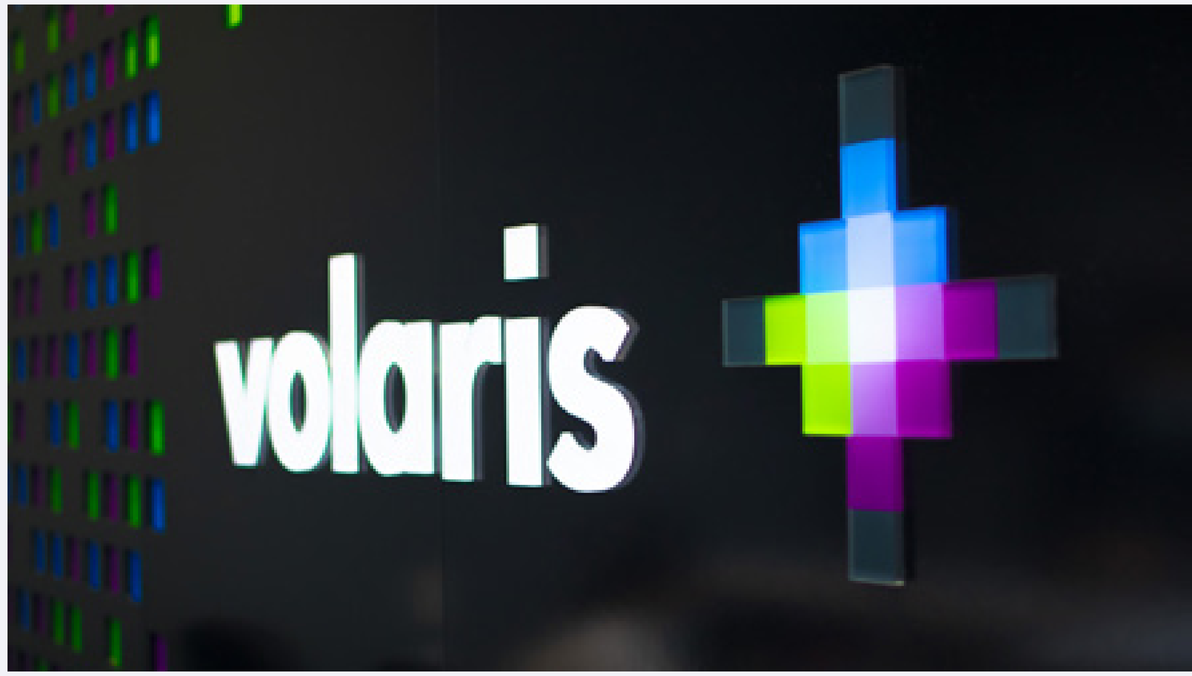
Volaris Ethics Line

Eight years ago, Volaris implemented the *"Volaris Ethics Line"* Policy and tool. This tool is managed by an external and independent supplier to Volaris, so that Ambassadors, suppliers, and the union can report or denounce any non-compliance or suspected non-compliance to the Volaris Code of Ethics, the Supplier Ethics Policy, and any related internal policies.

Procedure for reporting to the Ethics Line

1. Receipt of the report or anonymous complaint, through any channel of the Ethics Line
2. Attention, management, and advice to the case
3. An investigation of the case is carried out and a recommendation or advice is made on the case
4. If necessary, corrective and preventive measures are applied for future cases

The Ethics Committee[6] receives a monthly summary of the cases reported, investigated and recommendations to the members of this Committee. Besides, it is possible that, if any of the members of the Committee considers it pertinent, a session of the Ethics Committee will be scheduled to discuss the case(s) and the corresponding recommendations.



In addition, the Audit and Corporate Governance Committee is informed of these reports at its ordinary meetings.

It is essential to highlight some of the benefits of the Volaris Ethics Line:

- Strengthen the culture of ethics, integrity, and compliance
- Provide confidence to those who report on the confidentiality of the process, since the report is managed by an external third party independent of Volaris

6. For more information on the Ethics Committee, see the Corporate Governance section, Non-Regulated Committees subsection of this report

- Promote respect among Ambassadors and individual development of people
- Foster a sense of belonging to the Volaris Family
- Act as a deterrent by reducing unethical behavior
- Help reduce staff turnover and improve the work environment
- Ensure a workplace free of violence and discrimination
- Prevent economic losses for the Company, minimizing risks of bribery, fraud, corruption and ESG litigation, contributing to compliance with the Sarbanes Oxley Act and other applicable legislation.

In 2021, 189 reports were received on the Volaris Ethics Line (equivalent to 2.8 reports per 100 Ambassadors), of which 100% were addressed and resolved. Of these, seven cases were related to non-material and/or unsubstantiated fraud issues. For the most part, the other cases were related to aspects of the work environment and improper use of assets. The corresponding areas reviewed and investigated all reports, and action plans were implemented to solve each one.

Regulatory compliance

The aviation industry is one of the most regulated globally. Therefore, airlines are constantly faced with possible impacts on their operations arising from compliance with applicable regulations, the creation of new laws, rules or regulations and amendments or reinterpretations. In addition, Volaris operates in Mexico through a concession granted by the Mexican Federal Government and in various countries through operational permits granted by governments.

At Volaris, we consider the risks and opportunities arising from political, geopolitical, and social events as priorities, due to the consequences in the short, medium, and long-term that we may incur if they materialize and if we incur some type of breach.

Through the strategic relationship and rapprochement with critical actors, such as regulators, government entities, legislators, and industry organizations, we can contribute to the decision-making processes of these groups, to mitigate possible negative impacts for the Company derived from those decisions and position our needs and interests for the benefit of the profitability of Volaris and the industry.

Therefore, **Volaris is a member of the International Air Transport Association (IATA),** which aims to lead, represent, and serve the airline industry globally by formulating policy on issues relevant to the sector. Volaris is a member of this association due to the leadership it has over stakeholders and because it has objectives that are linked to Volaris priorities, such as air transport efficiency, environmental protection, safety, and security of operations, airlines, involvement with government actors, among others.

Since 2021, our President and Chief Executive Officer has been a member of the Board of Governors of IATA. The IATA Board of Governors is IATA's governing body. Its members exercise oversight and executive role on behalf of the membership as a whole in representing the interests of the association.

However, it is essential to mention that **the Company does not make any type of economic or other contribution** to political campaigns, political organizations, lobbying organizations, industry organizations to intervene in public policy, or to any different kind of organizations of this nature, to adhere to the anti-corruption and transparency regulations that govern us.

Being one of the most regulated industries in the world, at Volaris we have a firm commitment to comply with the domestic and international laws applicable to the Company.

In 2021, the fines and lawsuits related to non-compliance with the applicable legislation were:

- In relation to non-compliance with regulations in economic matters, we were not subject to sanctions or fines related to regulatory non-compliance in matters of anticompetitive behavior and antitrust practices
- We had seven fines related to untimely tax payments (*ISR* and *ISN*), for the amount of Ps.8,855.38
- We were not subject to sanctions or fines related to environmental regulatory non-compliance
- In relation to compliance with regulations on social matters, in 2021, the Mexican Federal Consumer Protection Agency (PROFECO) imposed two fines, which were ruled final and were paid, for the amount of Ps.26,886.00* and Ps.40,000.00
- In relation to labor legislation, we were not subject to fines by the Mexican Ministry of Labor and Social Welfare (STPS)
- We were not subject to fines or penalties for misleading or inaccurate advertising
- In relation to compliance with applicable regulations of the Mexican civil aviation authority (AFAC), the authority imposed four fines, which were ruled final and were paid, for the amount of Ps.34,821,752.00
- In relation to compliance with other applicable regulations in foreign countries, the US Customs and Border Protection's authorities imposed twelve fines, which were ruled final and were paid, for the amount of USD$43,911.5. Adittionally, Costa Rica's Cutoms authorities imposed two fines, which were ruled final and were paid, for the amount of USD$450.00
- In relation to compliance with other applicable regulations, the immigration authority imposed nine fines, which were ruled final and were paid, for the amount of Ps.808,803.00

*. Original fine of 53,772.00 m.n., the benefit of paying it with a discount was obtained

Risks and opportunities management

Volaris operations are constantly impacted by changing regulations, economic conditions, political and social events, the emergence of innovation and technology, climate change, among others, related to the countries where we operate, the industry we belong and the business we run. For this reason, the Company manages its risks and opportunities through international frameworks, such as COSO, a reference standard that contains the main guidelines for the implementation and management of a control system, COSO ERM, an integrated framework for the management of business risks and COBIT, a reference framework aimed at the control and supervision of information technologies.

The ERM framework allows risks to be managed at the business level. The detection of possible fraud, through internal control, complying with the standards of the regulators that supervise us as a public Company, such as the Securities and Exchange Commission of the United States (SEC), the New York Stock Exchange (NYSE), the Mexican Stock Exchange (BMV) and the Mexican National Banking and Securities Commission (CNBV).

These frameworks help identify and promptly assess the Company's risks in a timely manner, define indicators for their monitoring, and develop mitigation plans to manage significant negative impacts on our operations and allow Volaris to be sustainable in the future.

Risk governance at Volaris includes supervision by the Board of Directors, the Audit and Corporate Governance Committee, and the Company's management team. In addition, the control and compliance department is in charge of managing the Company's ERM efforts. Our President and Chief Executive Officer and the Chief Financial Officer are responsible for certifying Volaris' internal control system, which is submitted for the approval of the Board of Directors, with the prior opinion of the Audit and Corporate Governance Committee.

In 2021, during the quarterly meetings of the Board of Directors, the Risk and Contingency Reports were included, with operational, financial, and legal matters and their respective resolutions. Likewise, the Business Risk reports, based on the ERM framework, were presented to the Audit and Corporate Governance Committee on a quarterly basis. The resolutions adopted were submitted to the Board of Directors for approval. Additionally, in the most recent evaluation of the internal control over financial reporting, **the external auditor did not report any significant deficiency or material weakness.**

Some of the most significant risks that could impact our operations and business projections in the future are those related to Mexico, the industry, our business, and our securities and the ADSs, among which the following stand out[7]:

- The competitive environment of our industry
- The ability to keep our costs low
- Maintenance costs
- Insurance costs
- Changes in the cost of fuel, the effectiveness of our fuel cost hedges and our ability to hedge fuel costs.
- The impact of global economic conditions, including the impact of an economic recession on traveler behavior
- The threat of terrorist attacks, global instability, geopolitical risks, and potential military activities
- The ability to generate revenue other than from passengers
- External conditions, such as air traffic, weather conditions, and pandemics or emerging diseases
- The ability to respond to global health crises, such as the current COVID-19 pandemic
- The ability to maintain slots at the airports where we operate, and the service provided by airport operators
- The ability to operate in new airports that are compatible with our operational criteria
- Substitutes for air transport
- Labor disputes, employee strikes, or other labor disruptions, including those related to our negotiations with the union
- The loss of key employees
- The ability to attract and retain qualified talent
- Fixed obligations related to aircraft
- The dependence on our cash balances and operating cash flows
- The liquidity of the Company
- The indebtedness of the Company
- Fluctuations in exchange rates or devaluation or depreciation of the peso

- The utilization rate of our fleet
- Resilience to automated systems and the risks associated with changes to those systems
- The use and treatment of personal data
- Cyberattacks
- Operational disruptions
- An aviation accident or incident
- Lack of marketing alliances
- Government regulations, changes in interpretations of the law, and monitoring of compliance with applicable regulations
- Environmental regulations
- The maintenance and renewal of our permits and concessions
- The ability to execute our growth strategy
- Dependence on external suppliers and partners
- Dependence on a single fuel supplier in Mexico
- Fleet and spare parts supplier
- Changes in the Mexican market for passengers visiting friends and family

In 2022, we are committed to analyzing and evaluating our climate-related risks, as well as disclosing the governance, risk treatment strategy, and metrics and objectives, based on the recommendations of the Task Force on Climate-Related Financial Disclosures. (TCFD). In 2023, we will make public our first TCFD report.

7. For more information about our risks, consult form 20F 2021 and our Annual Report 2021, which can be found on our website: https://d18rn0p25nwr6d.cloudfront.net/CIK-0001520504/76303a21-cb26-4676-8b28-b73c2efe4850.pdf

FROM

Being **Volaris** means:

TO

The opportunity to bring **destinations closer**

CHAPTER

04

PAGE

Our customers

GRI

3-3, 416-1, 416-2, 417-1, 418-1

SASB

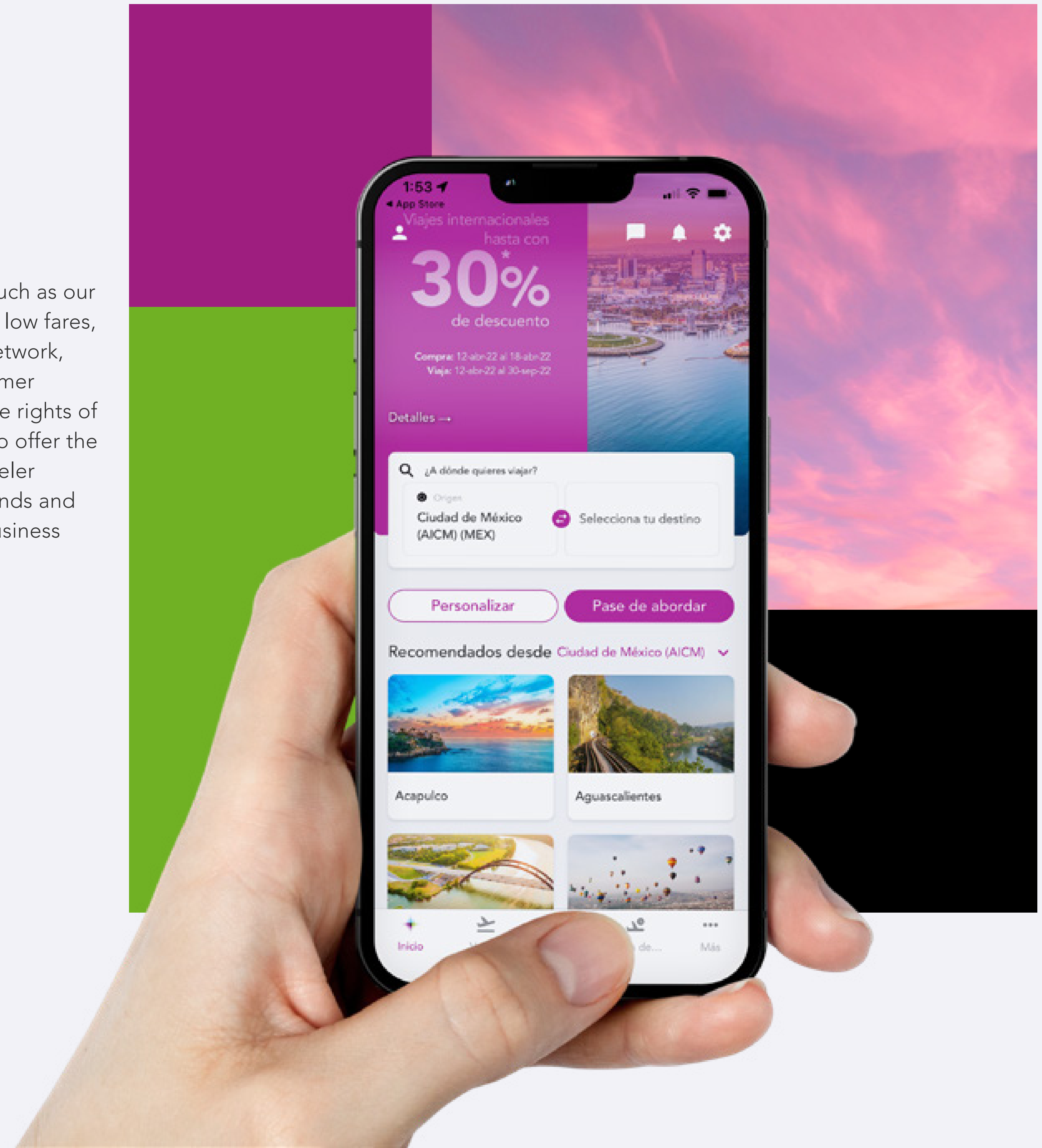
TR-AL-540a.1, TR-AL-540a.2, TR-AL-540a.3, TR-AL-000.E

SDGs

Our customers

At Volaris, we prioritize the experience and satisfaction of our customers. Since we began operations, in 2006, until the end of 2021, more than 160 million passengers have chosen us as their travel option. Thanks to their trust, we have achieved significant growth and positioned ourselves as one of the fastest-growing airlines in the Americas.

Volaris' competitive advantages, such as our ultra-low-cost business model and low fares, our operational efficiency, route network, crisis resilience, high-quality customer service, and Volaris' concern for the rights of their customers, have allowed us to offer the best travel experiences to our traveler sectors, such as those Visiting Friends and Relatives (VFR), price-conscious business travelers, and tourists.



Operational efficiency

At Volaris the value of the efficiency with which we operate for our customers is clear. Operational efficiency at optimal levels provides financial, operational, and commercial benefits for the Company.

In 2021, we were able to offer our customers an average of 422 daily departures, with an itinerary compliance factor of 97.5% and an on-time performance of 77.3%[8].

In addition, our average fleet utilization during 2021 was 12.53 block hours per day, which enables us to operate more flights with the same fleet, and offer to our passengers the flexibility of choosing from a wider itinerary[9].

Moreover, in 2021, our booked load factor[10] was 84.7%, a performance similar to the pre-pandemic period. A higher load factor gives us the possibility of driving more ancillary sales.

Furthermore, we offer red-eye flight options to several destinations, in order to attract customers who want to save on lodging costs.

In relation to the treatment of our customers' baggage, during 2021, our rate of baggage incidents[11], classified as a loss, damage, or theft of baggage, **was reduced from 0.6, in 2020, to 0.5.**

This improvement in the baggage handling service of our customers was possible thanks to proactive actions that were implemented, beginning in 2020, such as training courses on baggage handling for customer service advisors at new arrival airports, the e-learning course nonstop, which trains all airport staff on baggage handling, and other training through a mobile app, which allows us to offer a constant training program to our Ambassadors at airports. Likewise, we improved our baggage tracking system and, in 2021, we increased the number of Ambassadors in the team responsible for baggage handling, to provide our customers with a good travel experience by taking care of their belongings.

Chart 3. Operational efficiency indicators

	2019	2020	2021
Routes	217	178	183
Load factor On-board[12]	81.9%	71.6%	78.3%
Load factor Booked	85.9%	79.9%	84.7%
On-time performance[13]	79.2%	87.9%	77.3%
Itinerary compliance factor	97.6%	94.6%	97.5%
Average daily aircraft utilization (block hours)	12.94 hrs	11.30 hrs	12.53 hrs
Baggage incidents	1.0	0.6	0.5
Revenue passenger kilometers (RPK)	109.04	82.32	106.68
Revenue ton kilometers	0.0087	0.007	0.0085

8. On-time performance (arrival punctuality)

9. Departure at 0' (departure punctuality)

10. Load-factor on-board

11. The baggage incident rate represents 1 incident per thousand passengers (one incident per-1000 pax). For more information, consult the IATA Baggage Reference Manual (BRM).

12. Load-factor on-board

13. On-time performance (arrival punctuality)

Commercial benefits

At Volaris we offer airline tickets at very low fares to stimulate demand, without neglecting the quality of service. **We use a revenue management system to maximize our business efficiency.** This system is an integrated set of business procedures and mathematical models that gives us the ability to understand markets, anticipate customer behavior, and respond quickly to opportunities.

The number of available seats we offer in each fare class in each market is based on an ongoing process of analysis and forecasting. Factors such as historical booking history, seasonality, competitive effects, and current booking trends are used to forecast demand. Additionally, current fares and possible future events in the destinations we serve are also included in our forecasting model to arrive at optimal seat assignments for our fares on specific routes.

Our ultra-low-cost model allows us to offer the lowest base fare and a wide range of additional services that allow customers to customize their trip and pay only for what they need. Customer can choose their seats or if they want priority for boarding. In 2021, our average base fare was Ps.1,053.00 (USD$51.90) and we regularly offer promotional base fares of down to Ps.349 (USD$44.99) or Ps.299 (USD $34.99) for V-Club members.

In 2021, we offered our customers 183 routes, 108 domestic, and 75 international, and operations to 70 airports, 43 domestic and 27 international, including destinations with high demand, such as Cancun, Guadalajara, Mexico City, Monterrey, and Tijuana, as well as 25 cities in the US, with large Hispanic Heritage Communities, mainly those located in California and the East Coast, four to Central America, and one to South America. The destinations offered to our passengers by our point-to-point network during 2021 are specified in the following map:

183 routes operated

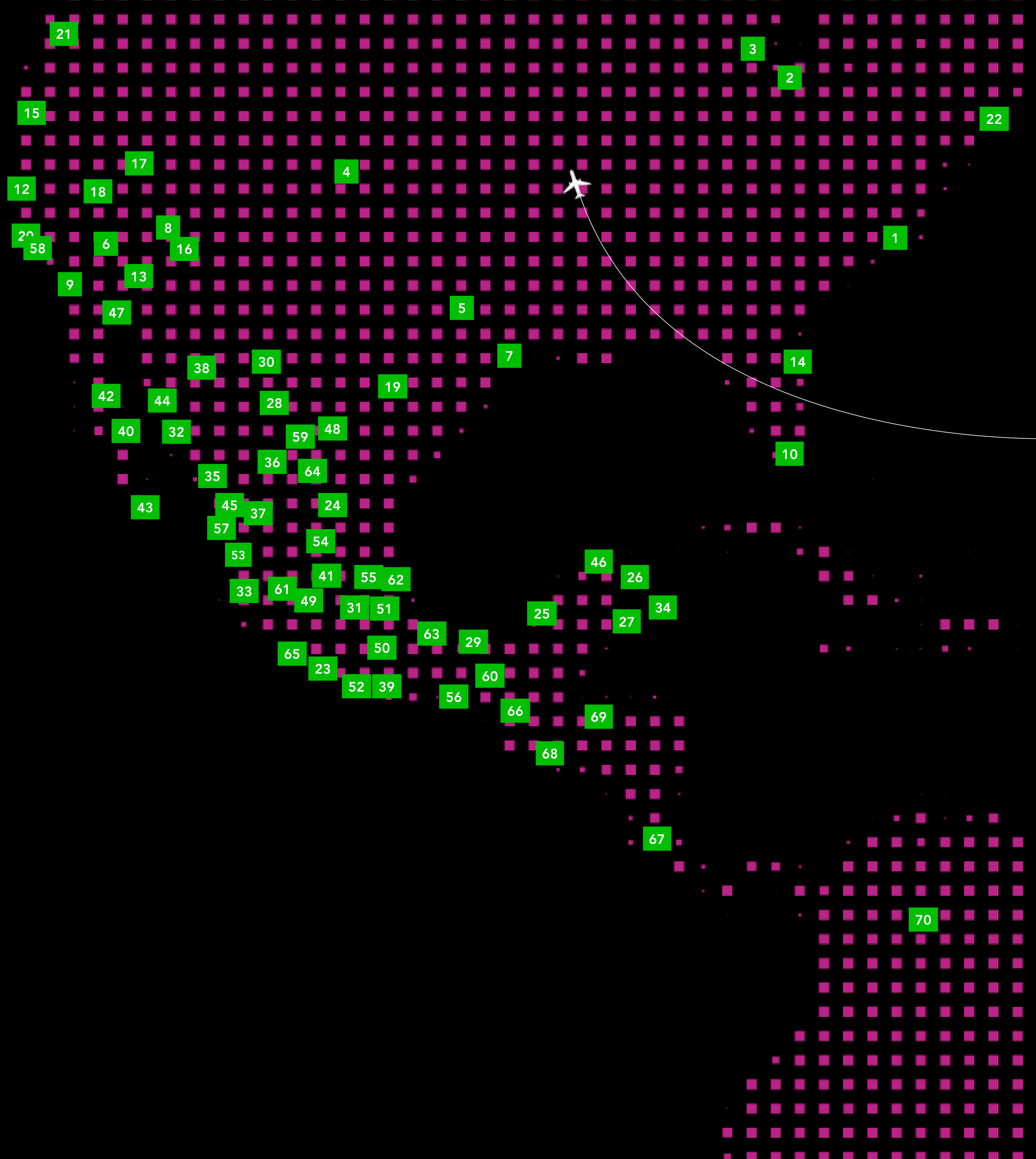
108 domestic

75 international

70 airports

43 domestic

27 international



Destinations map 2021

1. Charlotte
2. Chicago (Midway)
3. Chicago (O'Hare)
4. Denver
5. Dallas Fort Worth
6. Fresno
7. Houston
8. Las Vegas
9. Los Angeles
10. Miami
11. Nueva York
12. Oakland
13. Ontario
14. Orlando
15. Portland
16. Phoenix
17. Reno
18. Sacramento
19. San Antonio
20. San Jose, California
21. Seattle
22. Washington D.C.
23. Acapulco
24. Aguascalientes
25. Campeche
26. Cancun
27. Chetumal
28. Chihuahua
29. Ciudad del Carmen
30. Ciudad Juarez
31. Mexico City
32. Ciudad Obregon
33. Colima
34. Cozumel
35. Culiacan
36. Durango
37. Guadalajara
38. Hermosillo
39. Huatulco
40. La Paz
41. Leon
42. Loreto
43. Los Cabos
44. Los Mochis
45. Mazatlan
46. Merida
47. Mexicali
48. Monterrey
49. Morelia
50. Oaxaca
51. Puebla
52. Puerto Escondido
53. Puerto Vallarta
54. San Luis Potosi
55. Queretaro
56. Tapachula
57. Tepic
58. Tijuana
59. Torreon
60. Tuxtla Gutierrez
61. Uruapan
62. Veracruz
63. Villahermosa
64. Zacatecas
65. Zihuatanejo
66. Guatemala, Guatemala
67. San Jose, Costa Rica
68. San Salvador, El Salvador
69. San Pedro Sula, Honduras
70. Bogota, Colombia

Additionally, for some of our routes, we set base fares that are considerably lower than the fares charged by bus lines for travel to the same destinations. This intentional decision seeks to stimulate demand for air transportation and provide customers with the opportunity to switch from bus to plane, allowing them to reach their destinations more quickly and safely.

In 2021, 4.6% of our surveyed customers boarded a plane for the first time.

You Decide

Our ancillary products are designed to allow our customers the opportunity to customize every aspect of their trips: With those additional products, they can purchase extra baggage, they can transport their pets with the certainty that they will arrive safely at their destination, they can count with on-board sales service, travel packages, including services such as ground transportation, insurance and hotel accommodation for leisure travelers, through our leisure platform *Ya Vas*, and, for those customers who are concerned about the environment, we even offer the possibility for a voluntary compensation of their environmental footprint with our product *#CielitoLimpio*. Additionally, for those customers who require special services, we provide personalized cabin support and the option of assistance for minors and senior citizens unaccompanied.

In 2021, we generated Ps.19.39 billion in additional service revenues, approximately 43% of our total revenues.

Customer service

At Volaris we seek to provide the highest standards of customer service to meet our customers' expectations and satisfy their travel needs, which will enable us to retain our passengers through their affinity at the same time we attract new ones.

To provide our customers the best service and experience at all stages of their trip, we ensure that our Ambassadors go through rigorous hiring and training processes.

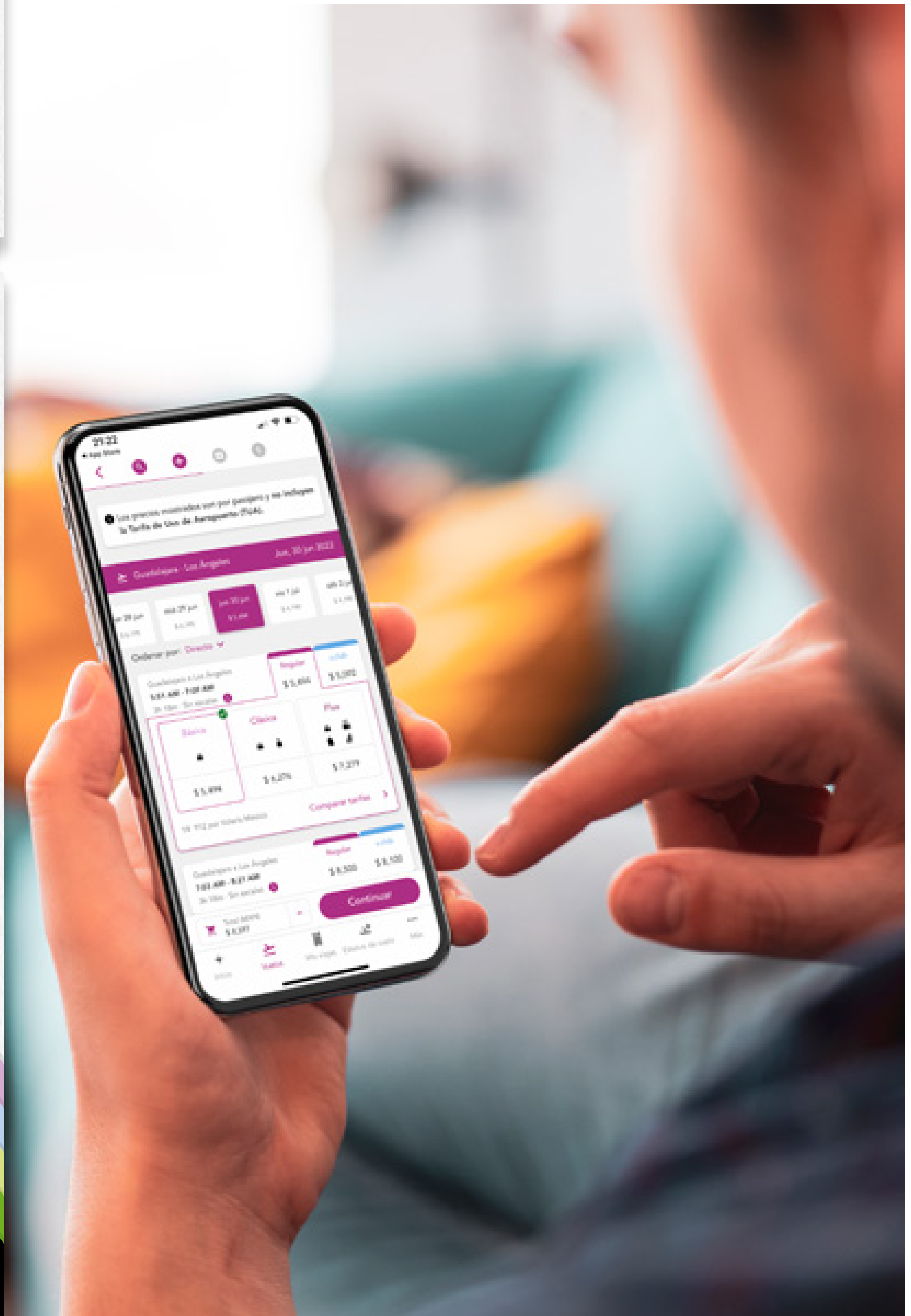
In 2021, we undertook the following initiatives to train our airport staff to offer our customers the best service. Some of these initiatives were:

- Reinforcement of training on non-discriminatory treatment, in alliance with the *"México Vivo"* foundation
- On-site training of the *"Sin Escalas"* Program, which aims to improve the treatment given to our customers' luggage by airport staff
- National and international SOS Recurring Program. Each airport has agents who receive training to deal with our client's cases and provide them with timely service
- *"Invitadología"* (customer home welcoming campaign), which consists of treating our customers as guests of our house, ensuring that their travel experience is pleasant and that we can meet their expectations
- E-learning app for luggage handling
- Publication of infographics on networks and on the web page to reduce the impact on the documentation and boarding processes

In 2021, we conducted Net Promoter Score (NPS) surveys, which we use to measure loyalty, satisfaction, and the likelihood that our customers will recommend Volaris, with an average of 38,019 monthly responses.

According to the Net Promoter Score (NPS) index, in 2021, we obtained a rating of 26.8%.

By the end of 2021, our mobile app has been downloaded 20.1 million times, since its launch.



More than ever, we are aware of our diverse customer profile and their need for a customized experience. We make it easy for our customers to communicate with the Company to purchase services, make changes to their reservations, or solve problems that arise during their travel experience. We pride ourselves on being accessible and maintaining a strong presence on social media networks, like Facebook, Twitter, Instagram, WhatsApp, and YouTube. In addition, many exclusive promotions are promoted through our digital internet channels to reach a broad audience. Likewise, we carry out marketing campaigns to position our brand in places where our consumers usually attend, such as concerts, university centers, bus stations, and advertisements on busy highways.

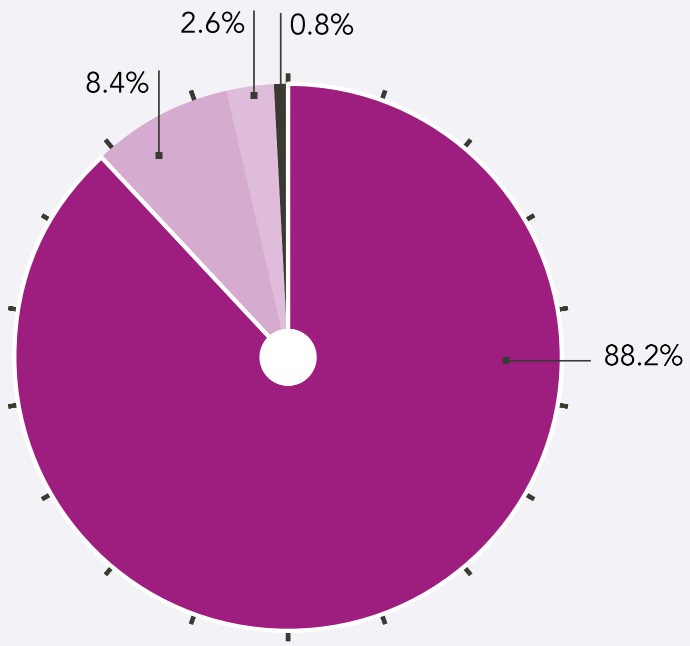
Our products are sold through four main channels: Our website (www.volaris.com) and our mobile app, our call center, our airport counters and through third parties, such as travel agencies. By design, our digital channels are the main platforms for the sale of our airline tickets, the reason why during 2021 we revamped than to improve and make the user experience simpler, more intuitive, and user-friendly for our customers, ensuring that the flight search, self-service, check-in, flight change, and purchase process is easy and accessible to all.

Through our website and mobile app, we offer our lowest fares. Our customers can pay for their plane tickets with a credit or debit card when they make a reservation or they have the option of paying in cash, through our points of payment, within 24 hours, ensuring that our services are accessible to those who do not have cards or prefer not to use them.

In 2021, 81% of ticket sales and additional products were made through our website and mobile app. In addition, 90.6% of passengers make their check-in process online.

The following graph indicates the approximate percentage of our ticket sales through each channel:

- Website and mobile app
- Call center
- Travel agents
- Airport booths



In addition, we have developed programs to strengthen ties with our frequent customers and offer them special fares and promotions to create a relationship of affinity between them and the Company. This allows us to remain as their preferred airline in the short, medium, and long-term.

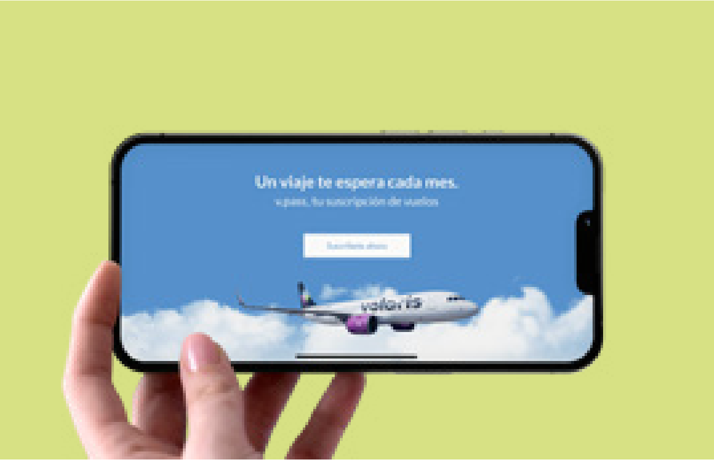
Volaris' loyalty programs are:

V-Club membership

This membership offers lower fares and discounts, as well as the possibility of three kinds of affiliations: individual, duo, and friends and relatives. Some of the benefits of this membership are: Lower fares on all flights, savings up to Ps.500.00 in each plane ticket, exclusive hotel fares and vacation packages at Ya Vas, and exclusive promotions every Thursday.

At the end of 2021, V-Club had 654 thousand members.

V-Pass membership



For a fixed monthly fee, this membership offers benefits to its members, such as best fares on single or round-trip flights to any of our domestic destinations, only with payment of taxes and fees with no seasonal price variations, baggage service at preferential fares, and access to V-Club membership fares.

At the end of 2021, V-Pass had 38 thousand members.

Volaris INVEX credit card

This card offers benefits to its holders, such as 2% cashback, bonuses dispersed to its digital wallet for all Volaris purchases, priority boarding, additional checked bag, interest-free monthly payments, a 15% bonus on the purchase of items from the on-board menu, and access to the "Elite" lounges at the Mexico City International Airport.

At the end of 2021, our co-branded credit card with INVEX had 366 thousand holders.

Health, safety, and biosecurity

At Volaris, we know that our customers' primary concern is their safety[14]. For this reason, we maintain optimal safety standards through all our stages of operations. We have three pillars to ensure their safety: **Biosecurity** in the face of health crises, such as the COVID-19 pandemic, **aviation security**, and **operational safety.**

14. See the section on the Volaris 2021 materiality study in this Report.

Biosecurity

In 2021, we continued to implement our biosecurity protocol, which we made mandatory in 2020 to address the COVID-19 pandemic and ensure the protection of our customers against possible contagion on-board our aircraft. By the end of last year, 24.4 million passengers were transported under this biosecurity protocol and other mitigation actions were implemented, including:

- Aircraft sanitization
- Mandatory use of protective equipment for our traffic officers and crews
- Mandatory use of face masks for all customers
- Training in COVID-19 prevention protocols for all our personnel
- Signage and adequacy of facilities to ensure a healthy distance
- Mandatory (free of charge) weekly COVID-19 screening for our Ambassadors
- Vaccination programs for our Ambassadors

By the end of 2021, 99% of our Ambassadors, including our crews, were fully vaccinated against COVID-19, which helped to minimize the risk of contracting the disease and severe symptomatology, and protecting the health of our passengers.

Aviation security

In addition, at Volaris we have standardized aviation security processes to allow security personnel to interact with customers and Ambassadors more efficiently and to guarantee compliance with our biosecurity protocol.

We have implemented, among others, the following actions:

- Aircraft safety and surveillance
- Procedures for reviewing conflicts
- Strict screening of passengers
- Secure cabin doors

In addition, our Ambassadors are trained to take an active role in the identification, reduction, and elimination of risks related to aviation security threats. Our Ambassadors and contractors must periodically undergo training in the use of the equipment and in appropriate security measures, such as terrorism and unlawful interference, bomb threats, hijacking threats, contingencies, or emergencies, providing them with the necessary tools to perform their job functions in a safe and efficient manner. We also address issues such as national and international human rights, customer service, baggage and customer screening, security event reporting, and confidentiality of sensitive information.

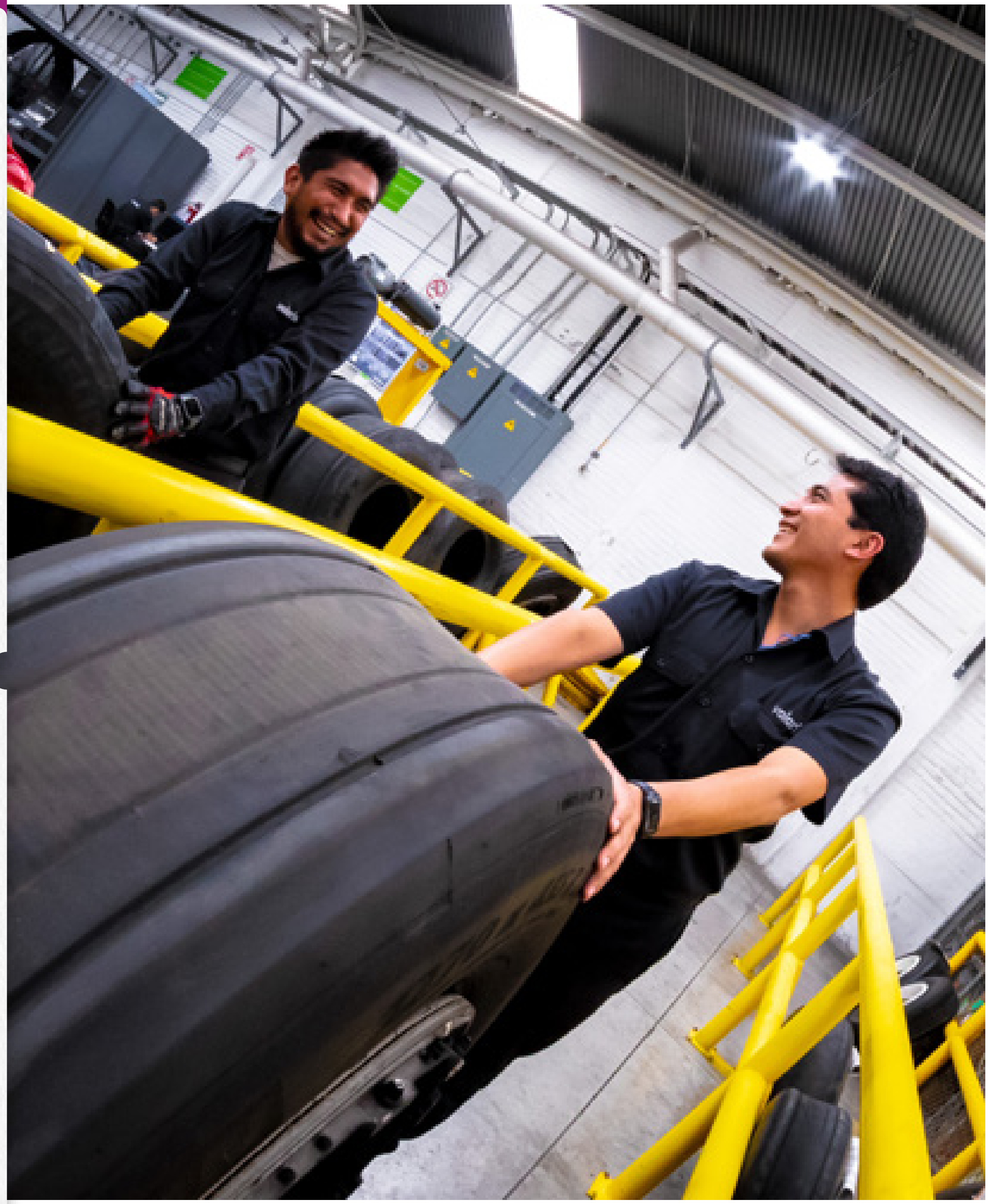
In addition, to comply with regulations, standards, and operational safety processes, at Volaris we have an Integrated Management System, which uses ISO 9001 and the *"IOSA Standard Manual"* as a basis. This manual is approved by the director of operations and incorporates the Plan-Do-Check-Act (PDCA) cycle and risk-based thinking, which allows the organization to determine the factors that could cause its processes and its integrated management system to deviate from the anticipated results, to implement preventive steps to minimize adverse effects and maximize opportunities as they arise.

This system includes the following Company subsystems:

- Quality Management System (QMS)
- Operational Safety Management System (SMS, Safety Management System)
- Aviation Safety Management System (AVSEC)
- Environmental Management System (EMS)

We partner with the Transportation Security Administration (TSA) in the US, to ensure adequate security measures for our personnel, our customers, equipment and facilities, which are carried out throughout our operation. In Mexico, the Federal Civil Aviation Agency, through the Deputy General Directorate of Aviation, oversees the monitoring of air traffic safety and has the authority to establish or modify air traffic operating conditions and to control and coordinate airports.

In 2021, we were recognized for the 15th consecutive year as an Addiction-Free Company.



Operational Safety

In 2021, we trained 9,124 people on operational safety issues: 5,242 Ambassadors and 3,882 suppliers. (VOI: 5,076/2,589, VOC: 77/966, VOS: 89/327)

Our safety training procures the well-being of our customers in all our operations, incorporating methods to identify, anticipate and mitigate the causes of aviation accidents. At Volaris, we seek to provide our customers with safety at all stages of the flight, which is why we have an Operational Safety Management System (SMS) that complies with the regulatory framework of the ICAO, IATA SMS, and national and international regulations, through which we identify hazards and operational safety risks to prevent them from occurring.

To track our safety performance, we have defined operational safety indicators. These are reviewed periodically, both at the corporate and local levels, by the Operational Safety Review Board and the Volaris Operational Safety Committee. The indicators are classified into high-impact and low-impact indicators so that we can effectively assess whether the targets meet our operational safety standards. In addition, we continuously monitor them to identify any operational safety risks and ensure their mitigation.

In 2021, our operational safety department followed up and closely monitored unstable approaches. These events could induce loss of control in flight and runway excursions, as well as human errors and injuries in the cockpit.

In 2021, the harmonized accident rate (per million sectors) was zero.

Thanks to the protocols defined in the Operational Safety Management System, we mitigate the most relevant operational safety risks affecting the aviation industry, such as unstable approaches, controlled flight into the terrain, mid-air collisions, and loss of control in flight, among others.

FROM
Being **Volaris** means:

TO
The opportunity to bring **destinations closer**

NAME:
Our customers

CHAPTER
04D

GRI
416-1, 3-3

SASB
TR-AL-540a.1
TR-AL-540a.2

SDGs

Volaris was rated as one of the safest low-cost airlines by AirlineRatings, based on seven categories that cover, among other aspects, having the IOSA Certification, and not having had any aviation accidents.

We defined our operational safety performance as achieving the goals and objectives associated with the operational safety indicators. These indicators are reviewed periodically, both at the corporate and local levels, at the Operational Safety Review Board (SRB) and the Volaris Safety Committee. In 2021, Volaris, through the Operational Security department, focused primarily on proactively and predictively preventing and monitoring the following cases:

1. Unstable approaches

2. Loss of control in-flight (LOC-I)

3. Runway safety (RS) -including runway excursions, hard landings, and undershooting

4. Controlled Flight Into Terrain (CFIT)

Other in-flight areas that are not necessarily confined to the flight cockpit were also considered, such as:

1. Accidental deployment of evacuation slides (typically caused by human error)

2. Cabin injuries (turbulence is regarded as the leading cause of injuries on-board aircraft in non-fatal accidents)

Volaris has defined safety high and low-consequence indicators, which are an effective method for evaluating if safety objectives and goals reflect the standards defined by the Company. Monitoring these indicators allows us to focus our attention on the performance of the Company's safety in identifying and mitigating risks, in addition to ensuring regulatory compliance and the highest industry standards regarding operational safety. Each indicator is monitored monthly, it is established based on the measured performance as an average of the last 36 months. A realistic and challenging goal is defined to ensure we are constantly improving. Through these targets, it is possible to measure any standard deviation indexes to adopt relevant countermeasures depending on the appropriate alert level (there are three alert levels, depending on the deviation).

Management tools for risk mitigation:

- ***Flight Data Analysis:*** Volaris has a Flight Data Analysis program (FDA), that allows us to compare actual flight parameters against standard operating procedures (SOPs). This program is a key element of our SMS and is crucial to identify where there may be an opportunity for improvement or to provide accurate data to investigate an operational safety event. It, therefore, provides very useful information to mitigate risk and prevent repeat incidents.
- **Airport safety checks:** We have implemented safety checks in the airports to verify that risk mitigation actions are maintained to ensure that any hazards are proactively mitigated.
- **Operational safety culture survey:** Volaris has implemented operational safety culture surveys in line with the objectives, procedures, and policies of the Operational Safety Management System, through which it is possible to measure the operational safety culture through of the Ambassadors' perception in the following areas:

1. The general perception of operational safety in the Company
2. Involvement of the areas with operational safety
3. Dissemination of operational safety information
4. Ambassadors' initiative on operational safety
5. Training and procedures
6. Reporting culture of deficiencies and hazards
7. Action against incidents and accidents

We implemented a Safety Culture Survey consisting of 25 questions with responses ranked on a 5-point scale of agreement and disagreement, with 5 meaning absolute agreement and 1 meaning disagreement. Based on the above, results are obtained at the Company level and later analyzed at the local level to identify areas for improvement and implement corrective actions.

SMS Report and Audit Control: The Aviation Quality Database (AQD), a RollsRoyce SMS solution is a compehensive and integrated tool supporting operational safety reporting and quality assurance. It allows users to report any situation where safety protocols have been or could be breached, as well as serves as a platform to record internal and external quality/safety audits. This database can take corrective and preventive actions to further mitigate risk.

We comply with all regulations and have adopted several certifications regarding operational safety, by Article 17 of the Mexican Civil Aviation Law, which establishes that airlines must implement measures to ensure the safety of operations and, therefore, of customers and crews.
These are the following:

Mexican Official Standard NOM-064-SCT3-2012. Which establishes the specifications to be met by the Operational Safety Management System, since 2015.

Policy Letter CP AV-01/20. Which establishes the guidelines to be followed by concessionaires, permit holders, and air and airport operators to reactivate their operations as a result of the health contingency caused by COVID-19, starting in 2020.

Volaris Mexico IOSA Certification. In 2021, Volaris renewed its IOSA operator certificate, valid until August 2023, issued by IATA, which certifies compliance with international standards regarding the organization, control, and supervision systems, including Volaris' Operational Safety Management and Quality Assurance systems, allowing Volaris to confirm its position as one of the safest ULCCs *(Ultra Low Cost Carriers)* worldwide.

Volaris Costa Rica IOSA Certification. In 2021, Volaris Costa Rica renewed its IOSA Certificate valid until June 2023 in accordance with IATA, which guarantees compliance with international standards and a globally accepted level of safety.

Volaris El Salvador IOSA Certification. Through 2021 and during 2022, Volaris El Salvador will prepare for the initial certification audit scheduled for May 2023.

Volaris Mexico SMS Certification. In 2021, Volaris certified the Operational Safety Management System, which guarantees the implementation of reactive, proactive, and predictive processes to identify hazards to avoid accidents. This certification requires the approval of the AFAC (Federal Civil Aviation Agency) in Mexico.

SMS Volaris Costa Rica SMS Certification. In 2021, the Operational Safety Management System was recertified by the Directorate General of Civil Aeronautics of Costa Rica, which ratifies the highest standards in terms of operational safety, this recertification is valid until 2024.

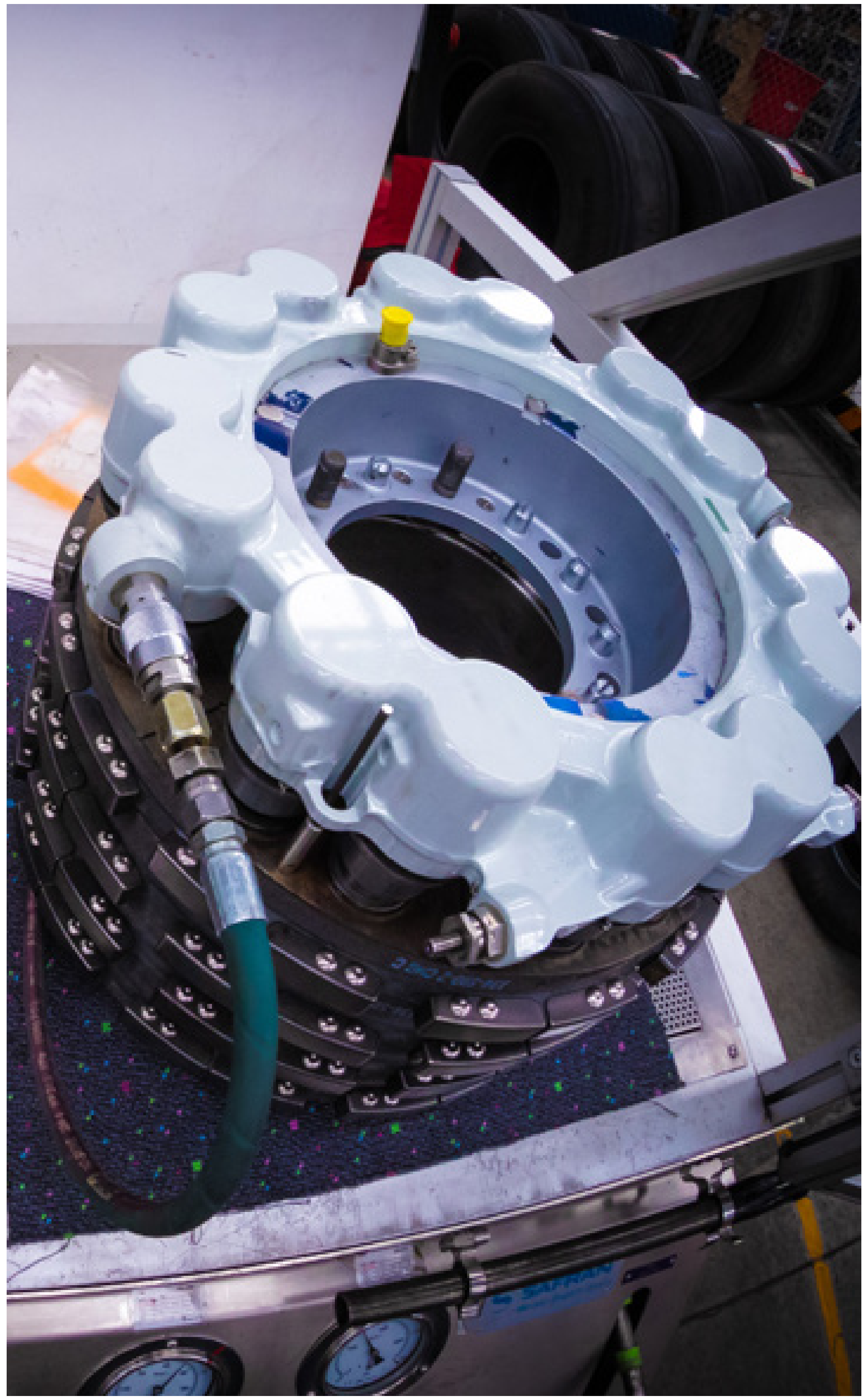
Volaris El Salvador SMS Certification. In 2021, Volaris El Salvador began operations and obtained approval of the Safety Management System Manual from the Civil Aviation Authority of El Salvador, with the system scheduled to be evaluated in phases in accordance with RAC 19 (Civil Aviation Regulations) in 2022.

WEFA. Wireless transmission of flight data. In 2021, Volaris increased its 3G wireless flight data transmission technology in 65 aircraft. With this, we are able to better monitor pilot performance, which makes the predictive hazard identification system of the Operational Safety Management System even more effective and efficient.

We are part of the Flight Safety Foundation, an association that seeks the participation of various businesses in the industry to anticipate, analyze and identify operational safety issues to implement best practices in this area.

Likewise, with respect to the maintenance of our aircraft, our maintenance engineering department is in charge of managing our Maintenance Program approved by the Federal Civil Aviation Agency (AFAC) of Mexico, the Federal Aviation Administration (FAA)[15] of the United States of America, the General Directorate of Civil Aviation (DGAC) of Costa Rica, and Civil Aviation Authority (AAC) of El Salvador.

Maintenance activities are performed by our qualified technicians, many of whom are FAA certified, and by maintenance suppliers who have the necessary certifications and undergo continuous training. We perform routine and non-routine maintenance, which fall into three general categories: Line maintenance,



major maintenance, and component service.

Line maintenance consists of daily and weekly checks on our aircraft, including pre-flight and overnight checks, any routine diagnostics and repairs, or any other unscheduled and necessary repairs. Currently, in-line maintenance is performed by our mechanics and is complemented by contracted third parties at airports. Online maintenance includes scheduled tasks that take seven to 14 days to complete and are typically required every 22 months. Major maintenance overhauls consist of more complex functions that can last up to six weeks. Major engine maintenance is performed approximately every six years and involves more complex work which is performed by third parties. We have entered into a long-term contract based on flight hours with IAE and P&W to service our engines and *Lufthansa Technik AG* based on hourly jobs to provide maintenance services to other components.

For our major airframe maintenance, we have contracted *Aeroman*. The latter is an FAA-approved maintenance supplier.

15. The Federal Aviation Administration (FAA) has regulations that apply to the entire National Airspace System.

Privacy and data protection

As a fundamental part of customer satisfaction, at Volaris we seek to protect our customers' privacy and personal data at all times. By protecting them, we maintain the trust and loyalty of our customers, as well as maintain our good reputation and avoid any fines related to any violation of this right that could affect the Company.

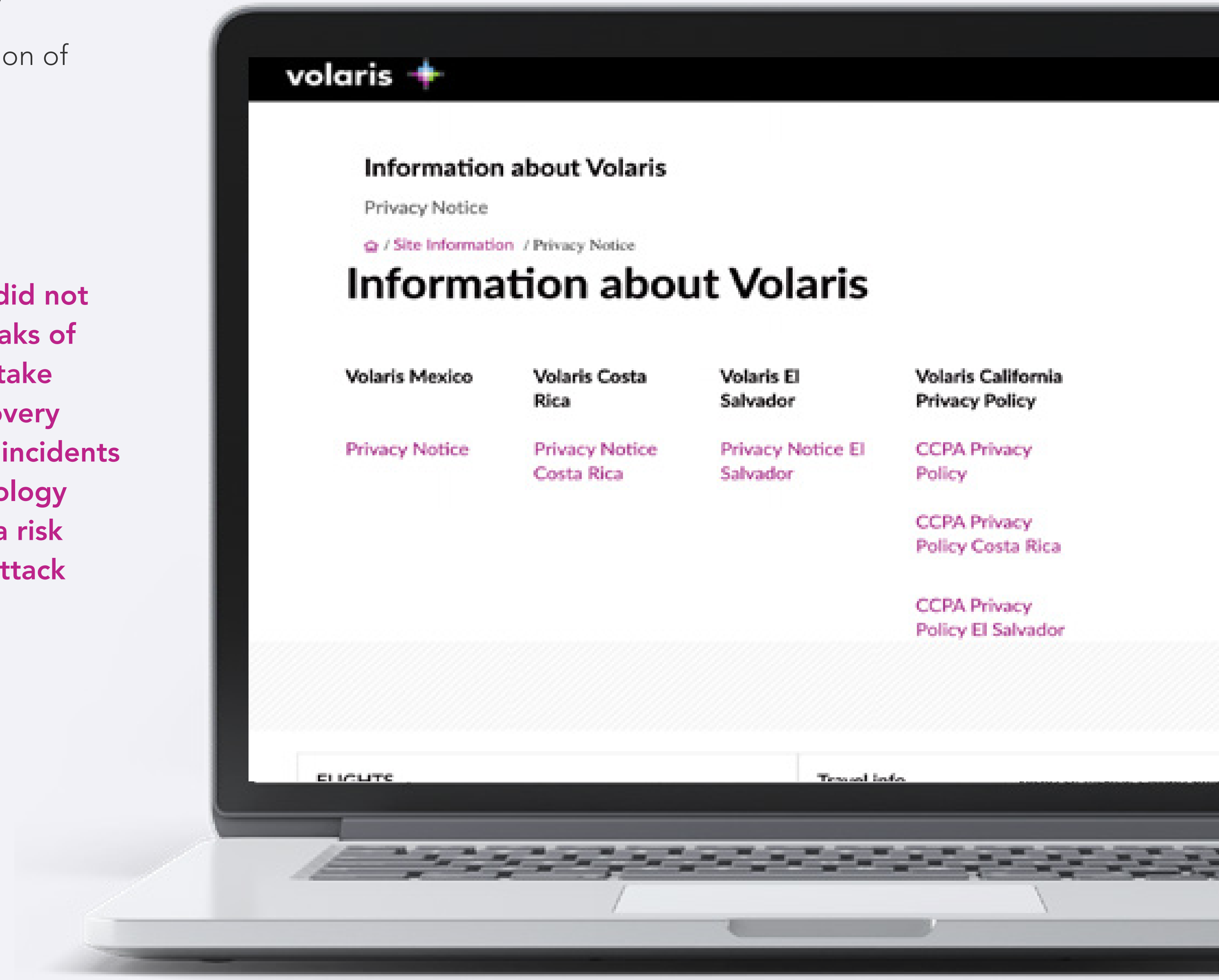
At Volaris, security measures are in place to safeguard our customers' information and comply with existing domestic regulations.

Currently, we comply with Mexico's Federal Law on Protection of Personal Data Held by Private Parties (LFPDP) the European Union's General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), and other applicable laws. Furthermore, the LFPDP, GDPR, and CCPA impose requirements for the security and privacy of personal data abroad.

Additionally, at Volaris we have several corporate policies in this area, such as:

- General Policy for the Protection of Personal Data
- Attention to Holders' Rights Policy
- Policies of Blocking and Cancellation of Personal Data
- Personal Data Violation Policies
- Information Classification Policy

We believe that, during 2021, we did not have cases related to losses and leaks of our customers' personal data. We take preventive response and virus recovery actions to reduce the risk of cyber incidents and protect our information technology and networks, but there is always a risk that we may suffer a major cyber-attack that we are unable to repel.



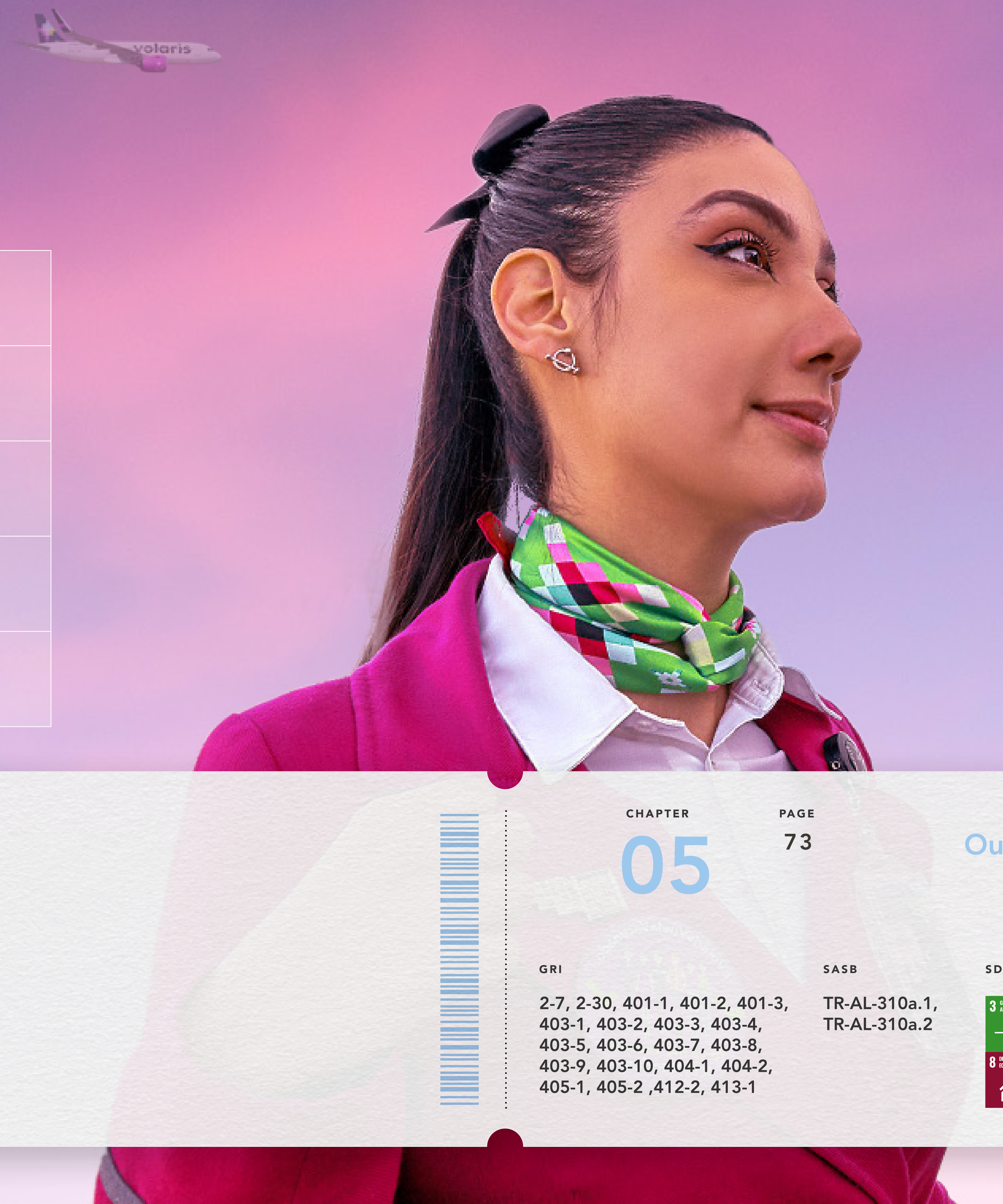
Volaris took additional actions to strengthen data protection. In 2021, we carried out numerous actions to consolidate and enhanced personal data protection. Some are:

- Identify, analyze, and prioritize risks based on emerging threats relating to privacy and data protection, from the perspective of the trends and changes in the privacy regulations and the expansion to new markets
- Establish strategies to strengthen the program of privacy and personal data protection, strengthening the existing controls or implementing additional control that mitigate the identified risks related to personal data
- Update awareness and training campaigns on the protection of personal data and cybersecurity with our Ambassadors
- Strengthen technological security controls to protect personal data
- Update our privacy notices

In addition, at Volaris we periodically review the applicable official provisions for data protection and privacy and evaluate our tools and technological advances to reinforce and update our internal processes and policies. This allows us to effectively respond to requests from customers regarding their rights of access, rectification, cancellation, and opposition, applicable to the regulation governing such rights.

One of our many responsibilities is to protect the data and confidential information of our customers, so we annually train all Ambassadors on information security, cybersecurity, and personal data protection issues. We publish cybersecurity and information protection communications, we organize specialized talks with the personal data protection department, and we carry out internal phishing simulations, to strengthen preventive controls to protect identities and detect cyber-attacks.

In 2021, 97% of our Ambassadors were trained in personal data protection and 98% in information security matters.



FROM

Being **Volaris** means:

TO

The pride of flying **as one family**

CHAPTER

05

Our Ambassadors

GRI

2-7, 2-30, 401-1, 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404-1, 404-2, 405-1, 405-2 ,412-2, 413-1

SASB

TR-AL-310a.1, TR-AL-310a.2

SDGs

Our **Ambassadors**

At Volaris, we recognize the value of people and their well-being, which is at the core of sustainable business management. This is why we have a person-centered organizational culture, governed by five-axis: **health, family, professional development, spirit, and social commitment.** All of us Ambassadors who work in the Company consider ourselves part of a family, the Volaris Family.

Through the social pillar of our Corporate Sustainability Program, we focus on creating actions that allow us to attract and retain the best talent to ensure the Company's good performance.

Statistics* about our Ambassadors

During 2021, the Company's growth allowed us to add approximately 1,850 new Ambassadors to join the Volaris Family. At year-end, our Family consisted of 6,714 Ambassadors of which 53% are men and 47% are women, and we have an FTE to aircraft ratio of 63. Additionally, **81% of our Ambassadors are unionized.**

In 2021, we had a total turnover rate of 10.3%, compared to 8.9%, in 2020, and a voluntary turnover rate of 8.0%, compared to 3.5%, in the previous year.

*. Data period: January to December 2021.

Figures of our Ambassadors

In the following tables, we detail the main data on

The Volaris Family:

Chart 4. Figures by gender

	2019		2020		2021	
	Q	%	Q	%	Q	%
Female	2,281	46,08	2,239	46,20	3,138	46,74
Male	2,669	53,92	2,607	53,77	3,576	53,26
Total	4,950	100	4,846	100	6,714	100

Chart 5. Figures by geography and gender

Country	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Mexico	2,201	2,561	2,172	2,513	3,054	3,461
Central America	80	108	67	94	84	115

Chart 6. Figures by employee type and gender

	2019		2020		2021	
	Q	%	Q	%	Q	%
Permanent	4,950	100	4,846	100	6,714	100
Temporary	-	-	-	-	-	-
Hours not guaranteed	-	-	-	-	-	-
Full-Time	4,336	87.60	4,265	88.01	5,947	88.58
Part-Time	614	12.40	581	11.99	767	11.42

2021	Female	Male
Permanent	3,138	3,576
Full-Time	2,769	3,178
Part-Time	369	398

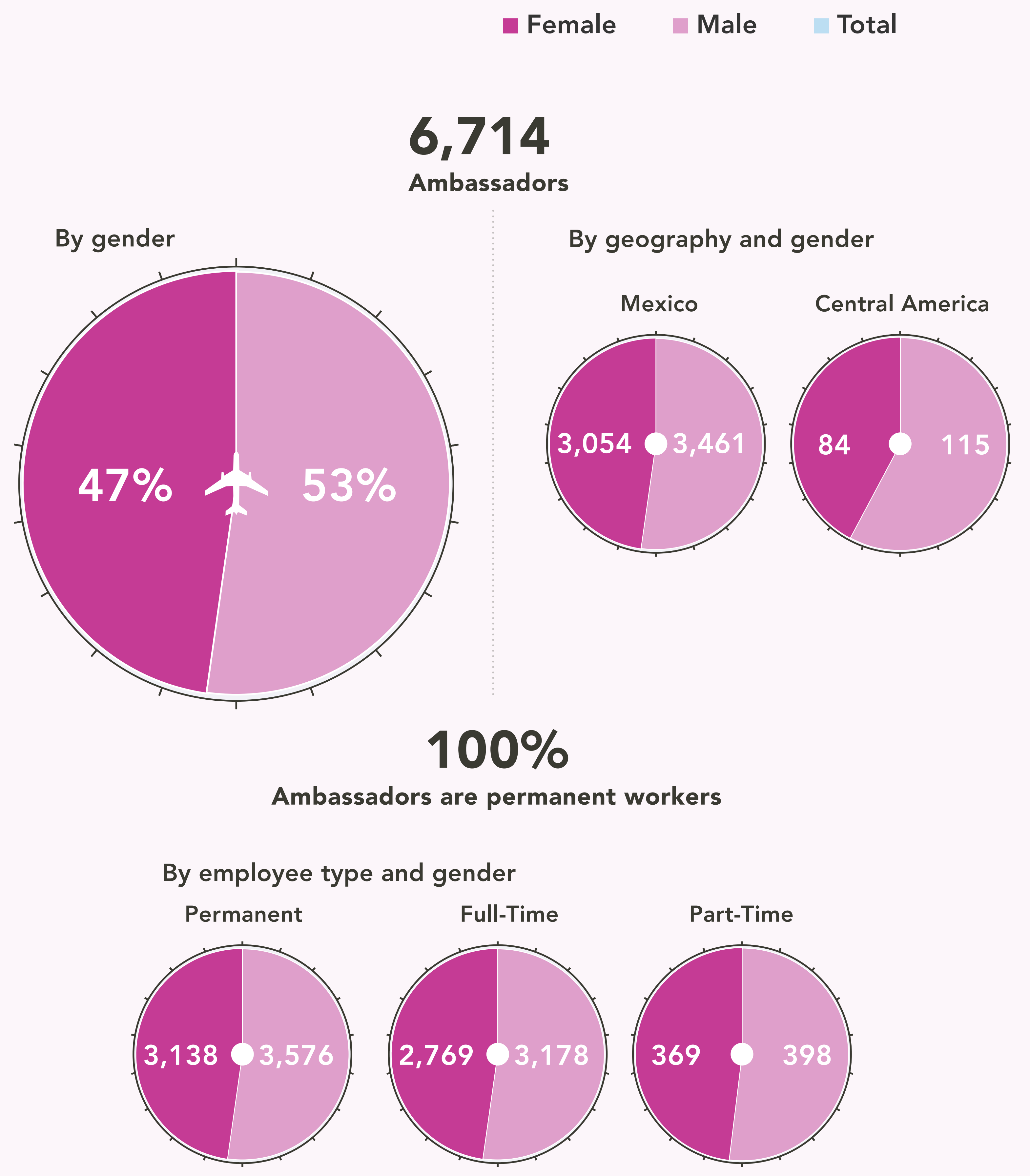


Chart 7. New hires by gender and geography

New employee hires (number)									
Country	**2019**			**2020**			**2021**		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Mexico	405	578	**983**	167	246	**413**	857	993	**1,848**
Central America	29	38	**67**	2	8	**10**	19	26	**20**

Chart 8. Turnover index by number, gender, and geography

Personnel rotation (number)									
Country	**2019**			**2020**			**2021**		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Mexico	381	320	**701**	294	179	**473**	373	310	**683**
Central America	10	13	**23**	14	23	**37**	2	5	**7**

Chart 9. Turnover index by rate, gender, and geography

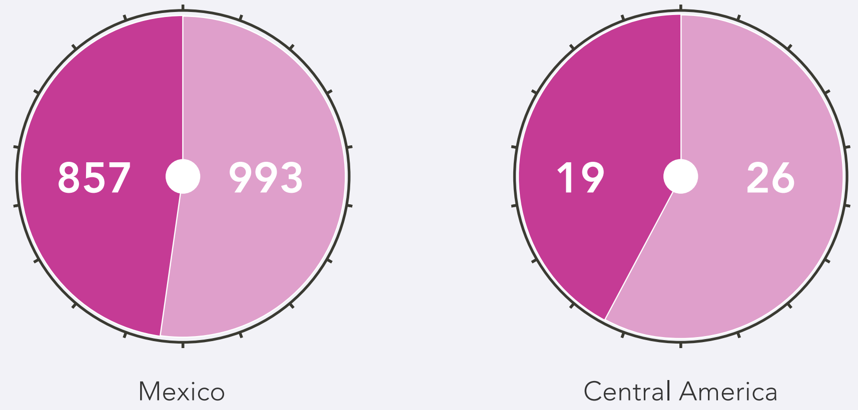
Personnel turnover (rate)									
Country	**2019**			**2020**			**2021**		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Mexico	7.70	6.46	**14.16**	6.07	3.69	**9.76**	6.55	7.89	**14.44**
Central America	5.56	14.19	**19.75**	5.33	414.29	**419.62**	3.36	4.35	**7.71**

Chart 10. Withholding rate

	%
Female	38.33
Male	47.23
Total	**85.56**

■ Female ■ Male ■ Total

New employee hires



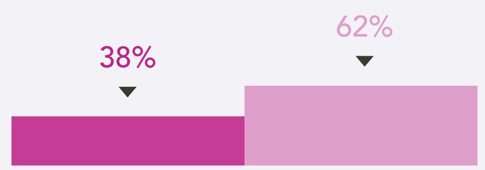
Breakdown by age group:

<30 years:
48%
of our workforce

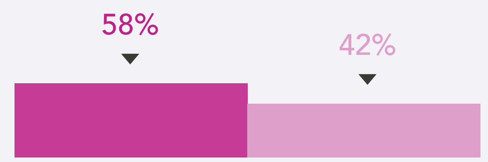
30-50 years:
46%
of our workforce

>50 years:
6%
of our workforcet

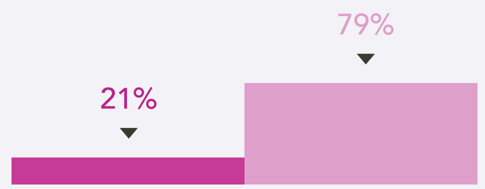
Gender diversity among all management positions:



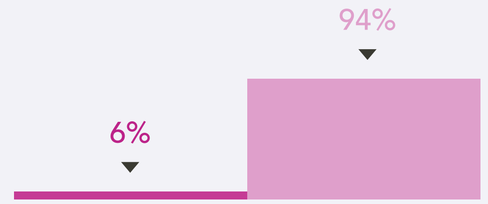
Gender diversity among management positions in revenue-generating functions:



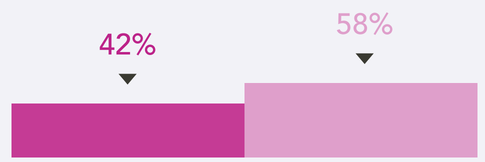
Gender diversity among top management positions:



Gender diversity among STEM-related positions:



Gender diversity among junior management positions:



Talent attraction and retention

At Volaris, we are constantly growing and searching for the best talent to support our rapidly-expanding operations. Ensuring that we have enough Ambassadors to carry-out our operational and growth plans, without setbacks and without generating additional costs to the organization, is a fundamental element of Volaris' strategy in the short, medium, and long term. To achieve this, we need to implement a series of actions that allow us to attract and retain the best talent.

Some of these actions are:

- To have an adequate selection and hiring process that allows us to hire Ambassadors that meet the Company's job profiles and are appropriately qualified to fulfill the assigned responsibilities
- Ensure a positive work environment underpinned by equality for all our Ambassadors
- Provide continuous training programs that allow our Ambassadors to continue their professional and personal growth and, at the same time, improve their performance in the Company
- Maintain a culture of equal opportunities and non-discrimination in the organization at all times
- Offer competitive compensation and benefits to attract and retain the best talent in the different trades
- To have periodic evaluation programs, so that Ambassadors can be evaluated and evaluate their leaders, to ensure continuous improvement in the organization
- Ensure the occupational health and safety of all our Ambassadors
- Promote our Ambassadors' sense of pride and belonging through projects such as corporate volunteering and effective internal communication about what is happening in the Company

These actions also allow us to reduce staff turnover and increase the productivity of our Ambassadors.

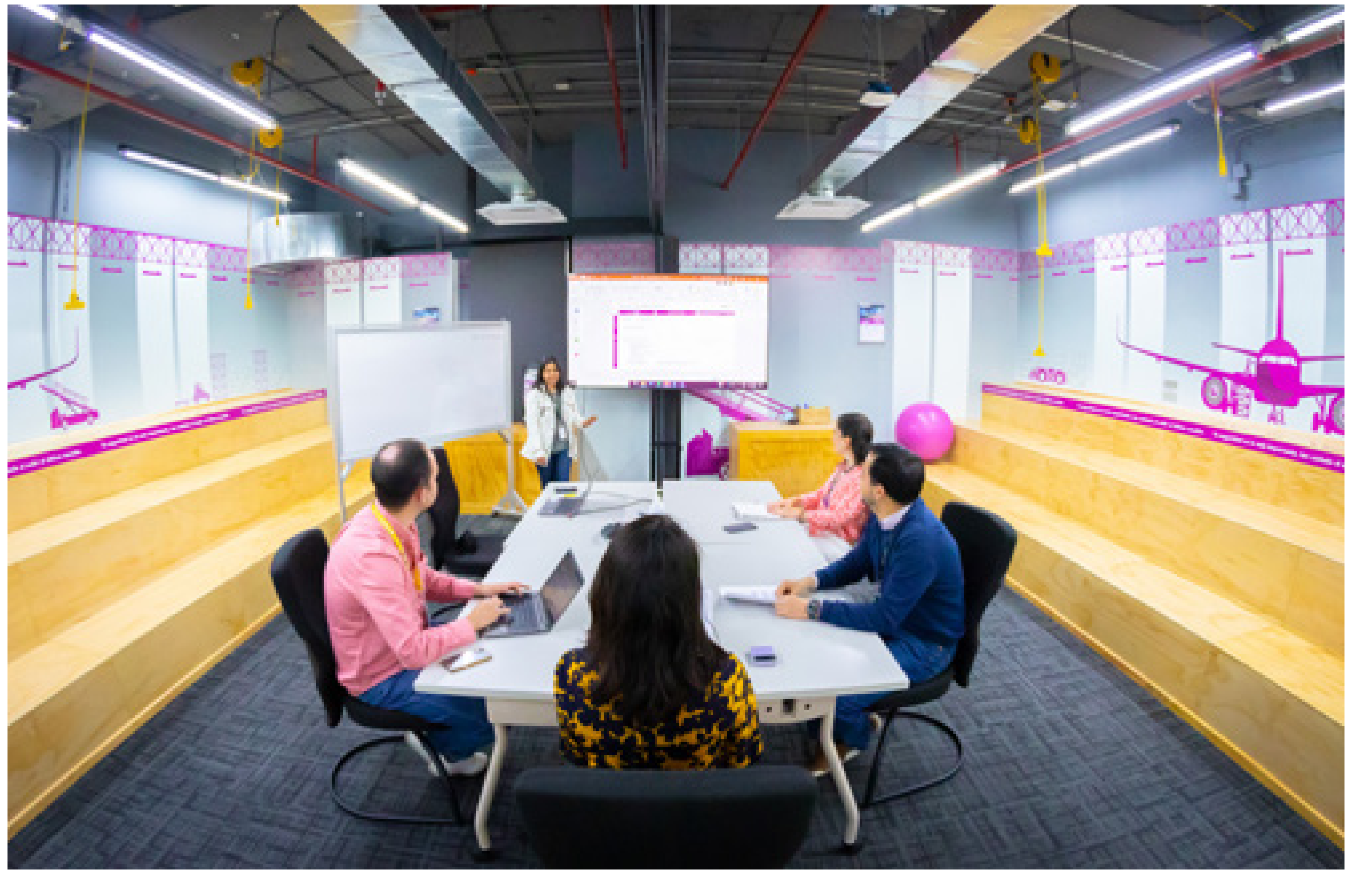
Selection and recruitment processes

We have selection policies and procedures that guide the hiring process and ensure that we evaluate all our candidates equally.

The policies we have in place are:

Talent Attraction Policy: Establishes guidelines to ensure recruitment, selection, and hiring to provide adequate personnel for each position.

- **Internal Opportunities System (SOI) Policy:** This Policy allows us establishing professional growth and development mechanisms for Volaris Ambassadors, related to the commitments established by the business, according to the following modalities:
  - Promotions
  - Responsibility movements and lateral transfers



We also use various talent attraction tools, such as publications on major job boards, mass recruiting, referral, and internal growth programs, as well as specialized strategies to improve our brand as a good employer through agreements with aviation schools and contacts with universities, maintaining a robust talent pipeline for corporate and operational positions, among others.

In parallel, we ensure that the entire recruitment process is transparent, effective, and fair for all candidates, which is why we provide equal opportunities and seek to provide a good experience for applicants by keeping them updated with technological tools that optimize the process.

Our attraction and selection process for administrative Ambassadors is:

1. Alignment
2. Search
3. Interviews
4. Evaluations
5. Closure

In 2021, we hired approximately 1,850 new operational and administrative talents in Mexico and Central America.

In addition, we have a talent breeding ground called Development Galaxy that seeks to attract young talent and develop the future leaders of Volaris, because not only do we believe that we provide essential benefits to society by giving opportunities to young people, but we also understand the value they can generate for the Company. Some of the Development Galaxy programs are as follows:

- **Novas.** Program for college students to participate in projects in administrative and operational areas (aeronautical engineering). Over a period of one to two years with opportunities to fill future vacancies.
- **Satellites *(Trainees):*** Designed to attract and develop future Volaris Leaders, through an accelerated learning program, they will have the opportunity to participate in challenging and high-impact projects for the business. The program includes three rotations in different areas of the Company according to the profile and career interests of each participant.

Furthermore, to fill vacancies at Volaris, we have talent promotion programs, such as the **Internal Opportunities System (SOI):** When vacancies within the Company allow it, we will seek to fill them through lateral transfers and promotions based on performance, capacity, and professional competence of the internal candidates identified. Therefore, we allow Ambassadors to apply to open positions and, thus, generate growth and development opportunities for them.

Through our SOI program, we had 231 promotions, 87 female and 144 male.

In 2021, we adhered to the *IATA 25by2025* commitment, through which we committed to working with the industry to reduce the gender inequality in the sector and increase representation of women in leadership positions and in some guilds, such as maintenance, and pilots, among others. Our goal is to increase the representation of women in underrepresented positions and leadership positions in Volaris by 25% by 2025.

The Program provides scholarships to Volaris Ambassadors who want to become commercial pilots.

Another program implemented to support the professional development of our Ambassadors and to prepare the next generation of Volaris pilots, is the **Pilot Scholarship Program.** This program is focused on significantly improving the number of our pilots by 2025, consistent with our commitment to the IATA ***25by2025*** initiative.

All Ambassadors are eligible to apply, but scholarships are limited. With the support of the Volaris Family and in alliance with iFly, Aeronautics University for Pilots in Mexico, students will be trained as commercial pilots.

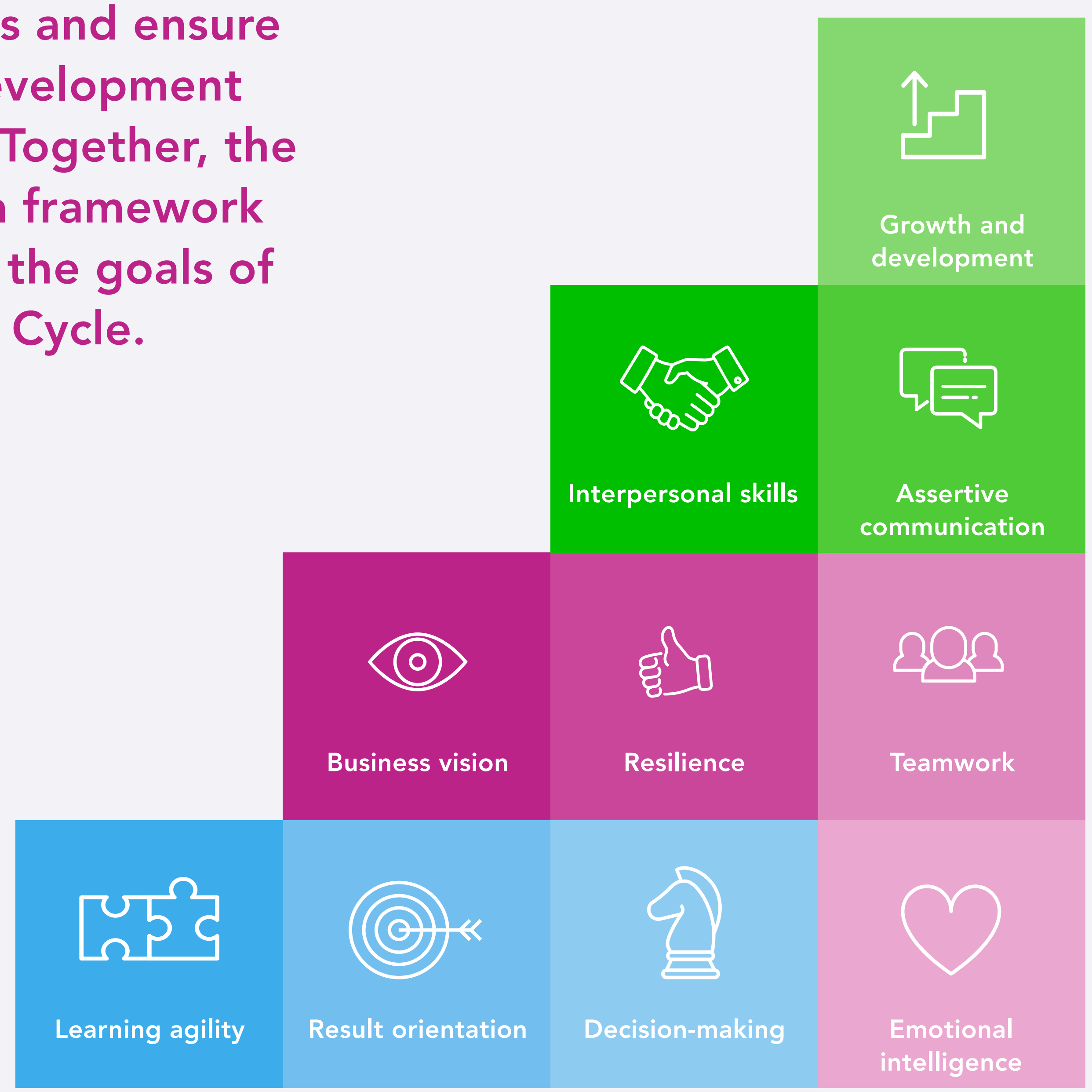
Working environment

At Volaris, we are committed to providing all Ambassadors with a safe and violence-free work environment with equal opportunities for professional development. In addition, we know that ensuring an optimal work environment is essential to attracting and retaining the best talent, and consequently it is fundamental to the sustainability of the business.

To this end, we have developed a **Volaris Talent Cycle and Competence Model,** comprised of the daily behaviors expected of all Ambassadors. It was created to achieve the success and development of the Ambassadors and the Company.

The Volaris Competency Model is a set of daily behaviors that Volaris expects from all Ambassadors. The model was developed based on Volaris' profile and needs to achieve success and ensure the leadership development of Ambassadors. Together, the model serves as a framework for standardizing the goals of the Volaris Talent Cycle.

Volaris Competency Model



We have a **Diversity and Equal Employment Opportunities Policy,** which defines guidelines that guarantee equal opportunities for everyone. It monitors and ensures that promotion, performance evaluation, and development plan processes are carried out with transparency, and free of discriminatory biases. It ensures that the training, education, and coaching processes are transparent, inclusive, and gender-sensitive during the workday. It prohibits mistreatment, violence and segregation towards and among employees based on: Physical appearance, culture, disability, language, sex, gender, age, economic, health or legal status, pregnancy, marital or civil status, religion, opinions, ethnic or national origin, sexual orientation, and immigration status.

On the other hand, our Code of Ethics encourages ethical, egalitarian, and non-discriminatory behavior. The Volaris Ethics Line is a mechanism we use to report breaches of the Code of Ethics.

Furthermore, Volaris' Compensation Policy ensures an equal pay for equal responsibilities between men and women. In addition, the **Maternity, Paternity, and Use of Breastfeeding Rooms Policy, agreements with daycare centers and the Home Office Policy,** allow us not only to reduce gender gaps in the workplace due to caregiving responsibilities, but also to provide opportunities for our Ambassadors to balance their personal and professional lives.

Some figures about the Maternity and Paternity Policy are:

Chart 11. Number of Ambassadors who took partenity and maternity leave

	2019	2020	2021
Male	4	2	-
Female	113	81	100
Total	**117**	**83**	**100**

Chart 12. Number of Ambassadors who returned to work after partenity and maternity leave ended

	2019	2020	2021
Male	4	2	-
Female	101	77	97
Total	**105**	**79**	**97**

Chart 13. Number of Ambassadors who returned to work and stayed with the organization one year later

	2019	2020	2021
Male	4	2	-
Female	79	59	68
Total	**83**	**61**	**68**

In addition, since the beginning of the pandemic, we have implemented a hybrid work model, which allows Ambassadors with positions ranging from analysts to managers to attend the office in person for one week and to work remotely for another week. This policy aims to protect the health of Ambassadors and to provide them with the possibility of having a personal and professional balance, which also seeks to improve their performance in the Company.

In 2021, we applied a survey of work environment, which allowed us to identify our strengths and areas of opportunity as a growing Company and after the operational rebound that we registered after the pandemic.

With this diagnosis, we evaluated:

- The active role of our Ambassadors in the Company
- The effectiveness of Volaris´ leadership
- The fluidity of our Company, teams, and processes
- The alignment around our objectives and sustainable results

In the 2021 survey, we had more than 80% participation of Volaris' Ambassadors.

Our level of commitment is at 70%, above the average for the industry and other companies in the sector. This aspect undoubtedly gives us the opportunity to implement improvements and strengthen existing programs.

Here are some of the findings from this survey:

1. 9 out of 10 Ambassadors have a positive perception of the organization and the impact it has on society is a source of pride for them
2. 8 out of 10 Ambassadors consider that we have the appropriate strategy and Culture to face future challenges, and that the Volaris Family has visibility on what we want to achieve and how to do it
3. Clarity in growth opportunities and work/life balance are the most important areas of opportunity

In 2022, work will be focused on the relaunch of programs, such as the Volaris Development Galaxy (Talent Seedbed), SOI (Internal Opportunities System), and Career Routes for operational personnel, so there is greater clarity about professional development at Volaris.

Similarly, given the high workload demand in operations (even in low seasons), applications and programs focused on health, safety and, well-being are being implemented. These initiatives respond to the high geographical dispersion we have as a Company and our mobility condition, mainly among the crew members.

Training and professional development

Aviation is one of the most specialized and regulated industries in the world, so it is essential to train and keep our Ambassadors up-to-date, on both, administrative and operational, practices, manuals, procedures, and customer service, among others, and to constantly align our training with the best practices in the sector. At Volaris, we aim to help our Ambassadors to improve their competencies, skills, and knowledge.

Our training covers several topics and are taught both, on-site and throught e-learning platforms.

The training we offer is divided into four areas:

Training

Leadership Academy. Leadership training program for Ambassadors in charge of a team.

Volaris Corporate University. Virtual space with access to mandatory online courses certifications and compliance with audits.

Regulated technical training. Specialized mandatory courses for technical areas. Ambassadors regulated by the aeronautical authorities.

Non-regulated technical training. Specialized courses for technical areas Ambassadors that aim to reinforce skills.

Regarding the training given during 2021, our performance was developed as follows:

Chart 14. Regulated courses

Regulated courses	Pilots	Flight Attendants	Maintenance	Dispatch	Total
Courses offered (on-site / remote)	3,329 (2,048/1,281)	193 (59 / 134)	89 (0/89)	84 (0/84)	3,695 (2,107/1,588)
Training hours (on-site / remote)	55,445 (13,574/41,871)	10,560 (8,176/2,384)	2,844 (0/2,844)	1,384 (0/1,384)	70,233 (21,750/48,483)
Participants (on-site / remote)	13,902 (1,620/12,282)	2,994 (892/2,102)	929 (0/929)	1,229 (0/1,229)	19,054 (2,304/16,542
Male	13,269	765	912	1,023	15,969
Female	633	2,229	17	206	3,085

Chart 15. Non-regulated courses

Non-regulated courses	Pilots	Flight Attendants	Maintenance	Airports and Dispatch	Total
Courses offered	2,195	43	78	1,341	3,657
Training hours	12,469	1,290	442	15,831	30,032
Participants	12,235	962	927	11,880	26,004
Male	11,697	723	873	8,740	22,033
Female	538	239	54	3,140	3,971

Chart 16. Volaris Virtual Corporate University

	Trained Ambassadors	% completed the course	Female	Male	Training hours
2021 Mandatory courses					
PCV 2020: Key Control Policies	885	99%	332	553	590
SMS: Safety Management System (Type A, B, C*)	5,077	99%	2,284	2,793	3,385
SMS: Safety Management System (Type D external*)	2,589	100%	600	1,989	1,726
COEV: Volaris Code of Ethics	6,041	95%	2,752	3,289	3,524
ECPAT: End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes	4,792	98%	2,410	2,382	2,396
PDP 2020: Personal Data Protection	30	99%	13	17	20
Total	**19,414**	**98%**	**8,391**	**11,023**	**11,641**
2021 Non-mandatory courses					
Procurement Quick Guide for Ambassadors	839	90%	281	558	350
Talent Attraction and Retention	289	93%	104	185	169
Advance Electronic Signature (FIEL)	16	20%	6	10	12
Information security	5,405	99%	2,485	2,920	2,703
Total	**6,549**	**64%**	**2,876**	**3,673**	**3,234**

Chart 17. Courses dictated in 2021

Training course or program	Participant category	Number of participants	Courses	Hours	Female	Male
Leadership Academy for Administrative Personnel	Administrative personnel	1,373	11	8,625	438	935
Leadership Course : Promotion to Captain	Copilots	41	4	656	-	41
Thursdays of Leadership: Emotional Stability and Self-Control	Administrative personnel	31	1	66	13	18
Book Club : Crucial Conversations	Administrative personnel	26	1	37	9	17
Session: Myths and realities of Assertiveness	Administrative personnel	22	1	24	12	10
Workshop : Design Thinking	Administrative personnel	32	1	640	14	18
Total	**19,414**	**1,525**	**19**	**10,048**	**486**	**1,039**

Regarding the **diversity and respect** courses, we recorded the following:

Training diversity and respect 2021*	
Number of sessions of trainings provided	6
Training session duration	1.5 hours
Number of participants	123
Training hours	184.5

*. It is important to specify, in addition, that in the diversity and respect courses that were taught from October to December 2021, 184.5 hours of training (1 session of 90 minutes) were taught (D&I) and we had a participation of 123 Ambassadors.

D&R Training Breakdown	1° Dec	26-Nov	25-Nov	24-Nov	19-Nov	15-Oct
Total participants	15	12	9	13	30	44
Male	1	3	1	5	13	19
Female	14	9	8	8	17	25
Population	SLC	ATOS	ATOS	ATOS	ATOS	ATOS

Human rights

We carry out training on respect for human rights, inclusion, diversity, and non-discrimination. The goal is to ensure violence-free workspaces, equal opportunities for all, and offer our customers the best travel experiences.

Our trainings are:

1. **ECPAT e-learning.** In coordination with the ECPAT organization, we train our operational staff annually, so that they can detect possible cases of trafficking of children and adolescents for the purpose of sexual exploitation, at all stages of flight. In 2021, 81%[16] of our Ambassadors completed this training. Each Ambassador took 30 minutes of training through an e-learning course. In addition, they responded to a final evaluation to reinforce knowledge. We taught a total of 2,396 hours of this course.
2. **ECPAT onboarding.** In the induction course (onboarding) for new people entering the Company (including trainees), a module is offered to train them on possible cases of trafficking of children and adolescents for the purpose of sexual exploitation in travel and tourism, and on our protocol to detect them. In 2021, 2,206 new Ambassadors completed the course (85% of the total[17] of new Ambassadors). The duration of the module is 30 minutes, so each new Ambassador took 30 minutes of training about this topic. We taught a total of 1,103 hours of this course.
3. **Diversity and respect course.** In 2021, we taught for the first time the course of diversity and respect, in collaboration with the *Mexico Vivo* organization. The objective of the course is to raise awareness and provide information on diversity and inclusion, from a vision of non-discrimination, oriented towards the awareness and promotion of good practices of inclusion, respect, and non-discrimination in work environments. During the year, 123 Ambassadors took the course, with a duration of 1.5 hours each session. We taught a total of 184.5 hours of this course.

In 2021, we taught 3,683.5 hours of human rights training.

16. This 81% was calculated from the number of Ambassadors who completed the course (4,792) in September 2021, in relation to the total number of Ambassadors in that month (5,917).

17 The total of new Ambassadors in 2021 was 2,591.

In addition to our training, we offer other options for our Ambassadors to strengthen and improve their skills.

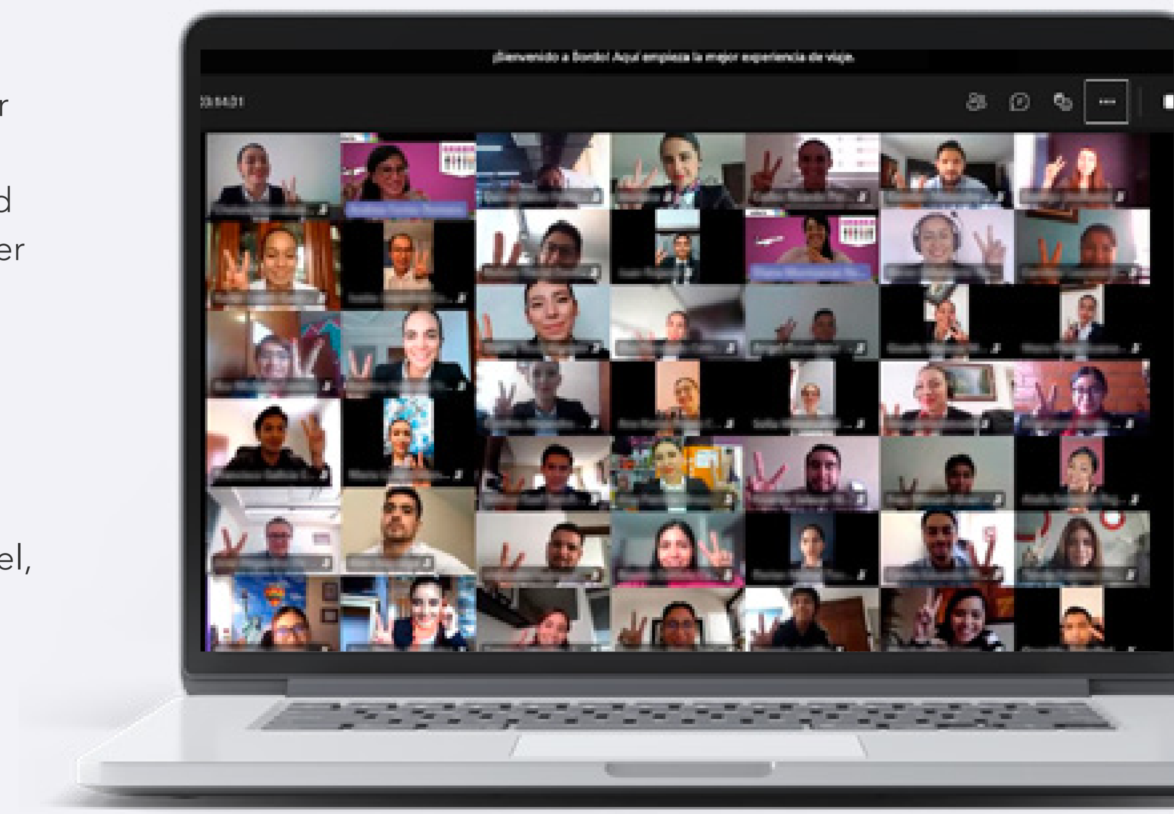
- **Accompaniment Program for New Leaders**. Transitions are critical moments for our staff's development and the Company's success. This program focuses on accompanying and developing new leaders –whether they just joined or previously had another position within Volaris– to ensure that the learning curve for the new role is reduced and that the team dynamics are adequate. In 2021, 51 Ambassadors participated, 7 women, 44 men, 15 administrative Ambassadors, and 36 operative Ambassadors.
- **Individual Leader Accompaniment and Development Programs.** Aimed at those leaders with over six months in their position, focusing efforts through individual sessions of leadership development, *coaching, team coaching, shadowing, and mentoring,* among others. In 2021, 97 Ambassadors participated, 40 women, 57 men, and 97 administrative Ambassadors.
- **Leadership Academy.** This program offered to administrative personnel aims to develop our Ambassadors through three training areas: culture, leadership, and *Ways of Working.* The Leadership Academy is focused on developing Ambassadors' competencies and abilities based on the 70-20-10 methodology, which centers on having different types of activities that help comprehensivelly develop each competence; i.e.: 70: activities that produce experiences, evoking learning in practice; 20: feedback activities, that is, learning through others, and 10: individual study activities, providing the necessary concepts and information for developing each skill. In 2021, 1,373 Ambassadors participated, 438 women, 935 men, 891 administrative Ambassadors, and 482 operative Ambassadors.

- **Leadership Workshops.** Aimed to raise awareness of leaders' role and impact on their teams and the Company. In 2021, 89 Ambassadors participated, 42 women, 47 men, 88 administrative Ambassadors, and 1 operative Ambassador.

- **Specialized programs.** We have a focused and customized training, centered on topics such as: Versatility, *Design Thinking,* and leadership for *Leads,* among others. In 2021, 6,592 Ambassadors participated, 2,899 women, 3,693 men, 1,564 administrative, 5,028 operative.

- **Financial support for external training**
We have educational agreements with different universities to facilitate the continued education of our Ambassadors, with discounts on university programs for the Volaris family. The courses allow them to be updated on emerging trends in different areas:

  - **Digital Marketing Diploma:** Taught by the *Tecnológico de Monterrey,* in this course for our Ambassadors to learn digital marketing strategies to enter new markets and learn about new platforms to obtain the latest market opportunities.
  - **Interactive Marketing Diploma:** Instructed by the *Universidad Panamericana* in conjunction with IAB Mexico, this course seeks to recognize the evolution of digital media and platforms, its elements and their interaction for decision-making, and communication between brands and customers.
  - **Finance for non-financial professionals in the industry:** A diploma course offered by the *Tecnológico de Monterrey,* teaches concepts and tools for planning and financial management to gather helpful information that allows analysis for economic-financial decision-making in the Company.
    - **Boss to coach 1:** Course offered by Gallup, provides tools to leaders of people and teams to overcome expectations and changes within their work environment through coaching based on strengths, commitment, and performance-oriented, seeking greater productivity and well-being in employees.
    - **Diploma in instructional design for e-learning courses**: Offered by *Universidad Anáhuac,* it teaches the instructional design model, the latest trends in content, activities, and evaluation methods and how to design online courses.
  - **Brand Management Course**: Offered by *Tecnológico de Monterrey,* this program provides different strategies to improve brand development and management to achieve a competitive advantage in the market.
  - **UX-PM Certification:** Granted by *Usaria* and supported by the UX Alliance, this certification program promotes a user-centered approach to product and service design, and integrates UX tools and methods to improve product quality and efficiency, considering business vision and performance indicators.



Transition programs

We have a talent outplacement program to support the integration of our Ambassadors into the workforce after leaving our organization or transitioning to retirement: This program includes:

- Pre-retirement planning for those planning to retire.
- Ongoing training for those who plan to continue working.
- Job search services.
- Assistance with the transition to a life without work.

Corporate volunteering

In 2021, we diversified the modalities of our corporate volunteering, aligning it to the new work modalities, on-site, and remote to aim that more Ambassadors can participate in volunteering activities.

The pillars of our corporate volunteering are:

- **Corporate volunteering:** Each Company team participates on at least one volunteer event a year to deliver food in hospitals, activities with children with a terminal illnesses, among others.
- **Volunteering at main destinations:** Two volunteering events are held at each HUB: MEX, GDL, CUN, MTY, and SJO, such as the release of turtles, activities with terminally ill children, and visits to hospitals.
- **Fulfillment of dreams:** Crews fulfilling the last dreams of children with terminal illnesses, with different activities, such as trips to the beach and to theme parks.
- **Remote volunteering:** Activities with different foundations and NGOs, such as webinars/talks, educational workshops, and charity collections.

Therefore, the number of volunteers and the number of activities during 2021 were as follows:

Result Of The Period	Metric	Jan	Feb	Mar	Apr	May	Jun	Comments
Corporate volunteer hours	Hours	8	29	-	6	4	2	No volunteer activities were carried out from 3Q due to pandemic issues and the program strategy
Value generated through corporate volunteering	Ps.	1,858.24	6,736.12	-	1,393.68	929.12	-	

Indicator	Metric	Total 1Q	Total 2Q	Total 2021[18]
Corporate volunteer hours	Hours	37	10	**47**
Value generated through corporate volunteering	Ps.	8,594.36	2,322.80	**10,917.16**
Volunteers (manpower in No. of Ambassadors)	Headcount	12	4	**17**
Volunteering activities	# activities	4	4	**8**

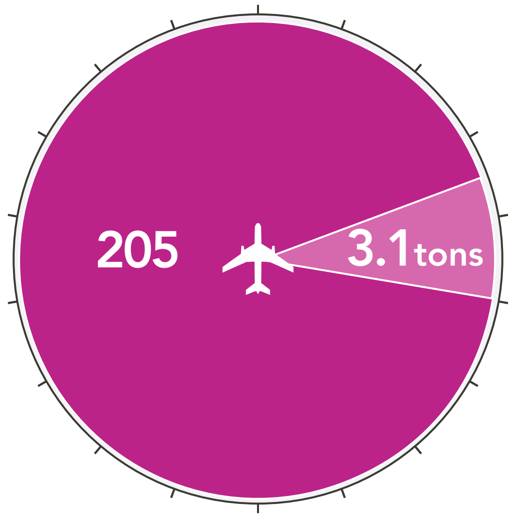
18. No volunteering activities were conducted during the second half of 2021 due to pandemic restrictions.

In adittion, through our *Avión Ayuda Volaris* Program, we donated tickets to our strategic allies:

- Flight tickets
- Cargo (humanitarian aid)

Value generated through tickets and cargo donations: Ps.1,365,533.78

Total donated tickets and cargo in 2021



Our *Avión Ayuda Volaris* Program is one of the initiatives that creates value for society in the communities where we operate. Through our operations and the largest route network in Mexico, we transport by air, safely and efficiently, humanitarian aid, organs and tissues for transplant purposes, medical personnel, volunteers, patients, and people who are in some vulnerable situation due to: Natural disasters emergencies, humanitarian / migratory crises, health emergencies, emergencies and medical treatments, as well as to fulfill dreams.

The pillars that comprise the *Avión Ayuda Volaris* Program are:

1 Support in natural disaster emergencies / civil protection

2 Organs and tissues transportation for transplant purposes

3 Support in emergencies and medical treatments

4 Support in health crises

5 Making wishes come true programs

6 *Reuniendo Familias* program

Compensation and benefits

Volaris Ambassadors' compensation seeks to maximize value for our Ambassadors, customers, and shareholders. Our General Compensation Policy and derived policies are closely linked and aligned with Volaris' strategy, mission, vision, and practices, establishing the guidelines for defining and developing the compensation strategy at the different levels within the Company.

First, we seek to offer equitable and fair compensation, without discrimination and comparable to the duties, responsibilities, complexity, and contribution of each role to the results of the organization. Secondly, we aim to offer competitive compensation by participating in various salary surveys to benchmark our total compensation levels against the market and thus ensure that we implement best practices in this area.

The total compensation includes their salary and an "emotional salary". The latter understood as the Ambassador's growth, development, working environment and conditions, and, overall, their experience at Volaris, which constitute the strongest link between the Ambassador and the Company.

We have a competitive salary and benefits plan. The lowest-paid position at Volaris is 165% above the minimum wage and we work to ensure equal pay for equal work in all our roles.

The ratio of fixed monthly compensation of women vs. men by level is as follows:

Executive level[19]

Level	Ratio
C´Suite	N/A*
Directors	1.08
Senior managers	1.05
Manager level	0.97
No manager level	0.97
Pilots	0.82
Flight attendants	0.99
Maintenance staff	0.86
Airports	1

19. Includes C´Suite, Directors, and Senior Managers
*N/A: We do not have women in the C´Suite

In addition, we offer the following benefits to our Ambassadors:

- Major medical expense insurance for the Ambassadors and their immediate family
- Life insurance for natural or accidental death
- Long-term and performance bonus
- Long-term Incentives Plan
- Vacation payment
- Electronic coupons for groceries for unionized Ambassadors
- Vehicle allocation plan for Vice Presidents, Directors, and Sr. Managers
- Preventive medical check-up plan
- Retention and attraction bonus
- Additional vacation days than those established by Law
- Higher end of year bonus than established by Law
- Training programs
- Development and growth programs for Ambassadors
- December Overnight Program for Crew Members
- Maternity and paternity leave- ten days, breastfeeding rooms, special breastfeeding hours, and agreements with daycare centers
- Administrative or unionized passes (flight tickets)
- Home office and flexible schedule for administrative Ambassadors

Freedom of association and collective bargaining

At Volaris, we seek to protect the rights of all our Ambassadors, including the right to free association and collective bargaining. Consequently, we maintain strong relationships with our Union. In 2021 81% of Volaris Ambassadors are members of the Union of Workers of the Aeronautical, Communications, Similar and Related Industries of the Mexican Republic (STIA).

In 2021, working hand in glove with our Union, we achieved:

Chart 18. Unionized Ambassadors by trade

Collective bargaining	
Number of unionized Ambassadors	5,464
Percentage of unionized Ambassadors	81%
Number of Ambassadors unionized at airports	983
Number of Ambassadors unionized in maintenance	338
Number of pilots unionized	1,453
Number of flight attendants unionized	2,690

- Continue with the biosecurity protocol against COVID-19, with a drastic decrease of infections among the Ambassadors (0 hospitalizations and 0 fatalities).
- Coordinate with the Ambassadors and the STIA, the full reactivation of our operations after the pandemic; achieving an outstanding recovery in the industry.
- Execute the safe operation of more than 100 aircraft.
- Ensure the firm growth projected for more aircraft and routes.
- Greater presence and contact of the STIA with all the Ambassadors and complying with all the Reforms in Trade Union Labor matters.
- Ensure a stable and productive environment for the current operation and projected growth.

Occupational health and safety

At Volaris, we want all our Ambassadors to have safe workplaces and permanently protect their health, especially in the face of health crises such as the one we are experiencing due to the COVID-19 pandemic.

That is why we have an **Occupational Health and Safety Plan,** which is updated annually and is part of our System that bears the same name. In addition, both are aligned with the applicable health and safety regulations of the Ministry of Labor and Social Security, Mexican Social Security Institute, Ministry of Health, Federal Civil Aviation Agency, Ministry of Infrastructure, Communications, and Transportation, and the Coordination for Civil Protection. The regulations with which we comply with are:

- **NOM-030-STPS-2009:** Preventive Services of Health and Safety at Work by complying with the requirements of this standard, we identify dangerous physical conditions that constitute risks; physical, chemical, and biological elements capable of altering the environmental conditions of the workplace and causing harm to Ambassadors' health; latent risks and regulatory requirements in these matters.
- **NOM-035-STPS-2018,** Psychosocial Risk Factors in the Workplace. This standard establishes the ways to identify, analyze and prevent psychosocial risk factors, which are defined as those that can cause non-organic anxiety disorders of the sleep-wake cycle and severe and adaptive stress.

In 2021, we complied with all inspections by our regulators without any fines, thanks to our robust internal processes.

Currently, our System covers 100% of our Ambassadors and is audited annually to evaluate the level of compliance in each work center. To improve our Occupational Health and Safety System, we constantly seek to innovate our activities with the different guilds, while encouraging our Ambassadors to actively participate. We also have processes to support their participation and consultation through an internal communication system. We consider the needs and concerns of our Ambassadors, and our current operating environment to implement improvement plans and programs.

In 2021, 3,509 Ambassadors received medical care for various illnesses through our medical service.

In addition, we have an Occupational Risk and Disability Management procedure. Annually, we conduct a statistical analysis of occupational risks, considering the severity of injuries that our Ambassadors may suffer in their workplaces, as well as the total number of days they use for recovery. Based on this information, we are working on a matrix to analyze occupational accidents.

In 2021, we had 43 safety and hygiene commissions in our work centers and an emergency brigade in each work center, adding a total of 400 brigade members in the Company.

Annually, we prepare an annual diagnosis based on NOM-030-STPS, on Preventive Services of Health and Safety at Work – Functions and Activities, which considers activities undertaken to minimize risks such as environmental studies, the use of personal protective equipment, workplace tours, and health and safety commissions, among others.

In addition, Volaris has a Health and Safety Committee for each work center, which meets quarterly to identify risks, and hazards and evaluate accidents, if they have occurred. They are composed of a coordinator, a secretary, and two members, who identify the hazards to which the Ambassadors are exposed, to define mitigating plans to reduce risk.

Likewise, every two years we conduct environmental studies to determine the risks (noise, exposure to chemical substances, and lighting) to which the Ambassadors are exposed according to their duties. We also perform an analysis to eliminate hazards and minimize risks, substituting, implementing, warning, and providing personal protective equipment, according to the possible risks to which Ambassadors and external personnel are exposed.

If an Ambassador wants to report a possible occupational hazard, they can use the Volaris Ethics Line to file a report. Likewise, if an Ambassador wishes to withdraw from a work situation that them considered dangerous, they may apply the Volaris Son-Grandparent Policy, to report the situation to the head of his or her immediate report.

Our work incident investigation process is as follows:

- **Accident investigation.** We collect information through the accident/ incident investigation form to identify occurrences and define corrective actions.
- **Measures to be implemented.** At the end of the investigation, the result is reported to the area and preventive measures are to be implemented

In 2021, we identified 90 occupational risks.

To evaluate potential work accidents, we implement the following steps:

- **Inspection and monitoring** of occupational accidents by Human Resources.
- **Accident mitigation efforts** through the completion and delivery of the ST-7 form to the *IMSS*.
- **Accident assessment** when the information is received and turned to the occupational health and industrial safety departments for follow-up purposes.

In 2021, 516 monthly checks of fire extinguishers, 129 quarterly checks of electrical installations, and 258 semi-annual checks of smoke detectors in work centers were carried out. With these we complied with NOM-002-STPS-2010.

Chart 19. Work accidents

	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Total number of accidents (A)	51	136	31	73	36	75
Total hours worked (B)	7,325,888	6,036,816	6,875,728	5,605,552	8,858,672	7,395,152
Accident Frequency Rate (AFR) = (A/B)X 200,000	1.3923	4.5057	0.9017	2.6046	0.8128	2.0284

In 2021, we had no serious occupational accidents and no occupational fatalities.

Chart 20. Occupational diseases

	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Number of occupational illnesses (A)	3	1	1	3	2	4
Total hours worked (B)	7,325,888	6,036,816	6,875,728	5,605,552	8,858,672	7,395,152
Occupational Disease Incidence Rate (OIR) = (A/B)X 200,000	0.0819013	0.033130047	0.029087829	0.107036738	0.045153495	0.10817898

Chart 21. Days lost due to disability

	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Total number of days lost(A)	1,231	3,637	827	1,082	47	120
Total hours worked (B)	7,325,888	6,036,816	6,875,728	5,605,552	8,858,672	7,395,152
Lost days rate (TDP) = (A/B)X 200,000	33.6068	120.4940	24.0556	38.6046	1.0611	3.2454

Chart 22. Absenteeism rate

	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Total number of days lost (due to absence) during the period (A)	2,152	2,652	1,707	2,884	2,545	4,019
Total number of days worked by the entire workforce during the same period (B)	915,736	754,602	859,466	700,694	1,102,950	924,394
Absenteeism rate (TAL) = (A/B)X 200,000	470.004	702.887	397.223	823.184	461.490	869.543

In connection with the staggered return to offices due to the COVID-19 pandemic and to continue protecting our Ambassadors from the disease, manuals on "the new normal" were created. The objective of these manuals is to provide Ambassadors with the necessary information on the measures and rules established for coexistence in the offices, such as social distance, staggered hours, delivery and use of masks, cleaning stations, COVID-19 tests, among other.

Finally, to further address the COVID-19 pandemic, in 2021, **we established a vaccination program for our Ambassadors.** With this program, we seek to protect the health of our employees and our customers, while at the same time avoiding significant disruptions in our operations due to staff shortages resulting from COVID-19 outbreaks within our staff. The program consisted of scheduling flights so that our Ambassadors and their families could attend a vaccination center where vaccines were available.

FROM
Being **Volaris** means:

TO
The pride of flying **as one family**

NAME
Our Ambassadors

CHAPTER
05E

GRI
3-3, 403-3, 403-6

SDGS

In 2021, we operated 5 charter flights, through which we supported 607 Ambassadors and 154 family members so that they had access to vaccination against COVID-19, that is, a total of 761 people benefited.

Additionally, transportation was managed for 98 more Ambassadors on 8 commercial flights.

Likewise, during the year, we implemented 16,500 COVID-19 tests in all our work centers on a weekly basis, to timely detect the disease and prevent additional infections

During 2021, we administered 2,106 flu vaccines.

By the end of 2021, 99% of our Ambassadors were fully vaccinated against COVID-19.

06

FROM

Being **Volaris** means:

TO

Take actions to reach **a better destination**

CHAPTER **06**

PAGE 98

Our climate change strategy

GRI

2-27, 3-3, 302-1, 201-2, 302-4, 305-1, 305-2, 305-4, 305-5, 306-1, 306-2, 306-3, 306-4, 306-5,

SASB

TR-AL-110a.1, TR-AL-110a.2, TR-AL-110a.3

SDGs

3, 7, 8, 11, 12, 13, 16

FROM
Being **Volaris** means:

TO
Take actions to reach **a better destination**

NAME
Our climate change strategy

CHAPTER
06

GRI
201-2, 3-3

SASB
TR-AL-110a.2

SDGs

Our climate **change strategy**

The post-COVID-19 period will be marked by a transition towards the general reduction of polluting emissions. Cognizant that our main environmental impact stems from air pollution produced by air transport operations for people, cargo, and mail. We have turned those problems into strengths by pairing our operational efficiency goals with our efforts to reduce aircraft fuel consumption.

"Airlines worldwide have made a momentous decision to ensure that flying is sustainable."

William Walsh, **Chief Executive Officer of IATA**

At Volaris, we are committed to protecting the planet while being the largest airline in Mexico in terms of passengers transported and one of the fastest-growing airlines in the Americas. We strive to meet the expectations of our stakeholders to provide safe, reliable, efficient, cost-effective air transportation that responds to the United Nations 2030 Agenda for Sustainable Development and the industry commitments we have adopted to care for the planet. That is why we have a business model and a corporate sustainability strategy that contribute directly to building a sustainable company.

Our Integrated Environmental Protection Policy establishes the actions and initiatives (environmental programs) that we carry out at Volaris, with the objectives of contributing to the reduction of CO_2 emissions from our operations, positioning Volaris in the future as the "greenest airline" in Mexico and, recently, committing to collaborating for the decarbonization of industry by 2050.

Likewise, at Volaris, we are aware of the importance of identifying, analyzing, monitoring, and implementing actons to manage risks related to climate change throughout the organization, as well as developing strategies to take advantage of the opportunities arising from these risks.

In 2021, we joined the global IATA initiative *"Fly Net Zero,"* which aims for the entire aviation industry value chain to work together to decarbonize the industry by 2050.

Our Integrated Environmental Protection Policy consists of the following environmental programs:

1. **Fuel Saving Program.** Through this Program, we ensure that we carry out actions that allow us to efficiently manage fuel consumption to reduce polluting emissions from our operations
2. **#CielitoLimpio Carbon Emissions Offset Program.** Our customers can voluntarely offset part of their trips' environmental footprint throught this program
3. **Hazardous and non-hazardous waste management, and recycling programs.** Through the actions that make up these programs, we intent to reduce waste generation, correctly dispose of the waste we generate at Volaris, comply with the applicable regulations in this area, and recycle some of this waste for the benefit of the planet
4. **Reduction of Electricity Consumption Program.** Through this Program, we carry out the necessary actions to reduce the consumption of electricity used in our workplaces

In 2021, our environmental programs and specific departments[20] were certified under ISO 9001 and 14001.

Likewise, at Volaris, we take great care to ensure compliance with applicable environmental regulations in all our operations. **For this reason, in 2021, we did not receive any sanctions or fines related to non-compliance with environmental legislation.**

Our actions in favor of the environment are concentrated in the following diagram:

Acquisition of the youngest fleet with the best technology:

- Our 101 aircraft have, in average, 5.4 years
- In 2028, 100% of the fleet is expected to be NEO and equipped with sharklets
- Our P&W GTF engines reduce fuel annual consumption by up to 15%, 5,000t less CO_2, 50% less Nox, and 75% of sound footprint

In flight optimization

- Flight plans designed to minimize navigation miles
- Reduction of ballast fuel weight
- Machine learning software to brief pilots on personal performance and potential fuel savings
- Management on route, applying green operation procedures at all time

Reduction on Auxiliary Power Unit usage (APU)

- Aircraft APU are inneficient in comparisson with Ground Power Units (GPU)
- An investment of USD$5M from 2019 thru 2021, allowed us to sustitute APUs usage by more GPUs
- In 2021, we reduced APU usage by 14.3%, in comparisson to 2020

Airplanes with higher seat configuration to transport more people in a single flight and reduce the number of unnecessary operations

Reduction in on-board weight to reduce fuel consumption and generate less CO_2 emissions:

- Lighter trolleys
- Lighter seats
- Elimination of unnecessary on-board weight such as magazines, screens, physical manuals, etc.

ISO 9001 and 14001 Certification of our environmental programs

Handling of hazardous and non-hazardous waste

Paperless policy

Reduction in electricity consumption

#cielitolimpio

#CielitoLimpio Carbon Emissions Offset Program

Volaris' goal for 2030: reduce our CO_2 emissions by 35.4% gCO_2/RPK vs. 2015

20. See ISO 9001/14001 Certifications Scope at the end of this chapter.

Environmental management

The management and continuous improvement of our environmental programs are carried out through the work of our *Green Team Working Group*. This working group comprises a multidisciplinary team specialized in the traceability, monitoring, and continuous improvement of the processes certified by the ISOs mentioned above. This multidisciplinary group is coordinated by the Operations Engineering area and integrated by the areas of Dispatch, Crisis Management, Fuel, Industrial Safety, Sustainability, Flight Operations, Cargo Operations, Flight Operations Engineering, Procedures and Standards Engineering, Real Estate Planning, and Crew Control.

Among their main functions are the following:

1. Define environmental objectives, goals, and programs that allow us to comply with the Integrated Policy
2. Propose improvements to the implementation of environmental programs and review their results
3. Identify and evaluate significant environmental aspects of the Company
4. Pursue the necessary resources for environmental programs that contribute to improving environmental conditions
5. Monitor the degree of progress or performance of monitoring and evaluation programs

Fuel Saving Program

To efficiently manage our fuel consumption, which is the highest cost for our airline and the most critical negative externality of Volaris, when measured by emissions generated by burning fossil fuels, since 2015 we have implemented a Fuel Saving Program, which is composed of the following actions:

1. Fleet renewal and investment in the best technology. We reduced our fuel consumption and protected the environment by acquiring the youngest fleet in the market. The advantage of having a young fleet is that our planes have the best existing technology on the market, supporting efficient fuel consumption. In 2021, the average age of our fleet was 5.4 years.

By the end of 2021, our fleet consisted of 101 Airbus A320 Family aircraft, 15 more than in 2020, with an average of 187 seats per aircraft. In this way we take full advantage of the capacity of our aircraft to transport more people on a single flight and eliminate unnecessary trips.

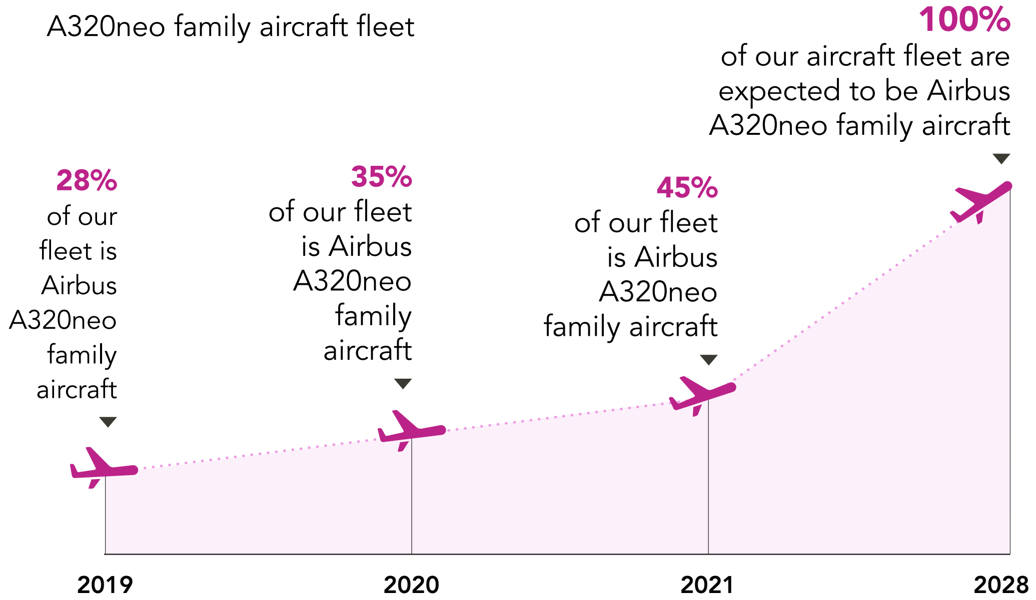
Our new fleet acquisition plan contemplates Airbus A320neo and A321neo family aircraft. As of December 31st, 45% of our fleet is powered by NEO engines[21], which are more eco-efficient, reducing annual fuel consumption by as much as 15%, which translates into 5,000 fewer CO_2 emissions; they also minimize nitrogen oxide emissions against CEO engines by 50%, and reduce the sound footprint by 75%, compared to previous engines. In addition, 82% of our fleet is equipped with sharklets, aerodynamic devices that reduce fuel consumption by approximately 4% and reduce CO_2 emissions by about 18,000 tons, against aircraft without this technology.

21. NEO provides minimum change with maximum benefit through the availability of two advanced engine choices. Together, they bring per-seat fuel improvements of 20%, along with additional range of up to 500nm or two tonnes of extra payload.

"We are proud that our efforts towards a more sustainable industry are being recognized. We will continue to implement a long-term vision and focus on timely actions for the immediate future. Keeping our fleet young and maintaining the best engine technology allows us to be profitable and on the road to sustainability."

Enrique Beltranena,
President and Chief Executive Officer

Where we are headed - Aircraft fleet



2. Optimization of routes and implementation of fuel-saving techniques

Our business model allows us to operate point-to-point routes, i.e., we do not have to go to a hub on every flight, which will enable us to avoid stopovers and thus reduce our fossil fuel consumption.

In addition, in 2021, we used aircraft APU[22], approximately 37.2 minutes per operation, equivalent to a reduction of 14.3%, compared to 43.4 minutes per operation in 2020. This, in turn, is equivalent to saving 653,279 gallons of fuel consumed.

Furthermore, in 2021, we continued with the efficiency in the necessary fuel load per flight, resulting in less ballast weight and consumption. For each flight, we reduced 156 kg of ballast, equivalent to an annual saving in fuel consumption of 464,113 gallons.

3. On-board weight reduction

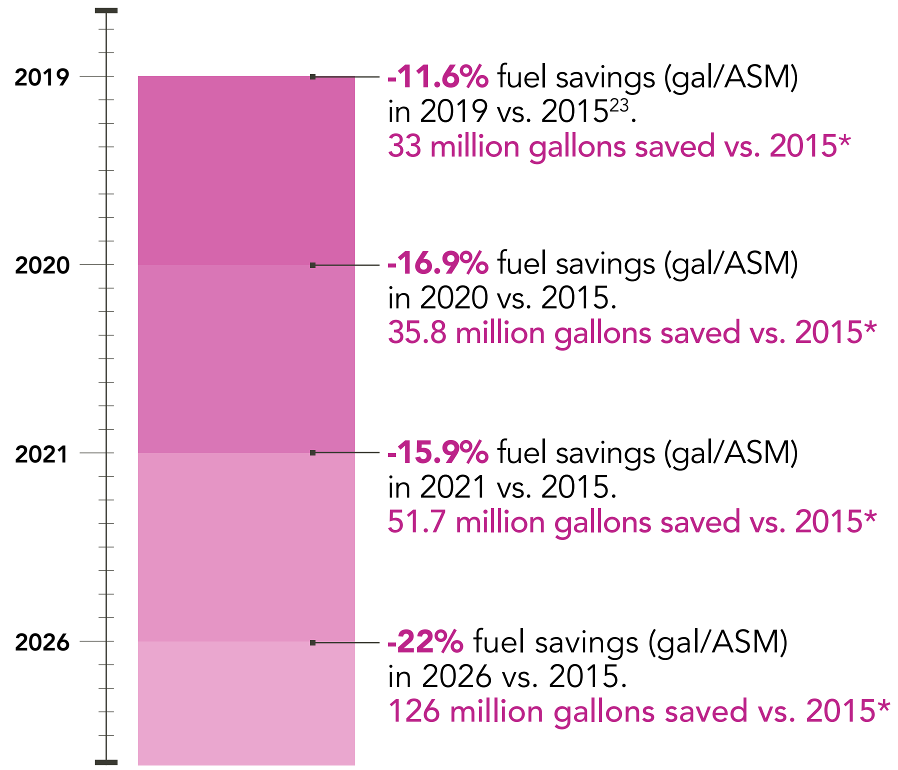
We have restructured the supply and management of our on-board services, reducing the number of products with lower demand and cutting additional weight. We have also acquired super-lightweight trolleys or on-board service carts, reducing their weight by 25% compared to previous models. In 2021, we received 140 carts of this type, which resulted in fuel savings of approximately +1,600 CO_2 tons in 2021, compared to the approximately +1,000 CO_2 tons in 2020. **Fuel cost savings were Ps.7.1 million.**

We will have also implemented *Recaro* seat models for 80 aircraft, which are 30% lighter, saving approximately 32,000 gallons of fuel.

These will be installed between 2023 and 2028.

Finally, we have implemented initiatives to reduce weight and fuel consumption by removing unnecessary items from our aircraft, such as printed magazines and manuals, galleys, screens, and other things.

Where we are headed - fuel savings



22. APU on an aircraft, used to provide electrical and pneumatic power to aircraft systems during ground operations.
23. In 2015 our fleet began to be replaced by Airbus A320NEO and A321NEO Family aircraft. That is why 2015 is used as a baseline.

Chart 23. Fuel types

Fuel types	2019	2020	2021
Jet fuel (tons)	779,669.90	547,187.90	849,238.81
Gasoline (liters)	261,915.97	186.565.04	254,503.62
Diesel (liters)	119,891.60	79,523.49	26,597.38
Total (GJ)	**33,382,524.82**	**23,428,460.29**	**36,356,736.88**

Note: The conversion factor to transform gasoline liters into Megajoules is 33.14 MJ/L

Note: The conversion factor to transform liters of diesel into Megajoules is 37.68 MJ/L

(Source: Adapted from the 2021 list of fuels to be considered to identify users with a high consumption pattern, as well as factors to determine equivalences in terms of barrels of oil equivalent.)

Note: The conversion factor for transforming kilograms of Jet Fuel into Megajoules is 42.8 MJ/kg

(Source: Table 8.- Jet Fuel Specifications (Jet Fuel A1) https://www.dof.gob.mx/nota_detalle_popup.php?codigo=5447822

Chart 24. Fuel types

Unit– gal/ASM	2019	2020	2021
Jet fuel[24] flight operation	10.07	9.49	9.59
Jet fuel land + flight operation	10.26	9.65	9.76

Unit gal/operation	2019	2020	2021
Gasoline	0.51	0.51	0.45
Diesel	0.22	0.14	0.04

In 2021, we continued our trend of reducing our unitary fuel burn.

On top of our decreasing jet fuel burn trend, by moving from diesel ground transportation into hybrid vehicles, we reduced unitary gasoline burn by 12.7% and unitary diesel burn by 67.5%, compared to 2020

Photo by Kevin Díaz @kilodelta21
Carlos Sandoval @CSDrones

Emissions

At Volaris, we understand that transportation is responsible for approximately 2% of carbon emissions worldwide and we are taking steps to decrease our impact. We are committed to implementing actions in favor of sustainable air transportation and reducing our CO_2/RPK emissions.

In 2021, based on our emissions reduction targets, we are committed to reducing our CO_2 emission by 35.4% gCO_2/RPK by 2030 vs. 2015, using our KPI for the issuance of asset-backed trust notes linked to sustainability.

24. It is a fuel used to operate airplane and helicopter turbines.

Our CO_2 emissions figures are as follows:

Chart 25. Direct carbon emissions (Scope 1)

	2019	2020	2021
Scope 1	2,464,765-ton CO_2	1,729,785-ton CO_2	2,684,278.35 ton CO_2
Scope 2	335.05-ton CO_2	286.00-ton CO_2	257.70-ton CO_2

Direct emissions – Flight operations (Scope 1)		
Process	**Source**	**2021 (ton CO_2 eq.)**
Jet fuel - Flight Operation	Mobile	2,644 018.75
TOTAL		**2,644,018.75 ton CO_2**

Direct emissions – Land operations (Scope 1)		
Process	**Source**	**2021 (ton CO_2 eq.)**
Jet fuel - Land Operation (APU)	Mobile	39,575.90
Operation of land vehicles (diesel)	Mobile	75.40
Operation of land vehicles (gasoline)	Mobile	608.30
TOTAL		**40,259.6 ton CO_2**

It is essential to consider that the increase in direct carbon emissions, mainly associated with jet fuel consumption, is due to the increase in the fleet size (with the incorporation of 15 new aircraft) in 2021. However, our energy-efficient new aircraft seek to progressively reduce the consumption of direct carbon emissions. Likewise, our indirect emissions (Scope 2) have been reduced by 3.84%.

Chart 26. Indirect carbon emissions (Scope 2)

Indirect emissions (Scope 2)				
Source of electric energy	**Uses**	**2019 (ton CO_2 eq.)**	**2020 (ton CO_2 eq.)**	**2021 (ton CO_2 eq.)**
Electric energy consume	Office	335.05	286	257.70
TOTAL		**335.05 ton CO_2**	**286 ton CO_2**	**257.70 ton CO_2**

Note: The calculation formulas were used in accordance with the provisions of Annex 16, Volume IV of the Chicago Convention (ICAO), Mandatory Circular CO AV 16.5/18, issued by the Federal Civil Aviation Agency (AFAC) and general Law on Climate Change and its Regulations (Mexico). The Global Warming Potentials (GWP) used were as follows: CO_2 GWP = 1; CH4 PCG = 21 and N2O PCG = 310.

(Source: National and international emissions report required by AFAC, CORSIA emissions report 2019, 2020 and calculation for 2021, required by AFAC and COA-RENE emissions report 2019, 2020 and calculation for 2021, Required by SEMARNAT.)

Where we are headed - Emissions

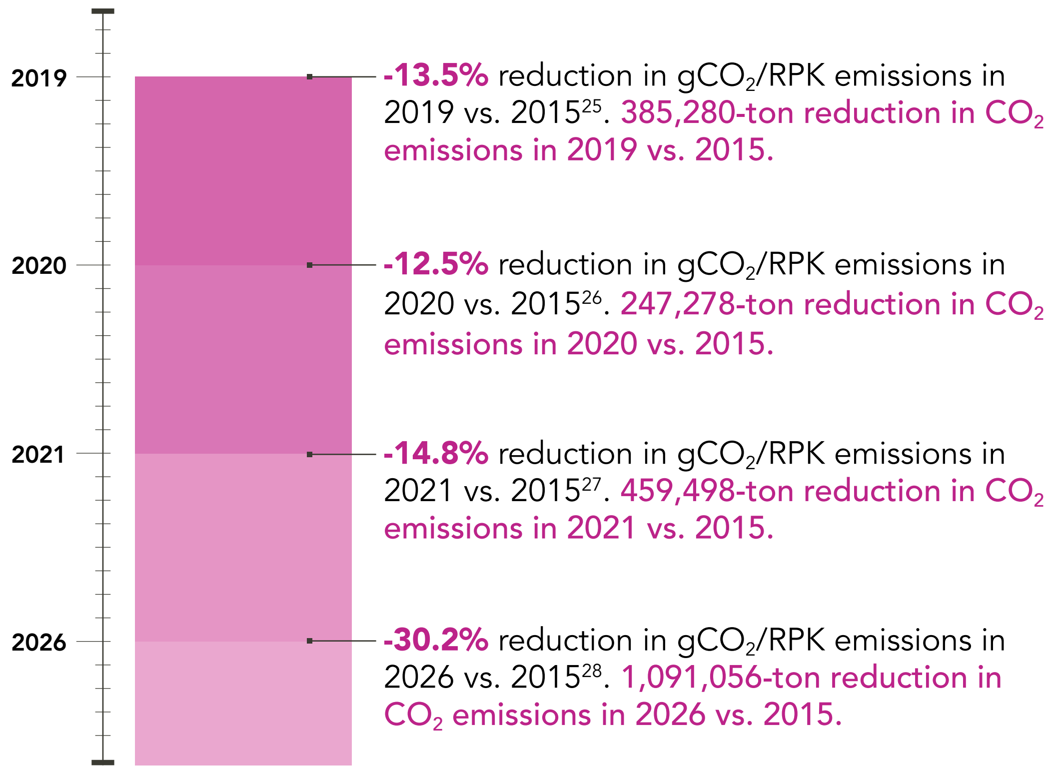


Chart 27. Performance ratio of emissions generated (gCO_2/RPK)

	2019	2020	2021
Volaris Group	76.35	83.86	74.63

Use of Sustainable Aviation Fuel (SAF)

At Volaris, our path towards achieving aviation's ambitious climate goals depends, to a great extent, on the actions of the rest of the members of our value chain and of the industry, the new climate change developments, fleet technology and operational initiatives for fuel reduction, increased use of biofuels and SAF.

Currently, these types of alternative fuels are not available at scale or at competitive prices to replace fossil jet fuel, i.e., the supply of SAF in the jet fuel market is limited in the countries where we operate and, in general, only contributes to less than 1% of global commercial aviation fuel use. Moreover, the additional costs of this solution in its initial stage are high, and we cannot predict the long-term financial impact of the increased use of SAF. Government policies and incentives are needed, as well as sufficient third-party investment in SAF to make their use in large quantities commercially and economically feasible for companies with business models such as ours. However, at Volaris, we are committed to closely following developments in this area and making the pertinent analysis for its use when feasible.

25. It was from 2015 that we started to replace our fleet with Airbus A320neo and A321neo Family aircraft. Therefore, that year is used as the baseline.
26. It was from 2015 that we started to replace our fleet with Airbus A320neo and A321neo Family aircraft. Therefore, that year is used as the baseline.
27. It was from 2015 that we started to replace our fleet with Airbus A320neo and A321neo Family aircraft. Therefore, that year is used as the baseline.
28. It was from 2015 that we started to replace our fleet with Airbus A320neo and A321neo Family aircraft. Therefore, that year is used as the baseline.

FROM
Being **Volaris** means:

TO
Take actions to reach **a better destination**

NAME
Our climate change strategy

CHAPTER
06D,E

GRI
302-1, 3-3

SASB
TR-AL-110a.1,
TR-AL-110a.2

SDGs

Electricity consumption

Concerning electricity consumption, we strive to reduce unnecessary energy use at our centers. To achieve this, we have carried out actions such as replacing light bulbs in corporate offices with energy-saving bulbs, turning off lights in unused work centers, and investing in electricity-saving technology. In 2021 electricity consumption in corporate offices and workplaces was 609,227 kWh, 5.23% more than in 2020, but lower than pre-pandemic 2018. 2020 was an anomaly as many of our employees worked remotely.

Chart 28. Reduction in electricity consumption[29]

Consumed electricity[30]

2019	2020	2021
663,537 kWh	578, 955 kWh	609,227 kWh
2,388.73 GJ	2,084.24 GJ	2,193.21 GJ

Note: The conversion factor used to transform kWh to GJ was 0.0036 GJ/kWh

29.. We did not consume electricity from renewable sources

30. Scope: Fixed sources– Offices and work centers

#cielitolimpio

Voluntary Carbon Emission Offset Program

Since 2015, we have provided our customers with the option to purchase *#CielitoLimpio*, an optional product through which they can neutralize part of the environmental footprint of their trips voluntarily. Thanks to these voluntary offsets, certified carbon credits are acquired from the Mexican Carbon Platform (MexiCO$_2$)[31], destined for developing environmental projects to neutralize carbon emissions in the atmosphere.

"Emissions offsetting occurs when a company or individual purchases carbon credits from a mitigation project, to compensate for the greenhouse gas emissions it generated in a certain period."[32]

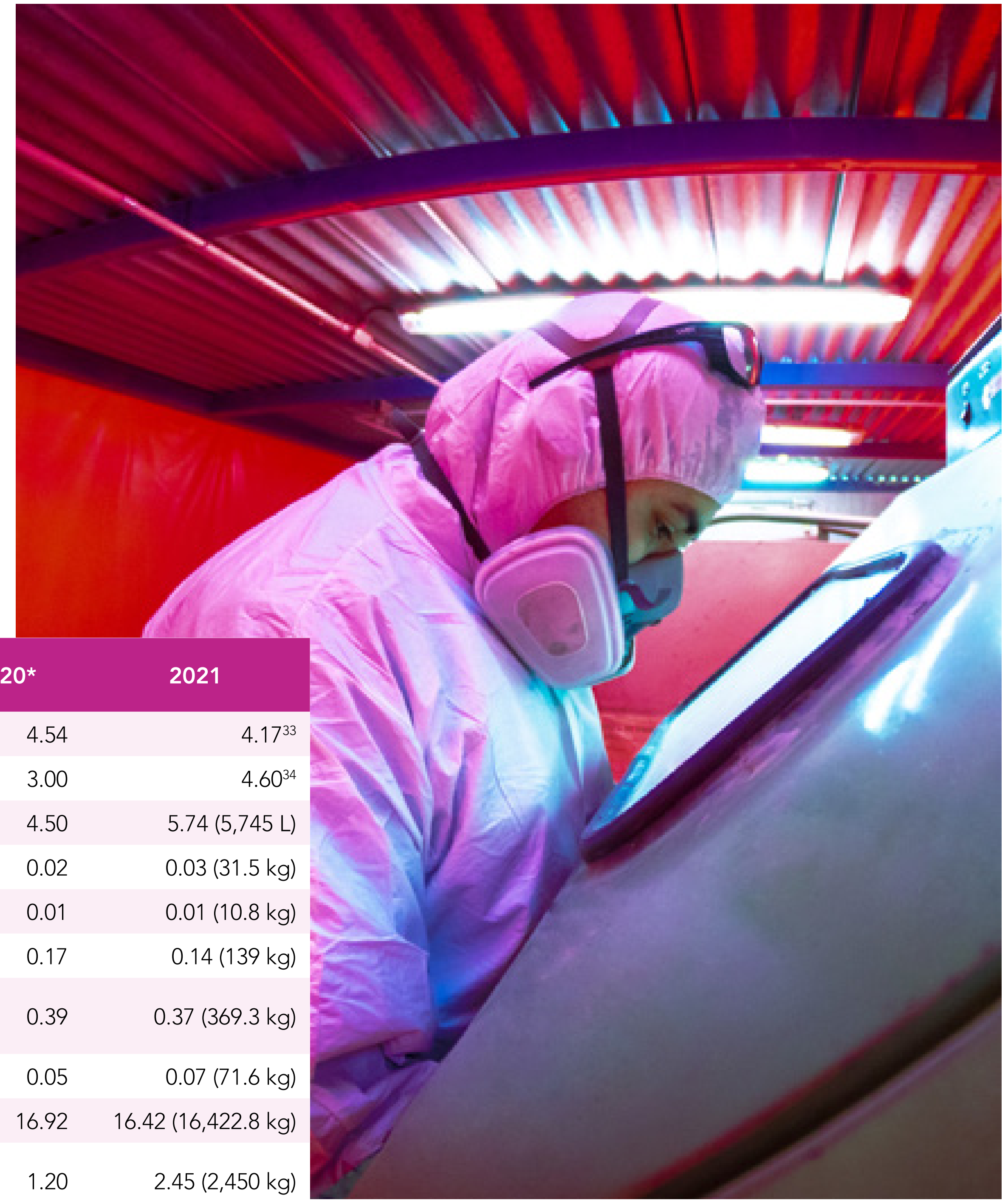
31. First environmental market platform in the country, which developed the "Voluntary Carbon Market (Carbon Offsets)" initiative in the environmental area, which seeks to support the public and private sector in adopting actions aimed at meeting the goals of reducing and mitigating carbon emissions.

32. https://www.mexico2.com.mx/medio-ambiente.php?id=6

Waste management

The Volaris Integrated Environmental Protection Policy is transversal. It involves different areas of the organization, which are committed to protecting the environment by reducing the generation of hazardous and non-hazardous waste and its proper management.

The information on the amount of hazardous waste generated comes from the following management documents: Procedure fo the management and disposal of hazardous waste, Decalogue of Waste and Proof of delivery of Annual Operating Certificate. Likewise, through the municipal solid waste management program, we quantify and identify non-hazardous waste with recycling capacity.



Hazardous waste management

The Company's hazardous waste generation and disposal procedures are detailed in the following table:

Chart 29. Generation and disposal of hazardous waste

Type	Origin	Impact on the environment	2019*	2020*	2021
Spent and/or contaminated oil	Aircraft maintenance	Soil and air pollution	3.63	4.54	4.17[33]
Hydraulic fluid	Aircraft maintenance		4.75	3.00	4.60[34]
Residual process liquid	Washing of parts		5.50	4.50	5.74 (5,745 L)
Expired medication	Medical office		0.02	0.02	0.03 (31.5 kg)
Sharp objects	Medical office		0.05	0.01	0.01 (10.8 kg)
Alkaline batteries (used, damaged)	Equipment maintenance		0.32	0.17	0.14 (139 kg)
Waste lighting fixtures (fluorescent lamps, ballasts, bulbs, spotlights, headlights)	Aircraft and facilities maintenance		0.71	0.39	0.37 (369.3 kg)
Non-anatomical waste	Medical office		0.12	0.05	0.07 (71.6 kg)
Solids impregnated with grease and/or oil (cans, rags, cardboard, jars, sand)	Aircraft maintenance		24.97	16.92	16.42 (16,422.8 kg)
Solids impregnated with solvents, paints, resins, sealants, corrosives, and anticorrosives (cans, rags, cardboard, jars, sand)	Aircraft maintenance		1.76	1.20	2.45 (2,450 kg)
Solids impregnated with Jet fuel (cans, rags, cardboard, jars, sand)	Aircraft maintenance		6.88	5.11	9.74 (9,736 kg)
Spent and/or contaminated solvent	Aircraft maintenance		3.42	2.56	2.15 (2,480 L)
Expired substances	SCRAP		0.56	2.03	2.54[35]
Contaminated Jet fuel	Aircraft maintenance		2.33	1.93	2.20 (2,750 L)
Cadmium/nickel batteries	Aircraft maintenance		0.00	0.11	0.00
Total			**55.02 ton**	**42.52 ton**	**50.63 ton**

***.** Ton
33. Equivalent to 2780 kg and 1560 liters.
34. Equivalent to 3200 kg and 1580 liters.
35. Equivalent to 2370 kg and 200 liters.

FROM
Being **Volaris** means:

TO
Take actions to reach **a better destination**

NAME
Our climate change strategy

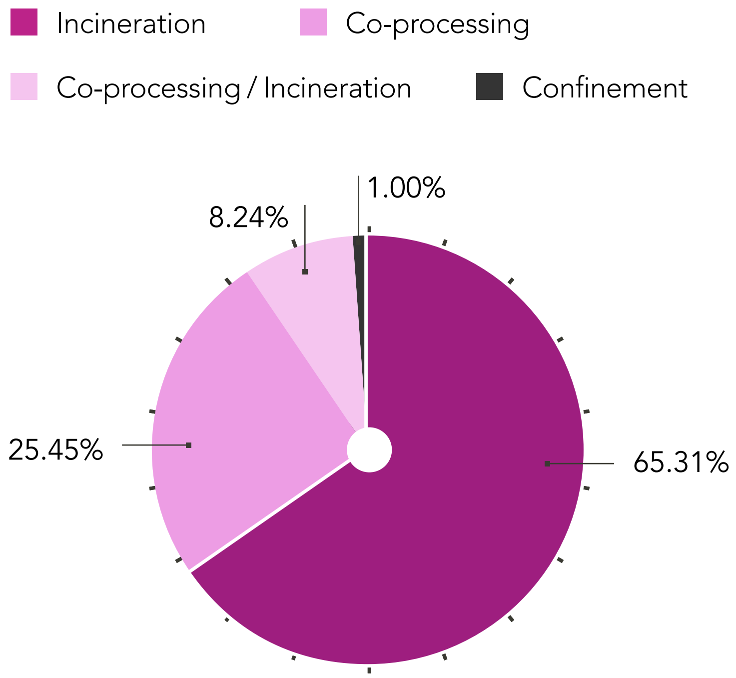
CHAPTER
06F

GRI
306-1, 306-2, 306-3, 306-4, 306-5, 3-3

SASB
TR-AL-110a.2

SDGs

Hazardous Waste Disposal



Non-hazardous (solid) waste management

Likewise, Volaris has solid waste management processes in the corporate offices, separating the waste into special containers.

Currently, solid waste management is carried out only at the corporate offices in Mexico City. However, our goal is to expand this program to our offices in the Mexico City International Airport, Tijuana, Cancun, Monterrey and Culiacan by the end of 2022.

Additionally, in 2021, we continued the transformation of our on-board service, using more environmentally friendly products.

We replaced 100% of the forks, napkins and stirrers we use with biodegradable materials to reduce our plastic waste.

We will review the possibility to eliminate all plastics in our on-board service and by 2022 and by 2023, to eradicate printed menus to save paper.

Regarding the waste we generate from marketing and advertising materials, 95% of the systems used for our marketing strategy are digital, such as screens, to avoid printing material for advertising campaigns. We have also migrated to digital media. In addition, we seek to ensure that all out printed advertising materials –banners, flyers, tents, inflatables, and posters, among others– are recyclable and are created using increasingly environmentally friendly materials.

Finally, at Volaris, we have a **Paperless Policy** in the corporate offices to reduce paper and ink consumption, ensuring that only the most essential documents are printed. Thereby, we seek to reduce paper consumption in the office, ink use, and energy consumption of printers, as well as contribute to the environment's protection. In 2021, we acquired 59 boxes of paper, equivalent to 1.6 tons for our corporate offices. **In 2021, we saved approximately 154.5 tons of paper by eliminating printed on-board magazines.**

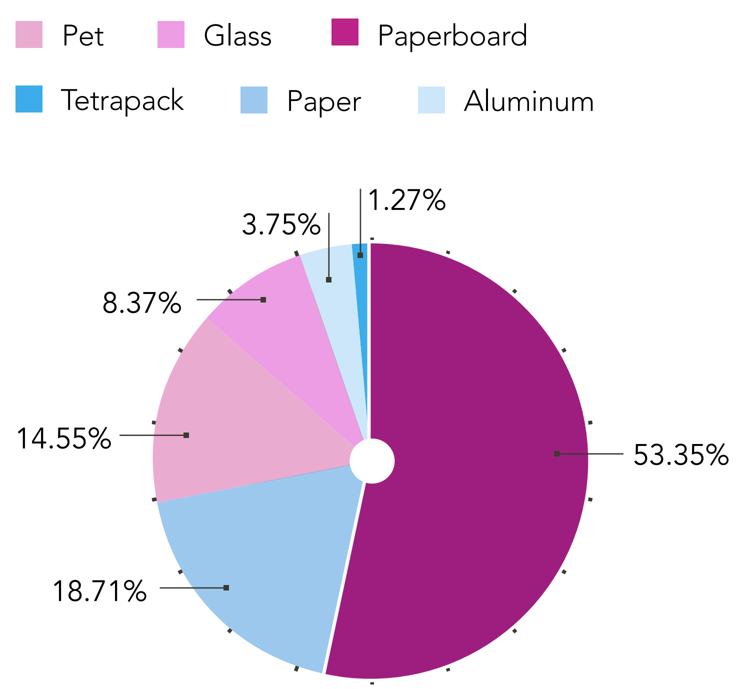
Paper consumption in corporate offices decreased from 2.59 tons reported in 2019 to 1.6 tons of paper consumed in 2021.

In 2022, we will review the possibility of implementing a process for managing the waste we generate on-board our aircraft in collaboration with other members of the aviation value chain, such as airports.

Recycling Program

At Volaris, we promote waste recycling as a first approach. That is why we carry out various actions, such as recycling solid waste generated in our corporate offices. In addition, in 2021, we obtained the On-Site recycling certificate, for our strong recycling practices.

Waste recycling[36]



36. The percentages presented were obtained considering a total of 1,393.60 tons of recycled waste in total for 2021.

The segregation and subsequent recycling of the different types of waste meant an income of Ps.1,569.75 for the organization.

In 2021, 3,982 kilograms of paper were safely destroyed and recycled, representing 68 trees saved, 105,521 liters of water preserved, and 6,331 liters of petroleum saved.

Compliance with environmental regulation

In 2021, we received no sanctions or fines related to non-compliance of environmental legislation.

Like many companies, climate change could significantly impact our business, including increased regulation and changes in consumer preferences. Costs related to non-compliance with existing or future regulations or compliance with stricter environmental regulations could adversely affect Volaris.

In addition to our firm commitement to the environment, we take special care to comply with applicable environmental regulations in all our operations. In Mexico, we emphasize our compliance with the General Law on Climate emissions (Scope 2) resulting from our operation, as well as the management of our hazardous waste, through the National Emissions Registry (RENE) of the Ministry of Environment and Natural Resources (SEMARNAT).

In addition, in Mexico, we comply with the Carbon Offset and Reduction Scheme for International Aviation (CORSIA) of the International Civil Aviation Organization (ICAO), as an effective measure to stabilize the industry's net (Scope 1) emissions, by reporting our international emissions to the Federal Civil Aviation Agency (AFAC), which also verifies the reported figures.

Comprehensive Policy

Volaris, as an ultra-low-cost airline dedicated to the air transport of passengers, cargo and mail, assumes a commitment to its customers, investors and other interested parties to comply with the applicable regulations and adopted standards (ISO 9001 / ISO 14001 / IOSA), through its Integrated Airline Management System (IAMS); to promote favorable aviation safety and security culture; as well as:

- Provide the necessary resources for the implementation of this policy and maintain continuous improvement of the Volaris organization, its IAMS and environmental performance.
- Regularly review this policy to ensure its continued relevance to the organization and support its strategic direction.
- Provide products and services that meet the requirements and expectations of our customers.
- Protect the environment and prevent pollution, measure and reduce our CO_2 emissions, properly manage the waste resulting from our activities, contribute to the protection of biodiversity and adapt to the effects of climate change.

Scope of the Certified Integrated Airline Management System (IAMS):

ISO 9001:2015: Includes the following processes: the Organization of the Operational Control Center (CCO), Crisis Management Department, Fuel Savings Program, Administrative Activities of the Corporate Offices (Ecological Offices), Emissions Monitoring, administrative procedures of the organization of Flight Attendants, Operations Engineering, Crew Planning, Cargo Operations and Pilot Training (all in their administrative phases).

ISO 14001:2015: It applies to the Organization of the Operational Control Center (CCO), Crisis Management Department, Fuel Savings Program, Administrative Activities of the Corporate Offices (Ecological Offices), and Emissions Monitoring processes.

IOSA Certification: It applies to all activities of flight operations, maintenance, training of technical personnel, operational safety, aviation security, cargo, and those contracted organizations that carry out activities related to flight operations, maintenance, and training of technical personnel aeronautics, safety, and aviation security of Volaris.

FROM
Being **Volaris** means:

TO
Be on-board to continue **growing together**

CHAPTER
07

PAGE
114

Our value chain

GRI
2-6,3-3,
204-1,
205-2,
308-1,
414-1

SDGs
5, 8, 9, 12, 13, 16, 17

Our value chain

The suppliers that are part of our value chain, and the solid relationship we build with them, are a fundamental part of Volaris' performance, growth, and sustainability. For example, during the crisis caused by the COVID-19 pandemic, our suppliers, and the trust they placed in us were crucial for the rapid recovery of the Company.

Today, we have a mutual commitment to act based on ethical principles within the legal framework and adapt to the sustainable development of our businesses.

In 2021, we had 2,970 suppliers, and 439 were new suppliers that year.

Our acquisition strategy aims to ensure the goods and services necessary for Volaris' operational continuity. In this sense, this strategy has the following priorities:

- Reduce costs and optimize resources, as well as maintain the highest standards of operational efficiency
- Responsible management of the supply chain
- Adopt transparency mechanisms in all procurement operations
- Develop a resilient team and supply chain
- Implement the Responsible Supply Chain Management Program based on international standards and indicators

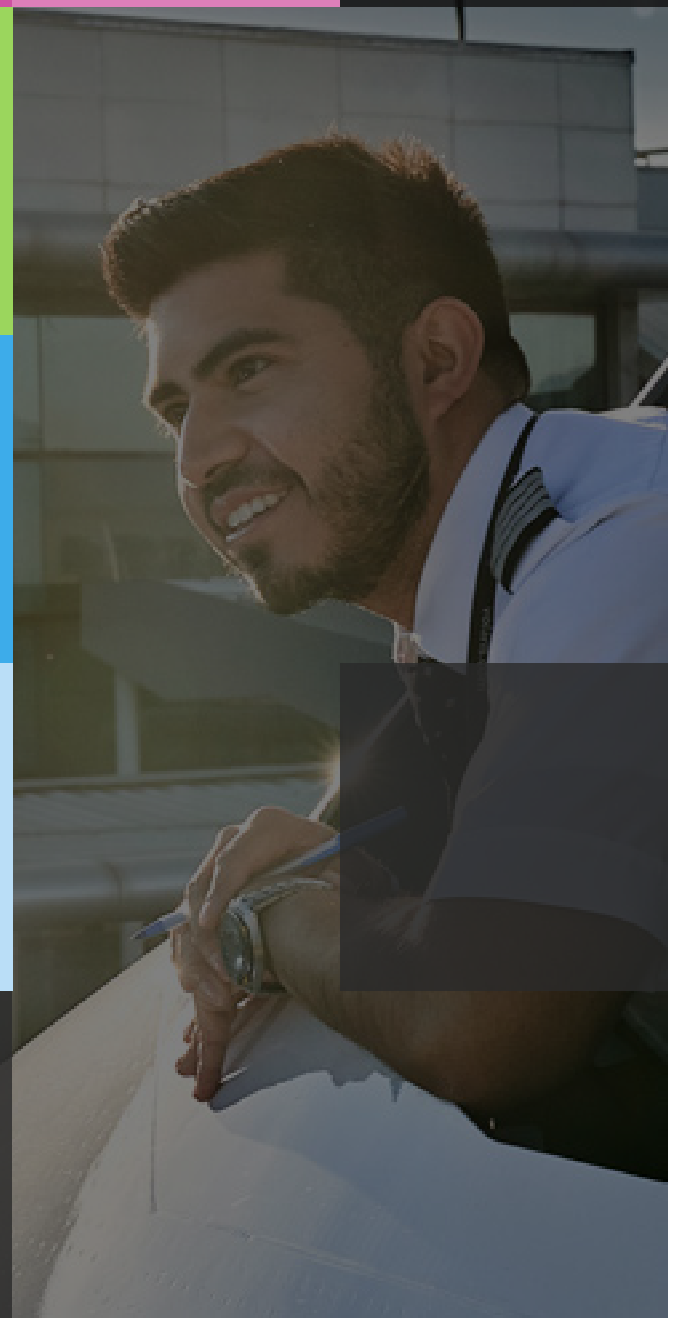
Chart 30. Information about Volaris suppliers

	National	Foreign	Total	Value/Total payment
Products and services	2,282	688	2,970	
Value/ payments	USD$1,039M/ 59.6%	USD$704M/ 40.4%	USD$1,743M/ 100%	USD$1,743M

In 2019, we detected the importance of having a Responsible Supply Chain Management Program. That is why we developed a model whose main objective is to strengthen the relationship and share the importance of assuming a real commitment to environmental, social, and governance issues with our suppliers to generate shared value for our stakeholders.

Volaris Responsible Supply Chain Management Model

- Procurement strategy with ESG topics
- Training on sustainability for procurement team
- Supplier mapping
- Risk management
- Integration of ESG criteria to suppliers' selection and retention
- Pledge to comply with the Volaris Supplier Ethics Policy
- Clauses on sustainability and human rights protection in certain contracts
- Supplier sustainability assessment
- Monitoring system
- Recognition and Loyalty Program
- Procurement Policy with ESG criteria
- Supplier development (corrective plans, training)



Since the end of 2021, we implemented an **Ethics Policy for Suppliers**[37], which has objectives, among which the following stand out:

- Integrate sustainability into the supply chain by sourcing products and services that minimize their environmental footprint and maximize their positive social impact
- Create value through mutual trust, transparency, long-term relationships, joint innovation, and knowledge
- Optimize the relationship with our suppliers from an ethical, economic, and product/service quality point of view
- Ensure that suppliers are selected and contracted in accordance with internal regulations and with the values of the Volaris culture

In 2022, our suppliers must be aware of the Supplier Ethics Policy.

37. Review the Ethics Policy for Suppliers on this Report and in the Volaris web page https://www.volaris.com/

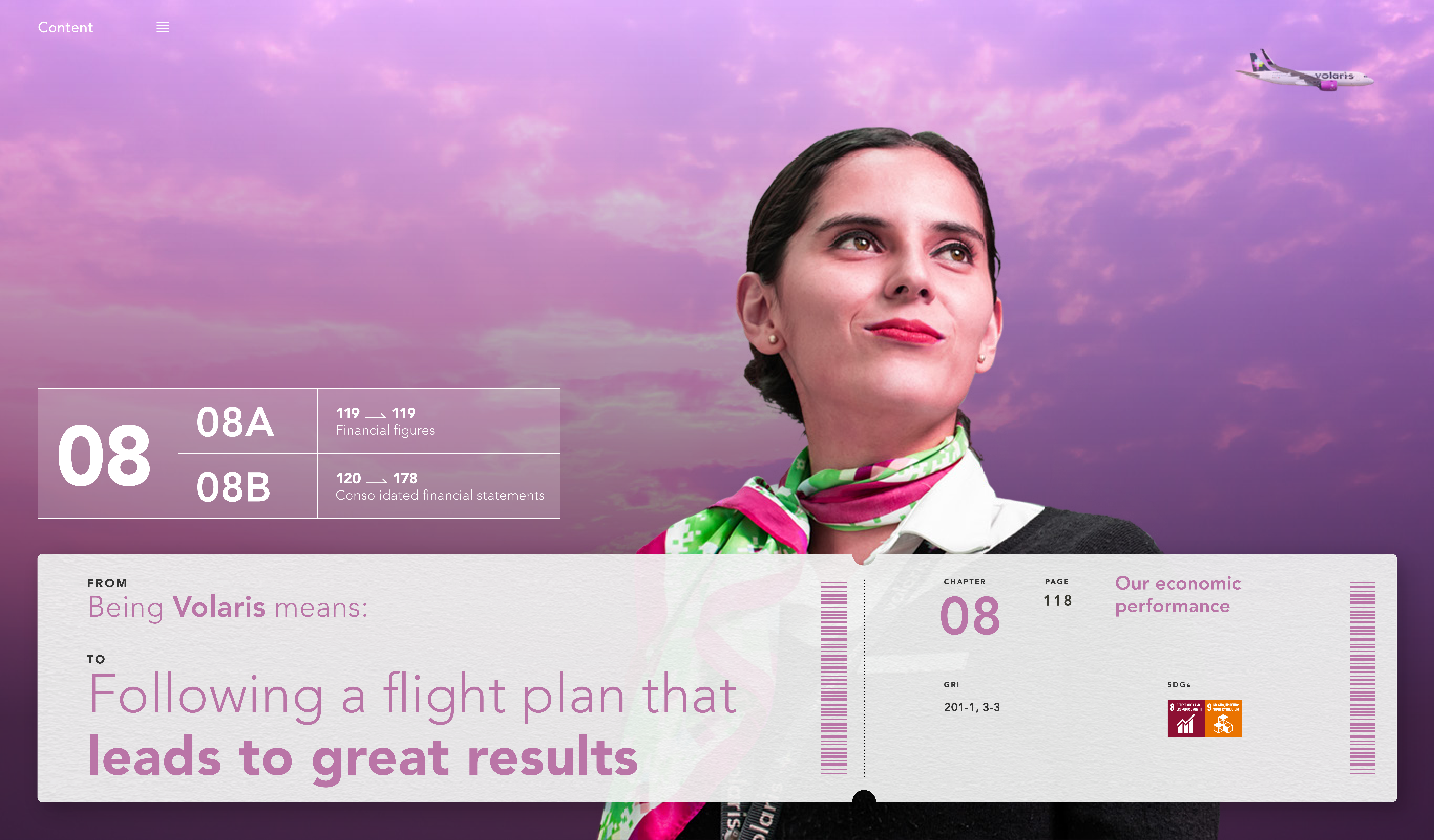
In 2021, we fulfilled the implementation of phase 2 of the Responsible Management Model of our Supply Chain, which included the following actions:

- Reengineer the purchasing area and implement a new supplier management procedure/process, incorporating ESG criteria
- Incorporate sustainability clauses in specific contracts and purchase orders
- Apply sustainability assessments to selected suppliers under the risk management practice
- Carry out a complete mapping of suppliers and a risk management exercise to channel the Model's efforts according to their risk rating

In addition, in 2022, we will begin the training process for our purchasing team on this Program, the importance of sustainability in the supply chain, and the update of the new Purchasing Policy, incorporating ESG criteria.

In 2021, we carried out a risk management exercise[38] for our suppliers. As a result, we selected 117 suppliers to be evaluated on environmental, social, and corporate governance issues. The turnout was 17%.

38. We carry out the risk management exercise as follows:
    - First, we took out the list of suppliers with whom the spending was above $100KUSD; in total, there were 416 suppliers. (Note: these suppliers were from 2019 because 2020 was an atypical year due to the pandemic)
    - We cataloged these 416 suppliers according to their risk rating on a scale of 1-5, with 1 being the lowest risk and 5 being the highest risk.
    - The criteria we considered to qualify each provider were:
        - Annual turnover
        - Recurrence in the year
        - Offer in the market
        - Complexity of change
    - As a result of this exercise, we catalogued the suppliers as follows:
        - 2 suppliers rated 5
        - 154 suppliers with rating 4
        - 133 suppliers with rating 3
        - 115 suppliers with rating 2
        - 12 suppliers rated 1
    - Once the suppliers were cataloged according to their risk rating, 117 suppliers were selected to be evaluated in sustainability.
    - We made personalized invitation letters for each supplier to invite them to participate in the evaluation. Internally, finding the contact emails to send the letters was challenging.
    - In a period of 3 months that the evaluation was open, we had the response of 20 suppliers; 19 of them completed the evaluation through the survey monkey and 1 of them sent an email informing us that due to internal policies, they cannot answer external questionnaires, still they sent some evidence to demonstrate that they have a sustainability strategy that complies with the issues that we are evaluating. Therefore, we had a participation of only 17% of the suppliers.
    - In the following survey monkey link:
        - https://es.surveymonkey.com/results/SM-ft1iSzs_2BSqtPDGQkMG_2FTfQ_3D_3D/
            - Password: Volaris2021, you can see the suppliers' responses. There were actually 35 answers.



FROM

Being **Volaris** means:

TO

Following a flight plan that **leads to great results**

CHAPTER 08

PAGE 118

Our economic performance

GRI

201-1, 3-3

SDGs

Our economic **performance**

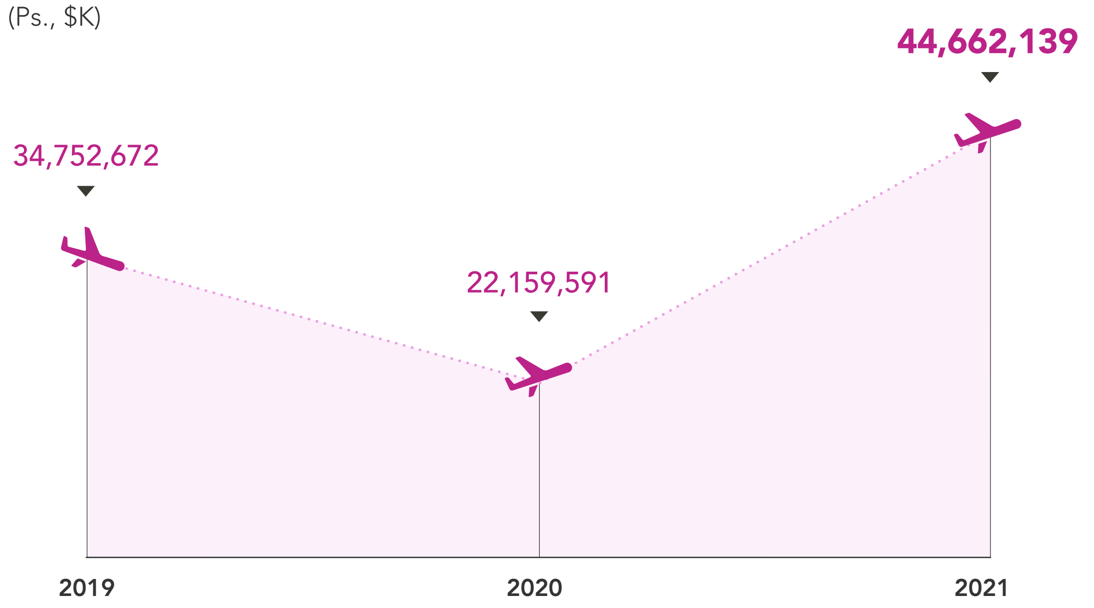
We reported a solid economic performance thanks to the recovery of passenger demand and our business model. We were able to adapt to the changing market environment, which was still suffering from the effects of the COVID-19 pandemic.

- Our total operating revenues were **Ps.44.66 billion;** in that sense, our total revenues in terms of seats per available mile were **Ps.160.5 cents.**
- Our operating expenses totaled **Ps.36.59 billion.** Operating expenses in terms of seats per available mile were **USD$6.45.** On the other hand, expenses per available mile, excluding fuel, were **USD$4.25.**
- Our net income was **Ps.2.12 billion,** with a net margin of **4.7%.**
- Our net debt was **Ps.40.67 billion.**

	2019	2020	2021
Income			
Income (Ps., $K)	34,752,672	22,159,591	44,662,139
Direct economic value generated	**34,752,672**	**22,159,591**	**44,662,139**
Expenses			
Employee wages and benefits	3,600,762	3,453,382	4,857,083
Operating costs and expenses (excluding salaries)	26,796,487	21,959,805	31,738,760
Capital providers (payments for financing)	229,139	279,423	217,018
Payments to the government (taxes)	6,385,173	3,714,934	7,620,873
Investments in the community	2,313	1,762	1,392
Distributed economic value	**37,013,874**	**29,409,306**	**44,435,126**
Retained economic value	**(-2,261,202)**	**(-7,249,715)**	**227,013**

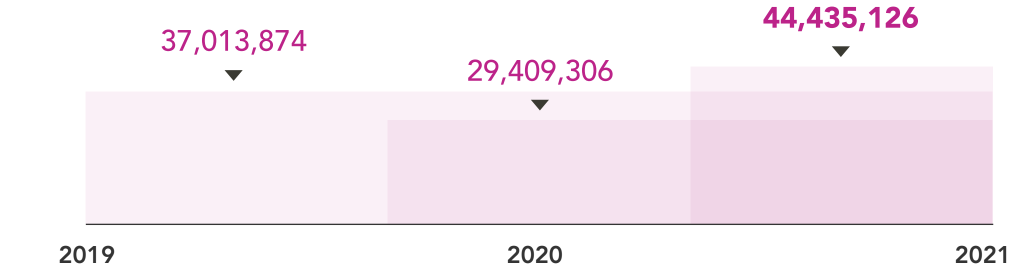
Direct economic value generated

(Ps., $K)



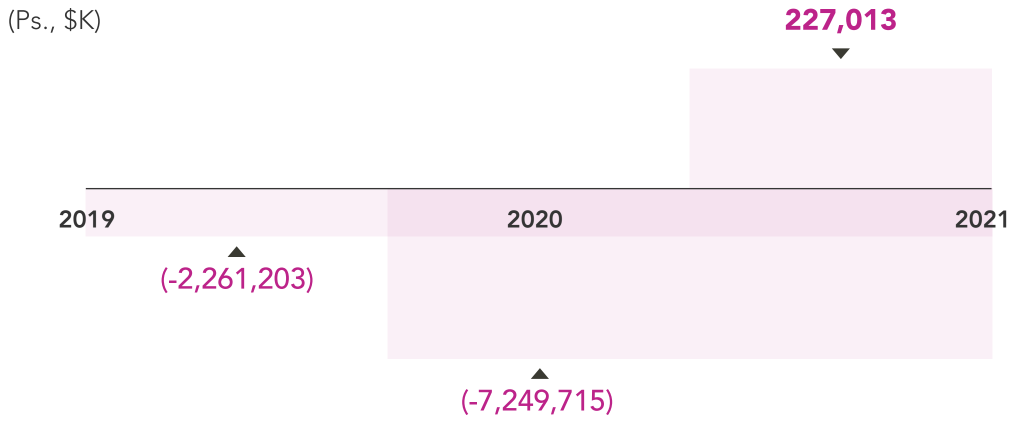
Distributed economic value

(Ps., $K)



Retained economic value

(Ps., $K)



Consolidated Financial Statements

Years Ended December 31, 2021, 2020, and 2019
with Independent Auditor's Report

Independent Auditors' Report

To the Board of Directors and Stockholders
Controladora Vuela Compañía de Aviación, S.A.B. de C.V.:
Thousands of Mexican Pesos

Opinion

We have audited the consolidated financial statements of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 1(a) to the consolidated financial statements, Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and its main subsidiary have changed the functional currency from Mexican peso to US dollar. The change in functional currency is as of December 31, 2021 and is prospectively applied from the date of the change. Our Opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Aircraft and engine lease return obligation

The key audit matter

As described in Notes 2 i) and 16 to the consolidated financial statements, as of December 31, 2021 the Group has recorded an aircraft and engine lease return obligation in the amount of $3,887,789. Aircraft lease agreements require the Group to return aircraft airframes, engines and other components to the lessor under specific conditions of maintenance or, alternatively, pay an amount to the lessor based on the condition of these components due to usage of the aircraft. The aircraft and engine lease return obligation is recognized as a provision from the time it becomes more likely than not that such costs will be incurred and these can be estimated reliably. The provision is included as part of other liabilities and the costs are recognized as a component of variable lease expenses on a straight-line basis through the remaining lease term. The Group estimates the provision related to the aircraft and engine lease return obligation using certain assumptions including the projected usage of the aircraft, the expected costs of the maintenance tasks to be performed at the return date and the discount rate.

We have identified the evaluation of the estimate of the aircraft and engine lease return obligation as a key audit matter. The assessment required significant judgment given the complexity involved in determining the projected utilization of leased airframes, engines and other components, the estimated maintenance cost at the end of the lease contract and the discount rate used to reflect the present value of the provision at the reporting date.

How the matter was addressed in our audit

Our audit procedures in this area included, among others, the following:

- We evaluated the design and tested the operating effectiveness of certain internal controls related to the aircraft and engine return obligation. This included controls related to the inputs to the determination of the aircraft and engine lease return obligation.

- We compared the assumption of projected usage of the aircraft with our understanding of the Group's future operation and plans, and we compared the estimated costs of maintenance tasks to be performed at the return date with historical payments for these types of maintenance.

- We involved our valuation specialists to assist in the evaluation of the discount rate used by the Group to reflect the present value of the aircraft and engine lease return obligation.

- We tested input data used in the calculation of the provision by comparing it to the underlying lease contracts.

- We also compared the cost of historical aircraft and engine lease returns to the provision amounts at the reporting date prior to those returns in order to evaluate the Group's ability to accurately estimate its future aircraft and engine lease return obligations.

Other Matter

The consolidated financial statements of the Group as of and for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2021.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended December 31, 2021, to be filed with the National Banking and Securities Commission (Mexico) (Comisión Nacional Bancaria y de Valores) and the Mexican Stock Exchange (Bolsa Mexicana de Valores) but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Cárdenas Dosal, S.C.

C.P.C. Saúl Andrés Aguayo Juárez
Mexico City, April 12, 2022

Controladora Vuela Compañía De Aviación, S.A.B. De C.V. and Subsidiaries (d.b.a. VOLARIS)

Consolidated Statements of Financial Position

(In thousands of Mexican pesos)

	(Thousands of U.S. dollars*)		At December 31,			
		2021		2021		2020
Assets						
Current assets:						
Cash, cash equivalents and restricted cash (Note 6)	US$	741,122	Ps.	15,254,876	Ps.	10,103,385
Accounts receivable:						
Related parties (Note 7)		4,662		95,951		72,629
Other accounts receivable, net (Note 8)		50,264		1,034,604		560,640
Recoverable value added tax and others		35,862		738,162		922,458
Recoverable income tax		15,296		314,845		471,652
Inventories (Note 9)		14,397		296,345		278,959
Prepaid expenses and other current assets (Note 10)		38,387		790,138		850,425
Derivative Financial instruments (Notes 3 and 5)		-		-		206
Guarantee deposits (Note 11)		78,990		1,625,886		1,141,956
Total current assets		978,980		20,150,807		14,402,310
Non-current assets:						
Rotable spare parts, furniture and equipment, net (Note 12)		454,602		9,357,304		7,281,157
Right-of-use assets (Note 14)		1,917,235		39,463,408		34,316,217
Intangible assets, net (Note 13)		12,632		260,015		191,562
Derivative Financial instruments (Notes 3 and 5)		1,398		28,771		326
Deferred income taxes (Note 20)		141,272		2,907,879		3,128,555
Guarantee deposits (Note 11)		455,372		9,373,154		8,424,738
Other long-term assets		23,077		475,023		444,248
Total non-current assets		3,005,588		61,865,554		53,786,803
Total assets	US$	3,984,568	Ps.	82,016,361	Ps.	68,189,113
Liabilities and equity						
Current liabilities:						
Unearned transportation revenue (Note 21)	US$	303,982	Ps.	6,257,008	Ps.	5,850,917
Suppliers		108,164		2,226,400		2,239,736
Related parties (Note 7)		10,547		217,103		124,993
Accrued liabilities (Note 15a)		178,096		3,665,841		2,356,287
Lease liabilities (Note 14)		283,843		5,842,492		6,484,092
Other taxes and fees payable (Note 1r)		131,182		2,700,183		2,236,161
Income taxes payable		4,187		86,187		4,005
Derivative Financial instruments (Notes 3 and 5)		-		-		9,657
Financial debt (Note 5)		196,898		4,052,859		1,558,884
Other liabilities (Note 16)		34,635		712,903		101,218
Total current liabilities		1,251,534		25,760,976		20,965,950
Non-current liabilities:						
Financial debt (Note 5)		108,039		2,223,821		3,795,749
Accrued liabilities (Note 15b)		1,475		30,363		66,698
Lease liabilities (Note 14)		2,128,294		43,807,747		37,646,450
Other liabilities (Note 16)		166,930		3,436,001		2,667,683
Employee benefits (Note 17)		3,968		81,673		50,627
Deferred income taxes (Note 20)		11,191		230,342		199,771
Total non-current liabilities		2,419,897		49,809,947		44,426,978
Total liabilities		3,671,431		75,570,923		65,392,928
Equity (Note 19):						
Capital stock		166,464		3,426,406		3,426,406
Treasury shares		(10,172)		(209,383)		(223,744)
Contributions for future capital increases		-		1		1
Legal reserve		14,146		291,178		291,178
Additional paid-in capital		226,120		4,654,340		4,720,221
Accumulated deficit		(84,282)		(1,734,828)		(3,855,379)
Accumulated other comprehensive income (loss)		861		17,724		(1,562,498)
Total equity		313,137		6,445,438		2,796,185
Total liabilities and equity	US$	3,984,568	Ps.	82,016,361	Ps.	68,189,113

* Convenience translation to U.S. dollars (Ps.20.5835) – Note 1z.
The accompanying notes are an integral part of these consolidated financial statements.

Controladora Vuela Compañía De Aviación, S.A.B. De C.V. and Subsidiaries (d.b.a. VOLARIS)

Consolidated Statements of Operations

(In thousands of Mexican pesos, except for earnings per share expressed in Mexican pesos)

	(Thousands of U.S. dollars*, except for earnings per share)		For the years ended December 31,				
	2021		2021		2020		2019
Operating revenues (Notes 21 and 26):							
Passenger revenues:							
Fare revenues	US$	1,248,726	Ps.	25,703,144	Ps. 12,873,174	Ps.	23,129,991
Other passenger revenues		854,773		17,594,223	8,613,398		10,569,208
		2,103,499		43,297,367	21,486,572		33,699,199
Non- passenger revenues							
Other non-passenger revenues (Note 21)		75,696		1,558,092	882,360		897,586
Cargo		11,718		241,202	201,881		228,836
Non-derivatives financial instruments		(21,110)		(434,522)	(411,222)		(72,949)
		2,169,803		44,662,139	22,159,591		34,752,672
Other operating income (Note 22)		(10,583)		(217,838)	(730,333)		(327,208)
Fuel expense, net		601,271		12,376,263	6,640,820		11,626,069
Landing, take-off and navigation expenses		292,500		6,020,681	4,090,864		5,108,489
Depreciation of right of use assets (Note 14)		265,389		5,462,625	5,048,976		4,702,971
Salaries and benefits		235,970		4,857,083	3,453,382		3,600,762

	(Thousands of U.S. dollars*, except for earnings per share)		For the years ended December 31,				
	2021		2021		2020		2019
Sales, marketing and distribution expenses		95,316		1,961,936	1,840,819		1,447,637
Maintenance expenses		94,843		1,952,202	1,167,720		1,488,431
Aircraft and engine variable lease expenses		81,953		1,686,875	1,845,254		961,657
Other operating expenses (Note 22)		64,944		1,336,792	1,157,240		1,112,927
Depreciation and amortization (Notes 12 and 13)		56,318		1,159,224	898,445		675,514
Operating income (loss)		391,882		8,066,296	(3,253,596)		4,355,423
Finance income (Note 23)		3,477		71,578	101,511		207,799
Finance cost (Note 23)		(137,585)		(2,831,989)	(3,018,484)		(2,269,829)
Foreign exchange (loss) gain, net (Note 3 b (i))		(125,897)		(2,591,406)	470,594		1,440,501
Income (loss) before income tax		131,877		2,714,479	(5,699,975)		3,733,894
Income tax (expense) benefit (Note 20)		(28,855)		(593,928)	1,406,184		(1,094,831)
Net income (loss)	US$	103,022	Ps.	2,120,551	Ps. (4,293,791)	Ps.	2,639,063
Earnings (loss) per share basic:	US$	0.088	Ps.	1.819	Ps. (4.203)	Ps.	2.608
Earnings (loss) per share diluted:	US$	0.088	Ps.	1.819	Ps. (4.203)	Ps.	2.608

* Convenience translation to U.S. dollars (Ps.20.5835) – Note 1z.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(In thousands of Mexican pesos)

	(Thousands of U.S. dollars*)		For the years ended December 31,					
	2021		2021		2020		2019	
Net income (loss) for the year	US$	103,022	Ps.	2,120,551	Ps.	(4,293,791)	Ps.	2,639,063
Other comprehensive income (loss):								
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:								
Discontinuation of hedge relationships (Note 24 b)		76,638		1,577,473		-		-
Net gain (loss) on cash flow hedges (Note 24 b)		916		18,854		(1,747,686)		263,495
Income tax effect (Note 20)		(275)		(5,655)		46,835		(74,820)
Exchange differences on translation of foreign operations		(195)		(4,021)		23,970		8,045
Other comprehensive (loss) income not to be reclassified to profit or (loss) in subsequent periods:								
Remeasurement loss of employee benefits (Note 17)		(451)		(9,279)		(2,651)		(10,192)
Income tax effect (Note 20)		138		2,850		794		3,058
Other comprehensive income (loss) for the year, net of tax	US$	76,771	Ps.	1,580,222	Ps.	(1,678,738)	Ps.	189,586
Total comprehensive income (loss) for the year	US$	179,793	Ps.	3,700,773	Ps.	(5,972,529)	Ps.	2,828,649

* Convenience translation to U.S. dollars (Ps.20.5835) – Note 1z.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021, 2020 and 2019

(In thousands of Mexican pesos)

	Capital stock	Treasury Shares	Contributions for future capital increases	Legal reserve	Additional paid-in capital	Accumulated Deficit	Other comprehensive (loss) income	Total equity
Balance as of December 31, 2018	Ps. 2,973,559	Ps. (122,661)	Ps. 1	Ps. 291,178	Ps. 1,837,073	Ps. (2,200,651)	Ps. (73,346)	Ps. 2,705,153
Treasury shares	-	(75,375)	-	-	56,483	-	-	(18,892)
Exercise of stock options (Note 18)	-	14,773	-	-	-	-	-	14,773
Long-term incentive plan cost (Note 18)	-	13,549	-	-	(13,549)	-	-	-
Net income for the period	-	-	-	-	-	2,639,063	-	2,639,063
Other comprehensive income items	-	-	-	-	-	-	189,586	189,586
Total comprehensive income	-	-	-	-	-	2,639,063	189,586	2,828,649
Balance as of December 31, 2019	2,973,559	(169,714)	1	291,178	1,880,007	438,412	116,240	5,529,683
Capital stock increase (Note 19)	452,847	-	-	-	2,819,985	-	-	3,272,832
Treasury shares	-	(94,564)	-	-	60,763	-	-	(33,801)
Long-term incentive plan cost (Note 18)	-	40,534	-	-	(40,534)	-	-	-
Net loss for the period	-	-	-	-	-	(4,293,791)	-	(4,293,791)
Other comprehensive loss items	-	-	-	-	-	-	(1,678,738)	(1,678,738)
Total comprehensive loss	-	-	-	-	-	(4,293,791)	(1,678,738)	(5,972,529)
Balance as of December 31, 2020	3,426,406	(223,744)	1	291,178	4,720,221	(3,855,379)	(1,562,498)	2,796,185
Treasury shares	-	(89,209)	-	-	(19,215)	-	-	(108,424)
Exercise of stock options (Note 18)	-	56,904	-	-	-	-	-	56,904
Long-term incentive plan cost (Note 18)	-	46,666	-	-	(46,666)	-	-	-
Net income for the period	-	-	-	-	-	2,120,551	-	2,120,551
Other comprehensive income items	-	-	-	-	-	-	1,580,222	1,580,222
Total comprehensive income	-	-	-	-	-	2,120,551	1,580,222	3,700,773
Balance as of December 31, 2021	Ps. 3,426,406	Ps. (209,383)	Ps. 1	Ps. 291,178	Ps. 4,654,340	Ps. (1,734,828)	Ps. 17,724	Ps. 6,445,438
	US$ 166,464	US$ (10,172)	US$ -	US$ 14,146	US$ 226,120	US$ (84,282)	US$ 861	US$ 313,137

Convenience translation to U.S. dollars (Ps.20.5835) – Note 1z.
The accompanying notes are an integral part of these consolidated financial statements.

Controladora Vuela Compañía De Aviación, S.A.B. De C.V. and Subsidiaries (d.b.a. VOLARIS)

Consolidated Statements of Cash Flows

(In thousands of Mexican pesos)

	(Thousands of U.S. dollars*) 2021	For the years ended December 31, 2021	2020	2019
Operating activities				
Income (loss) before income tax	US$ 131,877	Ps. 2,714,479	Ps. (5,699,975)	Ps. 3,733,894
Non-cash adjustment to reconcile income (loss) before income tax to net cash flows from operating activities:				
Depreciation and amortization (including right-of-use-assets) (Notes 12, 13 and 14)	321,706	6,621,849	5,947,421	5,378,485
Allowance for credit losses (Note 8)	783	16,118	13,664	40,393
Finance income (Note 23)	(3,477)	(71,578)	(101,511)	(207,799)
Finance cost (Note 23)	137,107	2,822,147	2,561,526	2,265,242
Net foreign exchange gain (loss) differences	79,192	1,630,050	(573,591)	(1,722,985)
Derivative Financial instruments (Notes 3 and 4)	681	14,019	1,306,557	67,629
Amortized Cost (CEBUR)	408	8,400	6,930	3,306
Net gain on disposal of rotable spare parts, furniture and equipment and gain on sale of aircraft (Note 22)	(9,376)	(192,981)	(707,918)	(275,805)
Employee benefits (Note 17)	542	11,152	11,079	10,086
Aircraft and engine lease extension benefit and other benefits from service agreements	(512)	(10,545)	(10,633)	(10,634)
Management incentive and long-term incentive plans	(1,395)	(28,715)	48,772	32,257
Cash flows from operating activities before changes in working capital	657,536	13,534,395	2,802,321	9,314,069
Changes in operating assets and liabilities:				
Related parties	3,342	68,788	17,252	25,603
Other accounts receivable	(15,555)	(320,183)	793,045	(367,603)
Recoverable and prepaid taxes	16,669	343,116	(22,010)	(425,410)
Inventories	(845)	(17,386)	22,949	(4,637)
Prepaid expenses	636	13,086	73,220	(369,860)
Other assets	3,385	69,674	56,717	(10,789)
Guarantee deposits	(51,284)	(1,055,594)	(1,397,131)	(1,168,537)
Suppliers	6,077	125,087	892,232	518,189
Accrued liabilities	44,397	913,736	(561,229)	352,475
Other taxes and fees payable	12,782	263,094	164,777	119,700
Unearned transportation revenue	19,729	406,091	2,170,991	1,241,410

	(Thousands of U.S. dollars*) 2021	For the years ended December 31, 2021	2020	2019
Derivative Financial instruments	(1,827)	(37,602)	(1,271,904)	(18,943)
Other liabilities	75,561	1,555,310	771,229	191,099
Cash generated from operating activities	770,603	15,861,612	4,512,459	9,396,766
Interest received	3,477	71,578	101,511	207,799
Income taxes paid	(3,141)	(64,658)	(254,525)	(94,922)
Net cash flows provided by operating activities	770,939	15,868,532	4,359,445	9,509,643
Investing activities				
Acquisitions of rotable spare parts, furniture and equipment (Note 12)	(183,390)	(3,774,799)	(3,376,576)	(3,483,368)
Acquisitions of intangible assets (Note 13)	(9,915)	(204,095)	(124,724)	(77,325)
Acquisitions of subsidiaries net cash acquired	(78)	(1,597)	-	-
Pre-delivery payments reimbursements	43,037	885,855	1,710,338	704,852
Proceeds from disposals of rotable spare parts, furniture and equipment	17,677	363,850	1,723,205	976,500
Net cash flows used in investing activities	(132,669)	(2,730,786)	(67,757)	(1,879,341)
Financing activities				
Net proceeds from public offering (Note 19)	-	-	3,272,832	-
Proceeds from exercised stock options (Note 18)	2,765	56,904	-	14,773
Treasury shares purchase	(4,334)	(89,209)	(94,564)	(75,375)
Interest paid	(12,319)	(253,567)	(291,637)	(277,842)
Payments of principal portion of lease liabilities (Note 14)	(452,230)	(9,308,477)	(6,110,569)	(6,499,802)
Payments of financial debt	(75,808)	(1,560,367)	(2,140,194)	(1,181,726)
Proceeds from financial debt	113,020	2,326,339	2,323,292	2,781,132
Net cash flows used in financing activities	(428,906)	(8,828,377)	(3,040,840)	(5,238,840)
Increase in cash, cash equivalents and restricted cash	209,364	4,309,369	1,250,848	2,391,462
Net foreign exchange differences on cash balance	40,909	842,122	872,565	(274,432)
Cash, cash equivalents and restricted cash at beginning of year	490,849	10,103,385	7,979,972	5,862,942
Cash, cash equivalents and restricted cash at end of year	US$ 741,122	Ps. 15,254,876	Ps. 10,103,385	Ps. 7,979,972

* Convenience translation to U.S. dollars (Ps.20.5835) – Note 1z.
The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021, 2020 and 2019

(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 the laws of Mexico 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 City, Mexico, 01210.

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. On February 24, 2020, Concesionaria's concession was extended for a 20-year term starting on May 9, 2020.

Concesionaria made its first commercial flight as a low-cost airline on March 13, 2006. Concesionaria 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 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 Rica Civil Aviation Authority 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 20, 2021 Volaris Costa Rica´s Air Operator Certificate was renewed, modified and extended for an additional 15- year term. Volaris Costa Rica started operations on December 1, 2016.

On June 20, 2019, Concesionaria, issued 15,000,000 asset backed trust notes (*certificados bursátiles fiduciarios*; the "Trust Notes"), under the ticker symbol VOLARCB 19 for the amount of Ps.1.5 billion Mexican pesos by CIBanco, S.A., Institución de Banca Multiple, acting as Trustee under the Irrevocable Trust number CIB/3249 created by Concesionaria in the first issuance under a program approved by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) for an amount of up to Ps.3.0 billion Mexican pesos. The Trust Notes are backed by future receivables under agreements entered into with credit card processors with respect to funds received from the sale of airplane tickets and ancillaries denominated in Mexican pesos, through credit cards VISA and Mastercard, via the Company's website, mobile app and travel agencies. The Trust Notes were listed on the Mexican Stock Exchange, have a maturity of five years and will pay an interest rate of Tasa de Interes Interbancaria de Equilibrio ("TIIE") 28 plus 175 percentage points.

On December 11, 2020, the Company announced the closing of an upsized primary follow-on equity offering in which the Company offered 134,000,000 of its Ordinary Participation Certificates (Certificados de Participación Ordinarios), or CPOs, in the form of American Depositary Shares, or ADSs, at a price to the public of USD$.11.25 per ADS in the United States and other countries outside of Mexico, pursuant to the Company's shelf registration statement filed with the Securities and Exchange Commission (the "SEC"). In connection with the offering, the underwriters exercised their option to purchase up to 20,100,000 additional CPOs in the form of ADSs. Each ADS represents 10 CPOs and each CPO represents a financial interest in one Series A share of common stock of the Company.

The accompanying consolidated financial statements and notes were approved for issuance by the Company´s President and Chief Executive Officer, Enrique Beltranena, and the Senior Vice-president and Chief Financial Officer, Jaime E. Pous, on April 12, 2022, and subsequent events were considered through that date. These financial statements will be submitted for authorization to the Board of Directors of the Company on April 20, 2022 and to the Annual General Ordinary Shareholders' Meeting of the Company on April 26, 2022.

a) Relevant events

Change in functional currency

An entity´s functional currency is the currency of the primary economic environment in which it operates. During the second half of 2021 management identified indicators of changes in the primary economic environment in which its main subsidiary Concesionaria operates, as follows: (i) increase in the international market transactions during 2021, (ii) change in the determination of rates (iii) most representative costs are determined and denominated in US dollars. As a result, the Company evaluated the functional currency of its main subsidiary in accordance with the regulatory provisions contained in IAS-21 "Effects of Variations in Foreign Currency Exchange Rates", concluding that the functional currency has changed from the Mexican peso to the US dollar as of December 31, 2021.

In addition, considering the dependency of Controladora in its operations related to its wholly owned subsidiary Concesionaria, management has evaluated and concluded that its functional currency has also changed from the Mexican peso to US dollar as of December 31, 2021. The change in functional currency is prospectively applied from the date of the change.

As of December 31,2021,the Company´s presentation currency remains Mexican pesos, consequently there is no impact on any comparative financial information presented.

Derived from the foregoing, once reviewed and authorized by the Board of Directors and its Audit and Corporate Governance Committee, as well as informed to the corresponding regulators, as of December 31, 2021, the Company and Concesionaria changed prospectively its functional currency from the Mexican peso to the US dollar (Note 3b).

New purchase order for 39 A321NEO aircraft

On November 15, 2021, the Company executed an amendment to its purchase agreement with Airbus to purchase 39 A321NEO aircraft, securing its growth on the upcoming years. In addition to the acquisition of these 39 aircraft, the Company exercised its rights under the purchase agreement with Airbus to convert 20 aircraft from A320NEO to A321NEO aircraft of its current order.

Obtention of the Operation Permit of Vuela El Salvador, S.A. de C.V. ("Volaris El Salvador")

On August 25, 2021, the Company through its subsidiary Vuela El Salvador, S.A. de C.V. ("Volaris El Salvador") obtained from the El Salvadorian Civil Aviation Authority an Operation Permit, for scheduled and non-scheduled international public air transportation services for passengers, cargo and mail valid until May 30, 2024. Volaris El Salvador started operations on September 15, 2021.

Merger between subsidiaries

The Company analyzed the impacts resulting from the amendments to certain laws regarding labor subcontracting, or outsourcing matters, published in the Official Gazette of the Federation (*Diario Oficial de la Federacion*) on April 23, 2021, which prohibits the subcontracting or outsourcing activities in Mexico, that is, when any individual or legal entity provides or make available its own employees for the benefit of third parties. As the only exception, it is established that the rendering of specialized services or the execution of specialized works, which are not part of the corporate purpose or the economic activity of the beneficiary of the services, will not be considered subcontracting of personnel. The modifications became effective on April 24, 2021, the day following date of its publication in the Official Gazette of the Federation.

According to the foregoing, the management concluded that the employees of the subsidiary "Servicios Administrativos Volaris, S.A. de C.V." directly participate in the main activity of the subsidiary "Concesionaria", therefore, to comply with the guidelines of the reform, the corresponding employer substitution was performed.

On July 14, 2021, the Subsidiaries "Concesionaria", and "Servicios Administrativos", agreed to merge, the first being "the merging company" and the second "the merged company", respectively. The merger takes full effect against third parties after three months from the date of registration of the merger agreements in the Public Registry of Property and Commerce of Mexico City, in accordance with the provisions of Article 224 of the General Corporations Law.

The merger entered into full legal, accounting and tax effects on August 31, 2021. Any intercompany assets and liabilities between the "Merging company" and the "Merged company" were extinguished on the effective date of the merger. Serving as an accounting basis for this merger the statements of financial position of the entities, this transaction was carried out between subsidiaries of the Company, therefore it did not affect the consolidated financial statements.

Covid-19 commentary

During 2021 the Company managed to recover its pre-pandemic capacity despite spikes in the COVID19 cases, especially during the 1st half of the year. As the vaccination program evolved in the markets the Company operates, the Company achieved an important recovery in capacity. As the national authorities eased the migratory requirements the Company restarted operations to and from Costa Rica, Guatemala and El Salvador. In fact, during September 2021 the Company effectively started operations of a new operating subsidiary Volaris El Salvador.

As of December 31, 2021, the Company´s capacity as measured by available seat miles ("ASMs") was increased 53.7% compared to the previous year and a 14.7% growth compared with 2019. The Company has taken actions to preserve liquidity and sustain its operations during the period and certain other measures.

Customers and employees

The Company has made a great effort in 2021 to face health contingency of COVID-19 internally (with all employees) and externally (with all clients) through the implementation of different strategies like: sanitation programs in work centers, placement of "entrance, exit and safe distance" signs, manuals and training courses with sanitary protocols, implementation "home office scheme", medical follow up to employees, routine application of random Rapid Tests to employees, some trips to USA with employees to facilitate vaccination.

Second issuance asset backed trust notes

On October 13, 2021, "Concesionaria", completed the issuance of fifteen million (15,000,000) of asset backed trust notes (certificados bursátiles fiduciarios) (the "Trust Notes") issued under the ticker VOLARCB 21L for an amount of Ps.1.5 billion Mexican pesos, issued by CIBanco, S.A., Institución de Banca Múltiple, acting as Trustee of the Irrevocable Trust number CIB/3249 created by Concesionaria, in the second offering under the program authorized by the Mexican National Banking and Securities Commission for an amount of up to Ps.3.0 billion (three billion pesos 00/100 national currency).

The Trust Notes are backed by future receivables under agreements entered into with credit card processors with respect to funds received from the sale of airplane tickets and ancillaries denominated in Mexican pesos, through credit cards VISA and Mastercard, via the Company's website, mobile app and travel agencies.

The Trust Notes were rated "HR AA (E)"and "AA+/M(e)" by the rating agencies HR Ratings de México, S.A. de C.V. and Verum Calificadora de Valores, S.A.P.I. de C.V., respectively, will have a maturity term of 5 (five) years and will pay an interest rate of TIIE + two hundred (200) basis points.

The Trust Notes comply with the Sustainability-Linked Bond Principles 2020, administered by the International Capital Market Association (ICMA) and has Sustainability Objectives (SPT) for the KPI, to reduce carbon dioxide emissions measured as grams of CO2 emissions per revenue passenger/kilometer (gCO2 / RPK) by 21.54%, 24.08% and 25.53% by 2022, 2023 and 2024, respectively, compared to 2015. This offering will help the Company to accomplish its long-term sustainable goals, among which are to reduce CO2 emissions by 35.42% by 2030.

A feature of the asset backed trust notes is that they will pay an additional (25) basis points to the interest rate if the sustainability goals are not met, with the possibility of mitigating the additional rate if the 2023 or 2024 targets are met.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

Shares conversion

On December 20, 2021, one of the Company´s shareholders concluded the conversion of 30,538,000 Series B Shares for the equivalent number of Series A Shares. This conversion has no impact either on the total number of outstanding shares nor on the earnings-per-share calculation.

b) Basis of preparation

Statement of compliance

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries at December 31, 2021 and 2020 and for each of the three years ended December 31, 2021, and were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which each entity operates ("functional currency"). The functional currency of Controladora and its subsidiary Concesionaria was the Mexican peso until December 31, 2021, and since such date changed to US dollar.

The presentation currency of the Company's consolidated financial statements is the Mexican peso, which is used also for compliance with its legal obligations. All values in the consolidated financial statements are rounded to the nearest thousand (Ps.000), except when otherwise indicated.

The Company has consistently applied its accounting policies to all periods presented in these consolidated financial statements and provide comparative information in respect of the previous period.

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.

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.

c) Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company and its subsidiaries. On December 31, 2021 and 2020, for accounting purposes the companies included in the consolidated financial statements are as follows:

Name	Principal Activities	Country	% Equity interest 2021	% Equity interest 2020
Concesionaria Vuela Compañía de Aviación S.A.P.I. de C.V.	Air transportation services for passengers, cargo and mail throughout Mexico and abroad	Mexico	100%	100%
Vuela Aviación, S.A.	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%
Vuela El Salvador, S.A. de C.V.	Air transportation services for passengers, cargo and mail in El Salvador and abroad	El Salvador	100%	100%
Comercializadora Volaris, S.A. de C.V. ("Comercializadora")	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") [3]	Recruitment and payroll	Mexico	-	100%
Comercializadora V Frecuenta, S.A. de C.V. ("Loyalty Program") **	Loyalty Program	Mexico	100%	100%
Viajes Vuela, S.A. de C.V. ("Viajes Vuela")	Travel agency	Mexico	100%	100%
Guatemala Dispatch Service, S.A., ("GDS, S.A.") [4]	Aeronautical Technical Services	Guatemala	100%	-
CIBanco, S.A., Institución de Banca Múltiple, Fideicomiso 1710 [1]	Pre-delivery payments financing (Note 5)	Mexico	100%	100%
CIBanco, S.A., Institución de Banca Múltiple, Fideicomiso 1711 [2]	Pre-delivery payments financing (Note 5)	Mexico	100%	100%
Fideicomiso Irrevocable de Administración número F/307750 "Administrative Trust"	Share administration trust (Note 18)	Mexico	100%	100%
Fideicomiso Irrevocable de Administración número F/745291 "Administrative Trust"	Share administration trust (Note 18)	Mexico	100%	100%
Fideicomiso de Administración número CIB/3081 "Administrative Trust"	Share administration trust (Note 18)	Mexico	100%	100%
Fideicomiso Irrevocable de Administración número CIB/3249 "Administrative Trust"	Asset backed securities trustor & administrator (Note 5)	Mexico	100%	100%

*The Companies have not started operations yet in Guatemala
**The Company has not started operations yet
[1] With effect from October 16, 2020, the Successor of the Trust 1710 was changed from Deutsche Bank México, S.A. to CIBanco, S.A., Institución de Banca Múltiple.
[2] With effect from October 16, 2020, the Successor of the Trust 1711 was changed from Deutsche Bank México, S.A. to CIBanco, S.A., Institución de Banca Múltiple.
[3] With effect from August 31,2021, the Company merged with Concesionaria Vuela Compañía de Aviación S.A.P.I. de C.V.
[4] The Company was acquired in October 5, 2021.

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 in the consolidated financial statements.

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 the average exchange rates prevailing at the time. 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.

d) Revenue recognition

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 contract 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 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) other passenger revenues. Other passenger 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 and charters. 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.

The Company also classifies as other passenger revenue "V Club" and other similar services, which are recognized as revenue over time when the service is provided.

Non-passenger revenues

The most significant non-passenger revenues include revenues generated from: (i) revenues from other non-passenger services described below and (ii) cargo services.

Revenues from other non-passenger services mainly include but are not limited to commissions charged to third parties for the sale of hotel reservations, trip insurance, rental cars and advertising spaces to third parties. They are recognized as revenue at the time the service is provided.

The Company also evaluated the principal versus agent considerations as it relates to certain non-air travel services arrangements with third party providers. No changes were identified under this analysis as the Company is agent for those services provided by third parties.

Code-share agreement

The Company sells certain tickets with connecting flights with one or more segments operated by its other airline partner. For segments operated by its other airline partner, the Company has determined that it is acting as an agent on behalf of the other airline as is responsible for its portion of the contract (i.e., transportation of the passenger). The Company, as the agent, recognizes revenue within other operating revenue at the time of the travel, for the net amount retained by the Company for any segments flown by other airline.

On January 16, 2018, the Company and Frontier Airlines (herein after Frontier) entered into a code-share operations agreement, which started operations in September 2018.

Through this alliance, the Company´s customers gain access to additional cities in the U.S. beyond the current available destinations as the Company's customers are able to buy a ticket throughout any of Frontier's actual destinations; and Frontier customers gain first-time access to new destinations in Mexico through Volaris presence in Mexican airports.

Code-share tickets can be purchased directly from the Volaris' website. The airline that provides the transportation recognize the revenue when the service is provided.

Other considerations analyzed as part of revenue from contracts with customers

All revenues offered by the Company including sales of tickets for future flights, other passenger related services and non-passenger revenue must be paid through a full cash settlement. The payment of the transaction price is equal to the cash settlement from the client at the sales time (using different payment options like credit or debit cards, paying through a third party or directly at the counter in cash). There is little or no judgment to determine the point in time of the revenue recognition, and the amount of it. Even if mainly all the sales of services are initially recognized as contract liabilities, there is no financing component in these transactions.

The cost to obtain a contract is represented by the commissions paid to the travel agencies and the bank commissions charged by the financial institutions for processing electronic transactions (Note 10). The Company does not incur any additional costs to obtain and fulfill a contract that is eligible for capitalization.

Trade receivables are mainly with financial institutions due to transactions with credit and debit cards, and therefore they are non-interest bearing and are mainly on terms of 24 to 48 hours. The Company has the right of collection at the beginning of the contracts and there are no discounts, payment incentives, bonuses, or other variable considerations subsequent to the purchase that could modify the amount of the transaction price.

The Company´s tickets are non-refundable. However, if the Company cancels a flight for causes attributable to the airline, including as a result of the COVID-19 pandemic, then the passenger is entitled to either move their flight at no cost, receive a refund or a voucher. No revenue is recognized until either the voucher is redeemed, and the associate flight occurs, or the voucher expires. When vouchers issued exceed the amount of the original amount paid by the passenger the excess is recorded as reduction of the operating revenues. All of the Company´s revenues related to future services are rendered through an approximate period of 12 months.

e) Cash, cash equivalents and restricted cash

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

The Company has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. These credit card processing agreements don't have significant cash reserve requirements.

Restricted cash are used to constitute the debt service reserves and cannot be used for purposes other than those established.

f) Financial instruments -initial recognition and subsequent measurement

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.

i) Financial assets

Initial recognition

Classification of financial assets and initial recognition

The Company determines the classification and measurement of financial assets, in accordance with the categories in IFRS 9, 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. 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. Financial assets at fair value through OCI with recycling of cumulative gains and losses.

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

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 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 credit - impaired. A financial asset is credit- impaired when one or more events have 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 that a financial asset is credit - impaired may 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. Further disclosures related to impairment of financial assets are also provided in Note 8.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Based on this evaluation, allowances are taken into account for the expected losses of these receivables. For the years ended December 31, 2021 and 2020 the Company recorded expected credit losses on accounts receivable of Ps.16,118 and Ps.13,664, respectively (Note 8).

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, including loans and borrowings, accounts payables to suppliers, unearned transportation revenue, other accounts payable and financial instruments.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

Loans and borrowings are the category most relevant to the Company. After initial recognition at fair value (consideration received), interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). 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 (Note 5).

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities under the fair value option, which 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.

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.

g) 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.

h) 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 based on the method of specific identification and expensed when used in operations. The Company recognizes the necessary estimates for decreases in the value of its inventories due to impairment, obsolescence, slow movement and causes that indicate that the use or realization of the aircraft spare parts and flight equipment accessories that are part of the inventory will be less than recorded value. The cost of inventories is determined based on the specific identification method and is recorded as an expense as it is used in operations.

i) Intangible assets

Cost related to the purchase or development of computer software that is separable from an item of related hardware is capitalized separately measured at cost 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. For the years ended December 31, 2021, and 2020, the Company did not record any impairment loss in the value of its intangible assets.

Software

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire, implement and bring the software into use. Costs associated with maintaining computer software programs are expensed as incurred. In case of development or improvement to systems that will generate probable future economic benefits, the Company capitalizes software development costs, including directly attributable expenditures on materials, labor, and other direct costs.

Acquired software cost is amortized on a straight-line basis over its useful life. Licenses and software rights acquired by the Company have finite useful lives and are amortized on a straight–line basis over the term of the contract. Amortization expense is recognized in the consolidated statements of operations.

j) 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 (Note 11).

Deposits for flight equipment maintenance paid to lessors

Most of the Company's lease contracts stipulate the obligation to pay maintenance deposits to aircraft lessors, in order to guarantee major maintenance work.

These lease agreements establish that maintenance deposits are reimbursable to the Company at the time the major maintenance event is concluded for an amount equal to: (i) the maintenance deposit held by the lessor associated with the specific maintenance event, or (ii) the qualifying costs related to the specific maintenance event.

Substantially all major maintenance deposits are generally calculated based on the use of leased aircraft and engines (flight hours or operating cycles). The sole purpose of these deposits is to guarantee to the lessor the execution of maintenance work on the aircraft and engines.

Maintenance deposits that the Company expects to recover from lessors are presented as security deposits in the consolidated statement of financial position. These deposits are registered as a monetary asset and are revalued to record changes in foreign currency in each reporting period.

According to the term of the lease, in each contract it is evaluated whether major maintenance of the leased aircraft and engines is expected to be carried out. In the event that major maintenance is not expected to be performed on its own account, it is recorded as a variable lease payment, since it represents part of the use of the leased goods and is determined based on time or flight cycles. For the years ended December 31, 2021, 2020 and 2019, the Company made a supplemental lease payment of Ps.775,579, Ps.421,030 and Ps.295,720, respectively.

When modifications are made to the contracts that entail an extension of the lease term, said maintenance deposits can be converted into recoverable deposits, in that case, to the date of modification of the agreement. Deposits are considered a recoverable asset that is recognized as a decrease in the expense recognized for variable leases.

During the years ended December 31, 2021, 2020 and 2019, the Company added fifteen, seven and seven net new aircrafts to its fleet, respectively (Note 14). During the year ended December 31, 2021, the Company extended the lease period for aircrafts and engines, through lease agreements for fifteen aircraft and three engines. During the year ended December 31, 2020, the Company did not extend the period of lease contracts for aircrafts and engines. During the year ended December 31, 2019, the Company extended the lease period, through lease agreements, of one aircraft. Additionally, the Company extended the lease period for a spare engine in 2019. Certain other aircraft lease agreements do not require the obligation to pay maintenance deposits in advance to lessors to guarantee important maintenance activities; therefore, the Company does not record or make payments for guarantee deposits with respect to these aircrafts. However, some of these lease agreements include the obligation to make maintenance adjustment payments to lessors at the end of the lease period. These maintenance adjustments cover maintenance events that are not expected to be performed before the termination of the lease; for such agreements, the Company accumulates a liability related to the amount of the costs that will be incurred at the end of the lease, since no maintenance deposits have been made (Note 16).

k) Aircraft and engine maintenance

The Company is required to conduct various 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 consist 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. These type of maintenance events are currently serviced by 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 are required approximately every 24 or 36 months, such as 24 month checks and C checks. All routine maintenance costs are expensed as incurred.

(ii) Major maintenance consists of a series of more complex tasks that can take up to six weeks to accomplish and typically are required 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 time of usage. The United States Federal Aviation Administration ("FAA") and the Mexican Federal Civil Aviation Agency (*Agencia Federal de Aviación Civil-AFAC*) 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.

During the years ended December 31, 2021 and 2020, the Company capitalized major maintenance events as part of leasehold improvements to flight equipment for an amount of Ps.1,742,979 and Ps.646,219, respectively. For the years ended December 31, 2021, 2020 and 2019, the amortization of major maintenance leasehold improvement costs was Ps.838,433, Ps.652,091 and Ps.450,371 respectively. The amortization of deferred maintenance costs is recorded as part of depreciation and amortization in the consolidated statements of operations.

(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 (component repair 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 monthly as incurred in the consolidated statements of operations.

l) 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 components with different useful lives; therefore, they are accounted for as separate items (major components) of spare engine parts (Note 12).

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.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

Depreciation rates are as follows:

	Annual depreciation rate
Flight equipment	4.0-16.7%
Constructions and improvements	Remaining contractual lease term
Computer equipment	25%
Workshop tools	33.3%
Electric power equipment	10%
Communications equipment	10%
Workshop machinery and equipment	10%
Motorized transport equipment platform	25%
Service carts on-board	20%
Office furniture and equipment	10%
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 of these assets and any changes are accounted for prospectively.

The Company identified one Cash Generating Unit (CGU), which includes the entire aircraft fleet and flight equipment. The Company assesses at each reporting date, whether there is objective evidence that rotable spare parts, furniture and equipment and right of use asset are impaired in the CGU. The Company records impairment charges on rotable spare parts, furniture and equipment and right of use assets 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 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.

On December 2021, the Company reviewed through an analysis if there were signs of impairment, according to the result it was concluded there were not sings of impairment. On December 2020, the Company performed its annual impairment test. The recoverable amount of the CGU was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management, covering a five-year period. The projected cash flows have been updated to reflect the future operating cashflows. It was concluded that the carrying amount of the CGU did not exceed the value in use.

m) Foreign currency transactions and exchange differences

The Company's consolidated financial statements are presented in Mexican pesos, which is the presentation 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 each entity operates ("the functional currency").

The financial statements of foreign subsidiaries prepared under IFRS and denominated in their respective local currencies different from its functional currency are translated into their 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 are translated into the functional currency at the exchange rate at the consolidated statement of financial reporting date.
- All non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.
- 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 functional translation are recognized in the consolidated statements of operations.

For the year ended December 31, 2021, 2020 and 2019, the exchange rates of local currencies translated to functional currencies are as follows:

			Exchange rates of local currencies translated to functional currencies		Exchange rates of local currencies translated to functional currencies		Exchange rates of local currencies translated to functional currencies	
Country	Local currency	Functional currency	Average exchange rate for 2021	Exchange rate as of 2021	Average exchange rate for 2020	Exchange rate as of 2020	Average exchange rate for 2019	Exchange rate as of 2019
Costa Rica	Colon	U.S. dollar	¢. 641.2439	¢. 645.9000	¢. 588.4240	¢. 615.7800	¢. 590.9574	¢. 573.4400
Guatemala	Quetzal	U.S. dollar	Q. 7.75370	Q. 7.7285	Q. 7.7292	Q. 7.8095	Q. 7.7066	Q. 7.6988
El Salvador	U.S Dollar	U.S. dollar	$. 20.9853	$. 20.5835	$. 21.4961	$. 19.9487	$. 19.2618	$. 18.8452

The exchange rates used to translate the above amounts to Mexican pesos on December 31, 2021, 2020 and 2019, were Ps.20.5835, Ps.19.9487 and Ps.18.8452, respectively, per U.S. dollar.

The Company's consolidated financial statements are presented in Mexican pesos. Assets and liabilities from foreign subsidiaries are converted from the functional currency to the presentation currency at the exchange rate on the reporting date; revenues and expenses are translated at the average exchange rate.

Foreign currency differences arising on translation into the presentation currency are recognized in OCI. Exchange differences on translation of foreign entities for the years ended December 31, 2021, 2020 and 2019, were Ps.(4,021), Ps.23,970 and Ps.8,045, respectively.

n) 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.

o) 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.

For the years ended December 31, 2021 and 2020, no termination benefits provision has been recognized.

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.

The latest actuarial computation was prepared as of December 31, 2021. 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, less the fair value of plan assets out of which the obligations are to be settled.

For entities in Costa Rica, Guatemala and El Salvador there is no obligation to pay seniority premium, these countries have Post-Employee 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 years ended December 31, 2021, 2020 and 2019 the Company expensed Ps.75,418, Ps.25,918 and Ps.62,825, respectively, as quarterly incentive bonuses, recorded under the caption salaries and benefits.

The Company has a 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. A provision is recognized based on the estimated amount of the incentive payment (Note 7).

v) Long-term incentive plan ("LTIP") and 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". This incentive plan has been granting annual extensions in the same terms from the original granted in 2014.

The Company measures the cost of its equity-settled transactions at fair value at the date the equity benefits are conditionally granted to employees. The cost of equity-settled transactions is recognized in the statement of operations, together with a corresponding increase in treasury shares, over the period in which the performance and/or service conditions are fulfilled. For grants that vest on meeting performance conditions, compensation cost is recognized when it becomes probable that the performance condition will be met.

During 2021, 2020 and 2019, the Company approved a new long-term retention plan ("LTRP"), which consisted in a purchase plan (equity-settled). This plan does not include cash compensations granted through appreciation rights on the Company's shares. The retention plans granted in previous periods will continue in full force and effect until their respective due dates and the cash compensation derived from them will be settled according to the conditions established in each plan.

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 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 (Note 18).

During the years ended December 31, 2021, 2020 and 2019, the Company expensed Ps.89,464, Ps.75,040 and Ps.49,659, respectively, related to RSUs granted under the LTIP and LTRP. The expenses were recorded under the caption salaries and benefits.

- 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 (Note 18). As of December 31, 2021 the Company did not record an expense or benefit related to the SARs included in the LTIP. During the years ended December 31, 2020 and 2019, the Company recorded a (benefit) expense for Ps.(1,901) and Ps.2,964, respectively, related to the SARs included in the LTIP. These amounts were recorded under the caption salaries and benefits.

The cost of the SARs plan is measured initially at fair value at the grant date, further details of which are given in (Note 18). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. As with the equity settled awards described above, the valuation of cash settled award also requires using similar inputs, as appropriate.

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 (Note 18). The total cost of this plan has been totally recognized during the required 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 (Note 18).

During the years ended December 31, 2021, 2020 and 2019, the Company recorded a (benefit) expense for Ps. (62,262), Ps.107,204 and Ps.37,760, respectively, related to MIP II into the consolidated statement of operations.

c) Board of Directors Incentive Plan (BoDIP)

Certain members of the Board of Directors of the Company receive additional benefits through a share-based plan, which has been classified as an equity-settled share-based payment and therefore accounted under IFRS 2 "Shared based payments".

In April 2018, the Board of Directors of the Company authorized a Board of Directors Incentive Plan "BoDIP", for the benefit of certain board members. The BoDIP grants options to acquire shares of the Company or CPOs during a five-year period, which was determined on the grant date. Under this plan, no service or performance conditions are required to the board members for exercise the option to acquire shares, and therefore, they have the right to request the delivery of those shares at the time they pay for them.

vii) Employee profit sharing

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%. For the years ended December 31, 2021, 2020 and 2019, the employee profit sharing is Ps.262,667, Ps.13,458 and Ps.22,134, respectively, and is presented as an operating 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 regulations.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

p) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities for payments to be made under the lease term and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received.

Components of the right-of-use assets are depreciated on a straight-line basis over the shorter of the remining lease term and the estimated useful lives of the assets, as follows:

Aircraft and engines	up to 18 years
Spare engines	up to 18 years
Buildings leases	one to ten years
Maintenance component	up to eight years

ii. Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

During the years ended December 31, 2021, 2020 and 2019, there were no impairment charges recorded in respect of the Company right-of-use asset.

iii. 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.

The Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Company recognizes in the Statement of Operations only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, then the Company adjusts the difference to measure the sale proceeds at fair value and accounts for any below-market terms as a prepayment of lease payments an any above market terms as additional financing provided by the buyer-lessor to the seller-lessee.

First, the sale and leaseback transactions are analyzed within the scope of IFRS 15 - Revenue from Contracts with Customers, in order to verify whether the performance obligation has been satisfied and, therefore, are accounted for the sale of the asset. If this requirement is not met, it is a financing with the asset given as collateral. If the requirements related to the performance obligation established in IFRS 15 are met, the Company measures an asset for right of use that arises from the sale transaction with subsequent lease in proportion to the book value of the asset related to the right-of-use assets retained by the Company. Consequently, only the gains or losses related to the rights transferred to the lessor-buyer are recognized.

q) Return obligations

The aircraft lease agreements of the Company also require that the aircraft components (airframe, APU and landing gears) and engines (overhaul and limited life parts) 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 variable lease expenses and the provision is included as part of other liabilities, through the remaining lease term. The Company estimates the provision related to aircraft components and engines using certain assumptions including the projected usage of the aircraft and the expected costs of maintenance tasks to be performed. This provision is made in relation to the present value of the expected future costs of meeting the return conditions (Note 14 and 16).

r) 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.

s) 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. 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 recognized in respect of 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 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 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.

Income taxes are computed based on tax laws approved in Mexico, Costa Rica, Guatemala and El Salvador at the date of the consolidated statement of financial position.

The IFRIC Interpretation 23 Uncertainty over Income Tax Treatment addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing studies, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. As of December 31, 2021 and 2020 the Interpretation did not have an impact on the consolidated financial statements of the Company.

t) Derivative and non-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 and non-derivative financial instrument.

In accordance with IFRS 9, derivative financial instruments and non-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 have been effective throughout the financial reporting periods for which they were designated, hedge accounting treatment can be used.

Under the cash flow hedge (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 in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The amounts recognized in OCI are transferred to earnings in the period in which the hedged transaction affects earnings. During the year ended December 31, 2021, the Company did not recognize an ineffective portion with respect to derivative financial instruments. As of December 31,2020, the Company recorded the ineffective portion of Ps.448.6 million, with respect to derivative financial instruments. During the year ended December 31, 2019, there was no ineffectiveness with respect to derivative financial instruments.

The realized gain or loss of derivative financial instruments and non-derivative financial instruments that qualify as CFH are recorded in the same caption of the hedged item in the consolidated statement of operations (Note 3 b (i)).

Accounting for the time value of options

The Company accounts for the time value of options in accordance with IFRS 9, 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 are recognized in income.

u) 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 (Notes 4 and 5).

v) 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, issuance 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 were settled with treasury shares (Note 18).

w) Operating segments

Management of Controladora monitors the Company 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, Central America and South America) Note 26.

x) 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.

y) Impact of new International Financial Reporting Standards

New and amended standards and interpretations already effective

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. 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:

Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1st, 2021. As of December 31, 2021 this amendment did not have impact on the consolidated financial statements of the Company (Note 14).

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Company (Note 3c).

Standards issued but not yet effective

Annual Improvements to IFRS Standards 2018–2020

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1st, 2022 with earlier adoption permitted. The Company expects to adopt the improvements in their effective dates considering preliminarily no significant effects.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1st, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company expects to adopt the amendments in their effective dates considering preliminarily no significant effects.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Company expects to adopt the amendments in their effective dates considering preliminarily no significant effects.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1st, 2023 and must be applied retrospectively. The Company is currently assessing the impact of these amendments which expects to adopt in their effective date.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1st, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of these amendments which expects to adopt in their effective date.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting Estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1st, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The Company is currently assessing the impact of these amendments which expects to adopt in their effective date.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment is effective for annual reporting periods beginning on January 1st, 2023 and should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities, and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

At the date of adoption of IFRS 16, the Company applied the criterion of recognizing the deferred assets and liabilities associated with the lease liability and the right of use, which is consistent with this amendment to IAS 12, and therefore this will not generate effects in the Company. (Note 20).

z) Convenience translation

U.S. dollar amounts on December 31, 2021 shown in the 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.20.5835 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 December 31, 2021. 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 not audited, is solely for information purposes and does not represent that the amounts are in accordance with IAS 21 Effects of variations in foreign currency exchange rates 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.

2. Significant accounting judgments, estimates and assumptions

The preparation of these financial statements 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 consolidated financial statements. Note 1 to the Company's consolidated financial statements provides a detailed discussion of the significant accounting policies. Certain of the Company's accounting policies reflect significant judgments, assumptions or estimates about matters that are both inherently uncertain and material to the Company's financial position or results of operations.

Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

For Leases significant accounting judgments, estimates and assumptions refer to Note 1q.

i) Return obligations

The aircraft lease agreements of the Company also require that the aircraft components (airframe, APU and landing gears) and engines (overhaul and limited life parts) 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 variable lease expenses and the provision is included as part of other liabilities, through the remaining lease term. The Company estimates the provision related to aircraft components and engines using certain assumptions including the projected usage of the aircraft and the expected costs of maintenance tasks to be performed. This provision is made in relation to the present value of the expected future costs of meeting the return conditions (Note 14 and 16).

ii) Deferred taxes

Deferred tax assets are recognized for all available tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning opportunities to advance taxable profit before expiration of available tax losses.

Tax losses relate to operations of the Company on a stand-alone basis, in conformity with current Tax Law and may be carried forward against taxable income generated in the succeeding years at each country and may not be used to offset taxable income elsewhere in the Company's consolidated group (Note 20).

During the years ended December 31, 2021, 2020 and 2019, the Company utilized Ps.1,944,922, Ps.0 and Ps.214,460, respectively, of the available tax loss carry-forwards.

iii) Fair value measurement of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of inputs such as liquidity risk, credit risk and expected volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 4).

iv) Impairment of long-lived assets

The Company assesses whether there are indicators of impairment for long-lived assets and right of use assets, annually and at other times when such indicators exist in the related CGU. Impairment exists when the carrying amount of a long-lived asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value-in-use.

In making these determinations, the Company uses certain assumptions, including, but not limited to estimated, undiscounted future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations, excluding additions and extensions.

The Company's assumptions about future conditions important to its assessment of potential impairment of its long-lived assets, including the impact of the COVID-19 pandemic to its business, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will updated its analyses accordingly.

For the year ended December 31, 2021 the Company has evaluated whether there were indications of impairment in its long-lived assets and right-of-use assets and concluded that there are no triggering events.

For the year ended December 31, 2020 the Company evaluated whether there were indications of impairment and concluded that there were triggering events. Therefore, performed a quantitative impairment test and estimated the recoverable amount of the CGU by calculating the CGU value in use. As a result of this analysis, the Company determined the recoverable amount was in excess of the CGU book value and, therefore, no impairment was recorded.

v) Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in its leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. Financial instruments and 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 risk 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.

Since adverse movements erode the value of recognized financial assets and liabilities, as well some other off-balance sheet financial exposures, there is a need for value preservation, by transforming the profiles of these fair value exposures. The Company has a Finance and Risk Management department, which identifies and measures financial risk exposures, in order to design 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 on 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 years ended December 31, 2021, 2020 and 2019 represented 34%, 26% and 38% (includes derivative and non-derivative financial instruments) of the Company's operating expenses, respectively. The foreign currency risk is disclosed within subsection b) in this note.

During the year ended December 31, 2021, the Company did not enter into derivative financial instruments to hedge US Gulf Coast Jet Fuel 54 Asian call options and US Gulf Coast Jet Fuel 54 Asian Zero-Cost collar options. As of the year ended December 31, 2020, the Company entered into US Gulf Coast Jet fuel 54 Asian call options designated to hedge 23,967 thousand gallons. Such hedges represented a portion of the projected consumption for the 2Q20, 3Q20 & 1Q21. Additionally, during the year ended December 31,2020, the Company entered into US Gulf Coast Jet Fuel 54 Asian Zero-Cost collar options designated to hedge 81,646 thousand gallons. Such hedges represented a portion of the projected consumption for the 2Q20, 2H20 & 2Q21.

As of the year ended December 31, 2020 the Company recognized an unwind of the Zero cost collar of Ps.42,643 which was recognized as part of finance cost.

In accordance with IFRS 9 the Company separates the intrinsic value from the extrinsic value of an option contract; as such, the change in the intrinsic value can be designated as hedge accounting. Because extrinsic value (time and volatility values) of the Asian call options is related to a "transaction related hedged item", it is required to be segregated and accounted for as a cost of hedging in OCI and accrued as a separate component of stockholders' equity until the related hedged item matures and therefore impacts 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 an 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 and Zero-Cost Collars"*.

All the Company's Asian calls matured throughout the first quarter of 2021. The Zero-Cost Collars matured throughout the second quarter of 2021, leaving no outstanding fuel position going forward as of December 31, 2021.

As of December 31, 2020, the fair value of the outstanding US Gulf Coast Jet Fuel Asian call options was an unrealized gain of Ps.206; as for the Zero-Cost Collars it was an unrealized loss of Ps.9,657 and is presented as part of the derivative financial assets and derivative financial liabilities in the consolidated statement of financial position. (See Note 4).

During the year ended December 31, 2021, the intrinsic value of the Asian call options recycled to the fuel cost was an expense of Ps.12,577. During the year ended December 31, 2020, the intrinsic value of the Asian call options recycled to the fuel cost was an expense of Ps.33,627 (Ps.20,646 which was recognized in the fuel cost and an expense of Ps.12,981 in finance cost). During the year ended December 31, 2019, the intrinsic value of the Asian call options recycled to the fuel cost was an expense of Ps.61,069.

During the year ended December 31, 2021, there was no cash flow to recycle for the Zero-Cost collar position.

During the year ended December 31, 2020, the intrinsic value of the Zero-Cost Collars recycled to the fuel cost was an expense of Ps.1,271,462 (Ps.835,884 which was recognized in the fuel cost and an expense of Ps.435,578 in finance cost) and for the year ended December 2019 the intrinsic value of the Zero-Cost Collars recycled to the fuel cost was an expense of Ps.9,477.

The cost of hedging derived from the extrinsic value changes of the jet fuel hedged position as of December 31, 2020 recognized in other comprehensive income totals Ps.21,650. As of December 31, 2019 the benefits of the hedges was Ps.(133,567), and was recycled to the fuel cost in 2021, as these options were expired on a monthly basis and the jet fuel was consumed.

During the year ended December 31, 2021, all the derivative financial instruments were effective.

For the period ended December 31, 2021, there was no cost of hedging as all the derivatives position matured all through 2Q21.

As of December 31,2021, the Company didn´t hold any outstanding fuel position.

The following table includes the notional amounts and strike prices of the derivative financial instruments outstanding as of the end of December 2020:

	Position as of December 31, 2020 Jet fuel Asian call and Zero-Cost collars option contracts maturities					
Jet fuel risk Asian Calls	1 Half 2021		2 Half 2021		2021 Total	
Notional volume in gallons (thousands)*		7,280		-		7,280
Strike price agreed rate per gallon (U.S. dollars) **	US$	1.90		-	US$	1.90
Approximate percentage of hedge (of expected consumption value)		6%		-%		3%
Jet fuel risk Zero-Cost collars						
Notional volume in gallons (thousands)*		7,556		-		7,556
Strike price agreed rate per gallon (U.S. dollars) **	US$	1.23/1.93	US$	-	US$	1.23/1.93
Approximate percentage of hedge (of expected consumption value)		6%		-%		3%
All-in						
Approximate percentage of hedge (of expected consumption value)		12%		-%		6%

* US Gulf Coast Jet 54 as underlying asset
** Weighted average

Fuel Sensitivity

The sensitivity analysis provided below presents the impact of a change of US$0.01 per gallon in fuel market spot price in the Company´s financial performance. Considering these figures, an increase of US$0.01 per gallon in the fuel prices during 2021 and 2020 would have impacted the Company's operating costs in US$2,731 and US$1,762, respectively.

	As of December 31,	
	2021	2020
	Operating costs	Operating costs
	(In thousands of U.S. dollars)	
+ US$0.01 per gallon	2,731	1,762
- US$0.01 per gallon	(2,731)	(1,762)

The Company has been proactively trying to mitigate this impact over our business through revenue yielding and a continued effort towards a reduced fuel consumption. Nonetheless, our ability to pass on any significant increases in fuel costs through fare increases is also limited by our ultra-low-cost business model and market high elasticity to price.

b) Foreign currency risk

On December 31, 2021 the Company and its main subsidiary Concesionaria changed their functional currency from the Mexican Pesos to the US Dollar. The change of functional currency was accounted for prospectively with no impact on prior period information (Note 1m).

Through the year ending December 31, 2021 and before the change, the Mexican peso was the functional currency of Controladora and its main subsidiary Concesionaria, a significant portion of its operating expenses are denominated in U.S. dollar; thus, the Company relies on sustained U.S. dollar cash flows coming from operations in the United States of America, Central America and South America to support part of its commitments in such currency.

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 and non-derivative financial instruments.

Company's expenditures, particularly those related to aircraft leasing and acquisition, are denominated in U.S. dollar. In addition, although jet fuel for those flights originated in Mexico are paid in Mexican pesos, the price formula is impacted by the Mexican peso /U.S. dollar exchange rate.

The Company's exposure to currency risk as of December 31, 2021 is as set forth below:

	As of December 31, 2021							
	USD		Mexican Pesos		Others*		Total	
Assets:								
Cash, cash equivalents and restricted cash	Ps.	14,311,541	Ps.	817,735	Ps.	125,600	Ps.	15,254,876
Other accounts receivable, net		830,688		193,727		10,189		1,034,604
Guarantee deposits		10,992,268		-		6,772		10,999,040
Total assets	Ps.	26,134,497	Ps.	1,011,462	Ps.	142,561	Ps.	27,288,520
Liabilities:								
Financial debt	Ps.	3,552,092	Ps.	2,724,588	Ps.	-	Ps.	6,276,680
Lease liabilities		53,326,884		-		1,588		53,328,472
Suppliers		2,504,827		3,290,110		127,667		5,922,604
Other taxes and fees payable		62,533		2,300,533		337,117		2,700,183
Total liabilities	Ps.	59,446,336	Ps.	8,315,231	Ps.	466,372	Ps.	68,227,939
Net foreign currency position	Ps.	(33,311,839)	Ps.	(7,303,769)	Ps.	(323,811)	Ps.	(40,939,419)

*The foreign exchange exposure includes: Quetzales, Colombian pesos and Colones.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

The Company's foreign exchange exposure as of December 31, 2020 is as set forth below:

		Thousands of U.S. dollars 2020
Assets:		
Cash, cash equivalents and restricted cash	US$	495,612
Other accounts receivable, net		39,997
Guarantee deposits		479,566
Derivative financial instruments		10
Total assets	US$	1,015,185
Liabilities:		
Financial debt (Note 5)	US$	183,806
Lease liabilities		2,334,153
Suppliers		174,553
Other taxes and fees payable		16,105
Derivative financial instruments		484
Total liabilities		2,709,101
Net foreign currency position	US$	(1,693,916)

At April 26, 2022, date of issuance of these financial statements, the exchange rate was Ps.20.3183 per U.S. dollar.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

As of December 31, 2021 and 2020, the Company did not enter into foreign exchange rate derivatives financial instruments. All the Company's remaining position in FX plain vanilla forwards matured throughout the first quarter of 2019 (January).

For the year ended December 31, 2019, the net gains on the foreign currency forward contracts were Ps.4,199, which were recognized as part of rental expense in the consolidated statements of operations.

Foreign currency sensitivity

On December 31, 2021, the Company and its main subsidiary Concesionaria changed its functional currency from the Mexican peso to the US dollar. The following table demonstrates the sensitivity of a possible change in Mexican peso exchange rate to US dollar that would affect the Company prospectively from December 31, 2021 considering the change in functional currency, with all other variables held constant. The movement in the pre-tax effect shown below represents the result of a change in the fair value of assets and liabilities denominated in Mexican peso. The Company's exposure to foreign currency exchange rates for all other currencies is not material.

	Change in MXN$ rate		Effect on profit before tax
2021	+5%	Ps.	(69,942)
	-5%		69,942

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates that would have occurred as of December 31, 2021 before consideration of the change in functional currency of Concesionaria and Controladora, with all other variables held constant. The movement in the pre-tax effect is a result of a change in the fair value of assets and liabilities denominated in US dollars before the change in functional currency. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in USD$ rate		Effect on profit before tax
2021	+5%	Ps.	(1,439,653)
	-5%		1,439,653
2020	+5%	Ps.	(253,763)
	-5%		253,763

i) Hedging relationships designating non-derivative financial instruments as hedging instruments for Foreign Exchange (FX) risk

Regarding the foreign currency risk effective since January 1st, 2019, the Company implemented two hedging strategies associated to forecasted FX exposures, by using non-derivatives financial assets and liabilities denominated in USD as hedging instruments.

In the first FX hedging strategy, the Company designated a hedge to mitigate the variability in FX fluctuation denominated in USD associated to forecasted revenues by using a portion of USD denominated financial liabilities associated to a portfolio of leasing liabilities up until the terms of the remaining leasing arrangements.

As of December 31, 2021, there was not outstanding USD balance designated under this hedging strategy due to the discontinuation of the hedge relationships. The outstanding USD balance designated under this hedging strategy as of December 31, 2020 amount to USD$1.5 billion, represented by recognized leasing liabilities, which have been designated as hedging instruments tagged to USD denominated forecasted revenues over the remaining lease term.

Additionally, during the year ended December 31, 2021 and 2020, the impact of these hedges was Ps.434,522 and Ps.411,222, respectively, which has been presented as part of the total operating revenue.

The second FX strategy consisted on designating a hedging relationship by using a portion of USD denominated non-derivative financial assets as hedging instruments, to mitigate the FX variability (MXN/USD) contractually included as a component in the purchase of a portion of future Jet Fuel consumption. For this strategy designated in 2019, a portion of the Jet Fuel consumption over the two following years was designated as hedged item; while the hedging instrument was represented by USD denominated recognized assets, including guaranteed deposits and cash and cash equivalents equivalent to USD$410 million, which represent a portion of the financial assets denominated in USD.

During the first quarter of 2021, the designated hedging instrument back in 2019 for USD$410 million expired consistent with the same foreign exchange strategy, the Company decided to designate a new hedging relationship, like the one concluded. For this new strategy a portion of the Jet Fuel consumption over the two following years has been designated as hedged item; while the hedging instrument was represented by USD denominated recognized assets, including guaranteed deposits and cash and cash equivalents equivalent to USD$350 million, which represent a portion of the financial assets denominated in USD.

As of December 31, 2021, there was not outstanding USD balance designated under this hedging strategy due to the discontinuation of the hedge relationships. The outstanding USD balance designated under this hedging strategy as of December 31, 2020 amount to USD$60.5 million, which does represent a portion of the recognized financial assets.

During the year ended December 31, 2021 and 2020, the impact of these hedges was Ps.182,190 and Ps.409,174, respectively, which has been presented as part of the total fuel expense.

Since the hedged items on for both hedging strategies were targeted at mitigating the cash flow variability of highly expected forecasted transactions, these were represented by multiple hedging relationships which do follow the Cash Flow Hedge Accounting Model.

The effective portion of the hedging instrument's changes in fair value, were taken to the hedge reserve within the OCI, presented as a separate caption within the Company's Stakeholders Equity, which is in accordance with IFRS 9 criteria.

The amounts recorded in OCI were recycled to profit and loss on a timely basis as corresponding USD denominated Income and/or Jet Fuel consumptions also affected the Company's operating margin and are presented as adjustments to both operating income and expense, with respect to each FX hedging strategy in a timely manner, as USD denominated income and jet fuel consumption were recognized within operating earnings, hence reflecting a portion of both operating income and expenses amounts, net of both FX Hedging activities.

As of December 31, 2021, as a result of the change in functional currency from the Mexican peso to the US dollar, the Company concluded that these hedging strategies will no longer be effective, for which reason it accounted for the discontinuation of the hedge relationships. Accordingly, the cash flow hedge reserve in other comprehensive income at the date of the change of Ps.2,251,442 or US$109 million was reclassified to the income statement, which represented a loss within the foreign exchange (loss) gain, net caption.

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 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").

For the replacement of the USD LIBOR by the Secured Overnight Financing Rate ("SOFR") the company is taking the necessary measures to adopt the new benchmark rates. Although USD LIBOR was planned to be discontinued by the end of 2021, in November 2020 the ICE Benchmark Administration ("IBA"), the FCA-regulated and authorized administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023. As of 31 December 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place.

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 CFH 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 the consolidated statements of operations.

The Irrevocable Trust number CIB/3249, whose trustor is the Company, entered a cap to mitigate the risk due to interest rate increases on the CEBUR (VOLARCB19) coupon payments. The floating rate coupons reference to TIIE 28 are limited under the cap to 10% on the reference rate for the life of the CEBUR (VOLARCB19) and have the same amortization schedule. Thus, the cash flows of the CEBUR (VOLARCB19) are perfectly matched by the hedging instrument.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

The sensitivity analysis of the change in the fair value of the interest hedging instrument on the CEBUR (VOLARCB19) as a result of a reasonably possible change in rates, keeping all other variables constant is as set forth below:

	Change in MX$ rate	Effect on cap	
2021	+0.01%	Ps.	(30.86)
	-0.01%		30.86
2020	+0.01%	Ps.	(0.28)
	-0.01%		0.28

The cap start date was July 19, 2019, and the maturity date is June 20, 2024; consisting of 59 "caplets" with the same specifications as the CEBUR (VOLARCB19) coupons for reference rate determination, coupon term, and fair value.

In addition, during November 2021 the Trust entered into a cap to mitigate the risk due to interest rate increases on the CEBUR (VOLARCB21L) coupon payments. The floating rate coupons reference to TIIE 28 are limited under the cap to 10% on the reference rate for the life of the CEBUR (VOLARCB21L) and have the same amortization schedule. Thus, the cash flows of the CEBUR (VOLARCB21L) are perfectly matched by the hedging instrument.

The cap start date was November 3, 2021, and the maturity date is October 20, 2026; consisting of 59 "caplets" with the same specifications as the CEBUR (VOLARCB21L) coupons for reference rate determination, coupon term, and fair value.

The sensitivity analysis of the change in the fair value of the interest hedging instrument on the CEBUR (VOLARCB21L) as a result of a reasonably possible change in rates, keeping all other variables constant is as set forth below:

	Change in MX$ rate	Effect on cap	
2021	+0.01%	Ps.	(165.44)
	-0.01%		165.44

As of December 31, 2021 and December 31, 2020, the Company's outstanding hedging contracts in the form of interest rate caps with original notional amount of Ps.3.0 billion and Ps.1.5 billion, respectively, had fair values of Ps.28,771 and Ps.326, respectively, and are presented as part of the financial assets in the consolidated statement of financial position. As of December 31, 2021, the effect allocated in OCI in relation to the interest rate caps amounts to Ps.5,407.

Debt Sensitivity Analysis

The following sensitivity analysis considers the position exposed to variable interest rates.

The target interest rate of the Banco de Mexico increased 125 bp in 2021, going from 4.25% to 5.50%. In addition to the reference changes, if the interest rate had changed on an annual average in the magnitude shown, the impact on results would have been as shown below:

	As of December 31, 2021		As of December 31, 2020	
	+ 100 BP	- 100 BP	+ 100 BP	- 100 BP
Banco Nacional de Comercio Exterior, S.N.C. ("Bancomext")	138,476	(138,476)	155,332	(155,332)
Asset backed trust notes ("CEBUR")	133,173	(133,173)	131,054	(131,054)
Banco Sabadell S.A., Institución de Banca Múltiple ("Sabadell")	16,064	(16,064)	18,086	(18,086)

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

As of December 31, 2021, our cash, cash equivalents and restricted cash were Ps.15,254,876.

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

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

	December 31, 2021		
	Within one year	One to five years	Total
Interest-bearing borrowings:			
Pre-delivery payments facilities (Note 5)	Ps. 3,535,649	Ps. -	Ps. 3,535,649
Asset backed trust note ("CEBUR") (Note 5)	500,000	2,250,000	2,750,000
Lease liabilities:			
Aircraft, engines, land and buildings leases	5,842,492	43,807,747	49,650,239
Aircraft and engine lease return obligation	451,788	3,436,001	3,887,789
Total	Ps. 10,329,929	Ps. 49,493,748	Ps. 59,823,677

	December 31, 2020		
	Within one year	One to five years	Total
Interest-bearing borrowings:			
Pre-delivery payments facilities (Note 5)	Ps. 1,096,543	Ps. 2,554,069	Ps. 3,650,612
Short-term working capital facilities (Note 5)	200,000	-	200,000
Asset backed trust note ("CEBUR") (Note 5)	250,000	1,250,000	1,500,000
Derivative financial instruments:			
Jet fuel Asian Zero-Cost collars options contracts	9,657	-	9,657
Lease liabilities:			
Aircraft, engines, land and buildings leases	6,484,092	37,646,450	44,130,542
Aircraft and engine lease return obligation	86,801	2,417,683	2,504,484
Total	Ps. 8,127,093	Ps. 43,868,202	Ps. 51,995,295

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.

On December 31, 2021, 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 enough for its present requirements and will be sufficient to meet its anticipated requirements for capital expenditures and other cash requirements for the next 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 years ended December 31, 2021 and 2020. The Company is not subject to any externally imposed capital requirement, other than the legal reserve (Note 19).

As part of the management strategies related to acquisition of its aircrafts (pre-delivery payments), the Company pays the associated short-term obligations by entering into sale-leaseback agreements, whereby an aircraft is sold to a lessor upon delivery (Note 5 b).

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

4. Fair value measurements

The only financial assets and liabilities measured at fair value after initial recognition 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 assessed using the course of thought which 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	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Assets				
Derivative financial instruments	Ps. 28,771	Ps. 532	Ps. 28,771	Ps. 532
Liabilities				
Financial debt (Interest-bearing loans and borrowings)	(6,285,649)	(5,350,612)	(6,234,241)	(5,527,332)
Derivative financial instruments	-	(9,657)	-	(9,657)
Total	Ps. (6,256,878)	Ps. (5,359,737)	Ps. (6,205,470)	Ps. (5,536,457)

The following table summarizes the fair value measurements on December 31, 2021:

	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:				
Interest rate Caps	Ps. -	Ps. 28,771	Ps. -	Ps. 28,771
Liabilities				
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings**	-	(6,234,241)	-	(6,234,241)
Net	Ps. -	Ps. (6,205,470)	Ps. -	Ps. (6,205,470)

** LIBOR, SOFR curve and TIIE Mexican interbank rate. Includes short-term and long-term debt.
There were no transfers between level 1 and level 2 during the period.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

The following table summarizes the fair value measurements on December 31, 2020:

	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. 206	Ps. -	Ps. 206
Interest rate Caps	-	326	-	326
Liabilities				
Derivatives financial instruments:				
Jet fuel Asian Zero-Cost collars options contracts*	-	(9,657)	-	(9,657)
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings**	-	(5,527,332)	-	(5,527,332)
Net	Ps. -	Ps. (5,536,457)	Ps. -	Ps. (5,536,457)

* Jet fuel forwards levels and LIBOR curve.
** LIBOR curve and TIIE Mexican interbank rate. Includes short-term and long-term debt.
There were no transfers between level 1 and level 2 during the period.

The following table summarizes the losses from derivatives financial instruments recognized in the consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019:

Instrument	Financial statements line	2021	2020	2019
Jet fuel Asian call options contracts	Fuel	Ps. (12,577)	Ps. (20,646)	Ps. (61,069)
Jet fuel Zero-Cost collars contracts	Fuel	-	(835,884)	(9,477)
Jet fuel Asian call options contracts	Finance cost	-	(12,981)	-
Jet fuel Zero-Cost collars contracts	Finance cost	-	(435,578)	-
Foreign currency forward	Aircraft and engine rent expenses	-	-	4,199
Interest rate cap	Finance cost	(1,443)	(1,468)	(1,282)
Total		Ps. (14,020)	Ps. (1,306,557)	Ps. (67,629)

The following table summarizes the net gain (loss) on CFH before taxes recognized in the consolidated statements of comprehensive income for the years ended December 31, 2021, 2020 and 2019:

Consolidated statements of other comprehensive income (loss)

Instrument	Financial statements line	2021	2020	2019
Jet fuel Asian call options contracts	OCI	Ps. 11,997	Ps. (11,993)	Ps. 11,148
Jet fuel Zero cost collars	OCI	9,657	(143,224)	256,515
Foreign currency contracts	OCI	-	-	(14,241)
Interest rate cap	OCI	(2,800)	(900)	(4,023)
Non derivative financial instruments*	OCI	1,577,473	(1,591,569)	14,096
Total		Ps. 1,596,327	Ps. (1,747,686)	Ps. 263,495

*As of December 31, 2021, includes the effect of the discontinuation of the hedging strategies by Ps.2,251,442 as described in note 3b (i).

The exchange rates used to translate the above amounts to Mexican pesos at December 31, 2021, 2020 and 2019 were Ps.20.5835, Ps.19.9487 and Ps.18.8452, respectively, per U.S. dollar.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

5. Financial assets and liabilities

As of December 31, 2021 and 2020, the Company's financial assets are represented by cash, cash equivalents and restricted cash, trade and other accounts receivable, accounts receivable for which their carrying amount is a reasonable approximation of fair value.

a) Financial assets

	December 31, 2021		December 31, 2020	
Derivative financial instruments designated as cash flow hedges (effective portion recognized within OCI)				
Jet fuel Asian call options	Ps.	-	Ps.	206
Interest rate cap		28,771		326
Total derivative financial assets	Ps.	28,771	Ps.	532
Presented on the consolidated statements of financial position as follows:				
Current	Ps.	-	Ps.	206
Non-current	Ps.	28,771	Ps.	326

b) Financial debt

(i) As of December 31, 2021 and 2020, the Company's short-term and long-term debt consists of the following:

		December 31, 2021		December 31, 2020	
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 October 31, 2022, bearing annual interest rate at the three-month LIBOR plus a spread of 260 basis points.	Ps.	3,535,649	Ps.	3,650,612
II.	In June 2019 the Company issued in the Mexico market Asset backed trust notes ("CEBUR"), in Mexican pesos, maturing on June 20th, 2024 bearing annual interest rate at TIIE 28 days plus 175 basis points.		1,250,000		1,500,000
III.	In October 2021 the Company issued in the Mexico market a second tranche of its Asset backed trust notes ("CEBUR"), in Mexican pesos, maturing on October 20th, 2026 bearing annual interest rate at TIIE 28 days plus 200 basis points.		1,500,000		-
IV.	In December 2019, the Company entered into a short-term working capital facility with Banco Sabadell S.A., Institución de Banca Multiple ("Sabadell") in Mexican pesos, bearing annual interest rate at TIIE 28 days plus a spread of 300 basis points.		-		200,000
V.	Amortized transaction costs		(31,408)		(15,542)
VI.	Accrued interest and other financial cost		22,439		19,563
			6,276,680		5,354,633
	Less: Short-term maturities		4,052,859		1,558,884
	Long-term	Ps.	2,223,821	Ps.	3,795,749

TIIE: Mexican interbank rate

(ii) The following table provides a summary of the Company's scheduled principal payments of financial debt and accrued interest on December 31, 2021:

	Within one year		January 2023-December2023		January2024-December2024		January 2025-onwards	Total
Santander/Bancomext	Ps.	3,552,091	Ps.	-	Ps.	-	Ps -	3,552,091
CEBUR program		505,997		583,333		750,000	916,667	2,755,997
Total	Ps.	4,058,088	Ps.	583,333	Ps.	750,000	Ps. 916,667	6,308,088

iii) Since 2011, the Company has financed the pre-delivery payments with Santander/Bancomext for the acquisition of its aircraft through a revolving financing facility.

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 (that the long-term adjusted net debt is less than or equal to 6.5 (six point five) times the EBITDAR, which on any determination date) are met.

On December 31, 2021, the Company was in compliance with the covenants under the above-mentioned loan agreement. On December 31, 2020, the Company was not in compliance with the financial ratio, therefore, the Company requested a waiver to the banks. The company received a waiver dated October 23, 2020, for the covenant regarding the financial ratio for the PDP financing facility that included the third and fourth quarter of 2020 and the first and second quarter of 2021. The waiver was provided by both banks, Santander and Bancomext.

For purposes of financing the pre-delivery payments, Mexican trusts 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 (CIBanco, S.A., Institución de Banca Múltiple, Fidecomiso (previously Deutsche Bank México, S.A. Fideicomisos 1710 and 1711)).

As of December 31, 2021, the financial debt related to finance pre-delivery payments of aircraft amounts to Ps.3,535,649, the company covers this short-term obligation through the celebration of the sale and the collection made by the transaction denominated as sale and leaseback at the time of delivery, therefore, it does not represent a disbursement that directly impacts the company's working capital.

As of December 31, 2021, the Company has committed credit lines totaling Ps.9,949,640 of which Ps.6,967,530 were related to financial debt (Ps.200,000 were undrawn) and Ps.2,982,110 were related to letters of credit (Ps. 476,689 were undrawn). As of December 31, 2020, the Company had available credit lines totaling Ps.9,256,978 of which Ps.6,851,338 were related to financial debt (Ps.1,500,726 were undrawn) and Ps.2,405,640 were related to letters of credit (Ps.214,012 were undrawn).

On June 20, 2019, the Company, through its subsidiary Concesionaria issued 15,000,000 asset backed trust notes ("CEBUR") under the ticket VOLARCB 19 for Ps.1.5 billion Mexican pesos through the Fideicomiso Irrevocable de Administración número CIB/3249 created by Concesionaria. The issuance amount is part of a program approved by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) for an amount of up to Ps.3.0 billion Mexican pesos.

The notes have a five-year maturity annual reduction of Ps.250,000, Ps.500,000, Ps.500,000 and Ps.250,000 in 2021, 2022, 2023 and 2024, respectively, with a floating one-month coupon rate referenced to TIIE 28 plus with a 175 basis point spread. The notes start amortizing at the end of the second year.

On October 13, 2021, the Company, through its subsidiary Concesionaria issued in the Mexico market a second issuance of 15,000,000 asset backed trust notes ("CEBUR") under the ticket VOLARCB 21L for Ps.1.5 billion Mexican pesos through the Fideicomiso Irrevocable de Administración número CIB/3249 created by Concesionaria. The issuance amount is part of a program approved by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) for an amount of up to Ps.3.0 billion Mexican pesos. With this second issuance the total amount approved for the program has been reached.

The Trust Notes comply with the Sustainability-Linked Bond Principles 2020, administered by the International Capital Market Association (ICMA). Which has Sustainability Objectives (SPT) for the KPI, to reduce carbon dioxide emissions measured as grams of CO2 emissions per revenue passenger/kilometer (gCO2 / RPK) by 21.54%, 24.08% and 25.53% by 2022, 2023 and 2024, respectively, compared to 2015. This offering will help the Company to accomplish its long-term sustainable goals, among which are to reduce CO2 emissions by 35.42% by 2030.

A feature of the asset backed trust notes is that they will pay an additional twenty-five (25) basis points to the interest rate if the sustainability goals are not met, with the possibility of mitigating the additional rate if the 2023 or 2024 targets are met.

The notes have a five -year maturity annual reductions of Ps.83,333, Ps.500,000, Ps.500,000 and Ps.416,667 in 2023, 2024, 2025 and 2026, respectively, with a floating one-month coupon rate referenced to TIIE 28 plus with a 200 basis point spread. The notes start amortizing at the end of the second year.

The asset backed trust note's structure operate on specific rules and provide a DSCR "Debt Service Coverage Ratio" which is computed by comparing the Mexican Peso collections over the previous six months to the next 6 months of debt service. In general, not retention of funds exists if the ratio exceeds 2.5 times. Amortization on the asset backed trust notes began in July of 2021 for the first issuance and the second issuance will begin in October of 2023. In addition, early amortization applies if:

i) The Debt Coverage Ratio is less than 1.75x on any of the determination dates;
ii) An event of retention is not covered in a period of 90 consecutive days;
iii) The debt service reserve account of any series maintains on deposit an amount less than the required balance of the debt service reserve account for a period that includes two or more consecutive payment methods;
iv) Insolvency event of Concesionaria;
v) The update of a new insolvency event in relation to the Concesionaria;
vi) Updating a new event of default.

In the event of default, the Trustee will refrain from delivering any amount that it would otherwise be to require to deliver to Concesionaria and will dedicate use such cash flow to amortize the principal of the trust notes ("CEBUR").

In December 2021, the Company renewed the working capital facility with Banco Sabadell S.A., Institución de Banca Multiple ("Sabadell") in Mexican pesos, bearing annual interest rate at TIIE 28 days plus a 240 basis points. As of December 31, 2021, the company paid the dispositions made during the year, therefore, it does not have a balance pending settlement.

In December 2019, the Company entered into a short-term working capital facility with Banco Sabadell S.A., Institución de Banca Multiple ("Sabadell") in Mexican pesos, bearing annual interest rate at TIIE 28 days plus a 300 basis points.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

The "Sabadell" working capital facility has the following covenant:

i) Joint obligor (Concesionaria) must represent 85% of EBITDA of the holding.

At December 31, 2021 and 2020, the Company was in compliance with the covenants under the terms and conditions of the asset backed trusted notes and short-term working capital facilities.

Changes in liabilities arising from financing activities

For the years ended December 31, 2021 and 2020, the changes in liabilities from financing activities from the Company are summarized in the following table:

	January 1, 2021	Net cash Flows	Accrued* Interest	Foreign exchange movement	Current vs non - current reclassification	Other	December 31, 2021
Current interest-bearing loans and borrowings	Ps. 1,558,884	Ps. (1,223,402)	Ps. 2,876	Ps. 76,942	Ps. 3,637,559	Ps. -	Ps. 4,052,859
Non-current interest - bearing loans and borrowings	3,795,749	2,023,240	-	35,171	(3,637,559)	7,220	2,223,821
Total liabilities from financing activities	Ps. 5,354,633	Ps. 799,838	Ps. 2,876	Ps. 112,113	Ps. -	Ps. 7,220	Ps. 6,276,680

	January 1, 2020	Net cash Flows	Accrued* Interest	Foreign exchange movement	Current vs non - current reclassification	Other	December 31, 2020
Current interest-bearing loans and borrowings	Ps. 2,086,017	Ps. (1,231,695)	Ps. (10,498)	Ps. (32,491)	Ps. 747,551	Ps. -	Ps. 1,558,884
Non-current interest - bearing loans and borrowings	2,889,952	1,374,678	-	231,612	(747,551)	47,058	3,795,749
Total liabilities from financing activities	Ps. 4,975,969	Ps. 142,983	Ps. (10,498)	Ps. 199,121	Ps. -	Ps. 47,058	Ps. 5,354,633

* This balance is net of interest provisions and interest effectively paid as of December 31, 2021 and 2020, respectively.

c) Other financial liabilities

At December 31, 2021 and 2020, the derivative financial instruments designated as CFH from the Company are summarized in the following table:

	2021	2020
Derivative financial instruments designated as CFH (effective portion recognized within OCI):		
Zero-Cost Collar options	Ps. -	Ps. 9,657
Total derivative financial liabilities	Ps. -	Ps. 9,657
Presented on the consolidated statements of financial position as follows:		
Current	Ps. -	Ps. 9,657
Non-current	Ps. -	Ps. -

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

6. Cash, cash equivalents and restricted cash

An analysis of this caption is as follows:

	2021		2020	
Cash in banks	Ps.	9,543,860	Ps.	6,907,295
Short-term investments		5,558,131		3,068,618
Restricted funds held in trust related to debt service reserves		147,415		91,040
Cash on hand		5,470		36,432
Total cash, cash equivalents and restricted cash	Ps.	15,254,876	Ps.	10,103,385

As of December 31, 2021 and 2020, the Company recorded a portion of advance ticket sales by an amount of Ps.147,415 and Ps.91,040, respectively, as a restricted fund (Note 1e). The restricted funds held in Trusts are used to constitute the debt service reserves and cannot be used for purposes other than those established in the contracts of the Trusts.

7. Related parties

a) An analysis of balances due from/to related parties at December 31, 2021 and 2020 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:

	Type of transaction	Country of origin	2021		2020		Terms
Due from:							
Frontier Airlines Inc. ("Frontier")	Code-share	USA	Ps.	95,951	Ps.	72,629	30 days
Due to:							
Grupo Aeroportuario del Centro Norte ("OMA")	Airport Services	Mexico	Ps.	199,393	Ps.	80,681	30 days
Chevez, Ruiz, Zamarripa y Cía., S.C.	Professional fees	Mexico		9,373		4,823	30 days
Aeromantenimiento, S.A. ("Aeroman")	Aircraft maintenance and technical support	El Salvador		8,295		39,284	30 days
Mijares, Angoitia, Cortés y Fuentes, S.C.	Professional fees	Mexico		-		166	30 days
Frontier Airlines Inc. ("Frontier")	Code-share	USA		42		39	30 days
			Ps.	217,103	Ps.	124,993	

b) During the years ended December 31, 2021, 2020 and 2019, the Company had the following transactions with related parties:

Related party transactions	Country of origin	2021		2020		2019	
Revenues:							
Transactions with affiliates Frontier Airlines Inc Code-share	USA	Ps.	71,210	Ps.	148,964	Ps.	208,968
Expenses:							
Transactions with affiliates Aeromantenimiento, S.A. Aircraft maintenance	El Salvador	Ps.	160,632	Ps.	239,118	Ps.	201,624
Technical support	El Salvador		2,882		3,945		5,815
Grupo Aeroportuario del Centro Norte Airport services	Mexico		133,296		32,193		-
Chevez, Ruiz, Zamarripa y Cía, S.C. Professional fees	Mexico		4,798		4,823		-
Mijares, Angoitia, Cortés y Fuentes, S.C. Professional fees	Mexico		4,311		5,582		1,321
Servprot, S.A. de C.V. Security services	Mexico		3,531		3,464		3,120
Onelink, S.A. de C.V. Call center fees	Mexico/El Salvador		-		73,167		37,026

Frontier started having transactions with the Company in August 2018. As of December 31, 2021 and 2020, there have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2021 and 2020, no provision for expected credit losses has been recognized, due to the Company considers the credit risk is minimal, and these balances are current accounts.

c) Servprot

Servprot S.A. de C.V. ("Servprot") is a related party because Enrique Beltranena, the Company's President and Chief Executive Officer and director, is shareholder of such company. Servprot provides security services for Mr. Beltranena and his family. As of December 31,2021, and 2020 there are not outstanding balances due to Servprot under this agreement.

During the years ended December 31, 2021, 2020 and 2019 the Company expensed Ps.3,531, Ps.3,464 and Ps.3,120, respectively for this concept.

d) Aeroman

Aeroman is a related party, because Marco Baldocchi a member of the board of the Company's board of directors is an alternate director of Aeroman. The Company entered into an aircraft repair and maintenance service agreement with Aeroman on January 1, 2017. This agreement provides that the Company must 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 5-year term. As of December 31, 2021 and 2020, the balances due under the agreement to Aeroman were Ps.8,295 and Ps.39,284, respectively. The Company incurred expenses in aircraft maintenance and technical support under this agreement amounted to Ps.163,514, Ps.243,063 and Ps.207,439 for the years ended December 31, 2021, 2020 and 2019, respectively.

e) OneLink

Onelink, S.A. de C.V. ("Onelink") was a related party until December 31, 2017, because Marco Baldocchi, a member of the board, was a director of Onelink. As of October 24, 2019 and until June 30,2020 Onelink Holdings, S.A. ("Onelink Holdings") and its subsidiary Onelink were related parties, because Mr. Rodrigo Antonio Escobar Nottebohm, a former alternate board member of Onelink Holdings, became an alternate Director of the Company. Pursuant to this agreement, Onelink received calls from the customers to book flights and provides customers with information about fares, schedules and availability.

As of December 31, 2021 and 2020, the Company did not recognize any outstanding balances, from Onelink as related party transaction. During the year ended December 31, 2021, the Company did not recognize any revenue and expense transactions as a related party. During the years ended December 31, 2020 and 2019, Company recognized an expense under this agreement of Ps.73,167 and Ps.37,026, respectively.

f) Mijares, Angoitia, Cortés y Fuentes

Mijares, Angoitia, Cortés y Fuentes, S.C. ("MACF") is a related party because Ricardo Maldonado Yañez and Eugenio Macouzet de León, member and alternate member, respectively, of the board of the Company since April 2018, are partners of MACF which provides legal services to us. As of December 31, 2021, the Company did not have outstanding balance due to MACF and December 31, 2020, the balance due for the services received from MACF was Ps.166. During the years ended December 31, 2021, 2020 and 2019, the Company recognize expense transactions with this related party of Ps.4,311, Ps.5,582 and Ps.1,321, respectively.

g) Frontier

Frontier is a related party because Mr. William A. Franke and Brian H. Franke are members of the board of the Company and Frontier as well as Indigo Partners, the later has investments in both companies. As of December 31, 2021 and 2020, the accounts receivable from Frontier were Ps.95,951 and Ps.72,629, respectively. Additionally, as of December 31, 2021 and 2020, the account payable was Ps.42 and Ps.39, respectively. During the years ended December 31, 2021, 2020 and 2019 the Company recognized revenue under this agreement of Ps.71,210, Ps.148,964 and Ps.208,968, respectively.

h) Grupo Aeroportuario del Centro Norte ("OMA")

On April 22, 2020, Grupo Aeroportuario del Centro Norte ("OMA") became a related party because Mrs. Guadalupe Phillips Margain is an independent member of the board of directors of the Company and member of the board of directors of OMA. Mr. Ricardo Maldonado Yañez is also an independent member of the board of directors of the Company and OMA. As of December 31, 2021 and 2020, the account payable with OMA was Ps.199,393 and Ps.80,681, respectively. During the years ended December 31, 2021 and 2020, the Company recognized expenses with OMA of Ps.133,296 and Ps.32,193, respectively.

i) Chevez, Ruiz, Zamarripa y Cia, S.C. ("Chevez")

Chevez, Ruiz, Zamarripa y Cia, S.C. ("Chevez") is a related party because Mr. José Luis Fernández Fernández is an independent member of the board of directors, as well as the chairman of the Audit and Corporate Governance Committee of the Company and non-managing partner of Chevez. Chevez provides tax advisory services to us. As of December 31, 2021 and 2020, the account payable with Chevez was Ps.9,373 and Ps.4,823, respectively. During the years ended December 31, 2021 and 2020, the Company recognized expenses with Chevez of Ps.4,798 and Ps.4,823, respectively.

j) Directors and officers

During the years ended December 31, 2021, 2020 and 2019, the chairman and the independent members of the Company's board of directors received a net compensation of Ps.12,598, Ps.5,762 and Ps.8,085, respectively, and the rest of the directors received a net compensation of Ps.3,620, Ps.3,692 and Ps.4,367, respectively.

During the years ended December 31, 2021, 2020 and 2019, all the Company's senior managers received an aggregate compensation of short and long-term benefits of Ps.383,838, Ps.253,681 and Ps.237,846, respectively, these amounts were recognized in salaries and benefits in the consolidated statement of operations.

During the years ended December 31, 2021, 2020 and 2019 the cost of the share-based payments transactions (MIP and LTIP) was Ps.89,464, Ps.75,040 and Ps.49,659, respectively. The (benefit) cost of the cash-settled payments transactions MIP II and SARs were Ps. (62,262), Ps.105,303 and Ps.40,724, respectively (Note 18).

The Company has a short-term benefit plan for certain personnel whereby cash bonuses are awarded for meeting certain Company's performance targets. During the year ended December 31, 2021 the Company recorded a provision in the amount of Ps.155,388. During the year ended December 31,2020 the Company did not record a provision. During the year ended December 31, 2019 the Company recorded a provision in the amount of Ps.80,634.

During the years ended December 31, 2021, 2020 and 2019 the Company recorded an expense for an amount of Ps.155,388, Ps.0 and Ps.80,634, respectively, under the caption salaries and benefits.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

8. Other accounts receivable, net

An analysis of other accounts receivable as of December 31, 2021 and 2020, is detailed below:

		2021		2020
Current:				
Credit cards	Ps.	760,016	Ps.	231,260
Other points of sales		140,952		67,315
Cargo clients		51,790		45,201
Travel agencies and insurance commissions		33,864		16,099
Other accounts receivable		33,688		87,204
Employees		15,637		36,287
Benefits from suppliers		10,616		105,947
Marketing services receivable		706		4,020
Airport services		-		15
		1,047,269		593,348
Allowance for expected credit losses		(12,665)		(32,708)
	Ps.	1,034,604	Ps.	560,640

Accounts receivable have the following aging:

Days		2021 Impaired		2021 Not impaired		Total 2021		2020 Impaired		2020 Not impaired		Total 2020
0–30	Ps.	10,347	Ps.	976,313	Ps.	986,660	Ps.	4,090	Ps.	486,001	Ps.	490,091
31–60		-		27,411		27,411		-		13,872		13,872
61–90		-		8,453		8,453		-		6,081		6,081
91–120		2,318		22,427		24,745		28,618		54,686		83,304
	Ps.	12,665	Ps.	1,034,604	Ps.	1,047,269	Ps.	32,708	Ps.	560,640	Ps.	593,348

The movement in the allowance for credit losses from January 1, 2019 to December 31, 2021 is as follows:

Balance as of January 1st, 2019	Ps.	(11,304)
Write-offs		11,389
Increase in allowance		(40,393)
Balance as of December 31, 2019		(40,308)
Write-offs		21,264
Increase in allowance		(13,664)
Balance as of December 31, 2020		(32,708)
Write-offs		36,161
Increase in allowance		(16,118)
Balance as of December 31, 2021	Ps.	(12,665)

An allowance for expected credit losses on accounts receivables is established in accordance with the information mentioned in Note 1f) ii).

9. Inventories

An analysis of inventories as of December 31, 2021 and 2020 is as follows:

		2021		2020
Spare parts and accessories of flight equipment	Ps.	296,345	Ps.	271,454
Miscellaneous supplies		-		7,505
	Ps.	296,345	Ps.	278,959

The inventory items are consumed during or used mainly in delivery of in-flight services and for maintenance services by the Company and are valued at the lower of cost or replacement value. The Company recognizes the necessary estimates for decreases in the value of its inventories due to impairment, obsolescence, slow movement and causes that indicate that the use or realization of the aircraft spare parts and flight equipment accessories that are part of the inventory will be less than recorded value. During the years ended as of December 31, 2021, 2020 and 2019, the amount of consumption of inventories, recorded as an operating expense as part of maintenance expense was Ps.312,462, Ps.234,691 and Ps.284,687, respectively.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

10. Prepaid expenses and other current assets

An analysis of prepaid expenses and other current assets at December 31, 2021 and 2020 is as follows:

	2021	2020
Other prepaid expenses	Ps. 214,874	Ps. 81,803
Sales commission to travel agencies (Note 1d)	190,052	151,342
Advances to suppliers	175,830	163,044
Flight credits	123,964	389,927
Prepaid insurance	85,418	64,309
	Ps. 790,138	Ps. 850,425

11. Guarantee deposits

An analysis of this caption as of December 31, 2021 and 2020 is as follows:

	2021	2020
Current asset:		
Credit letters deposits	Ps. 1,127,302	Ps. 829,918
Aircraft maintenance deposits paid to lessors (Note 1j)	434,866	279,390
Deposits for rental of flight equipment	34,723	23,584
Other guarantee deposits	28,995	9,064
	1,625,886	1,141,956
Non-current asset:		
Aircraft maintenance deposits paid to lessors (Note 1j)	8,320,612	7,641,544
Deposits for rental of flight equipment	1,029,323	741,871
Other guarantee deposits	23,219	41,323
	9,373,154	8,424,738
	Ps. 10,999,040	Ps. 9,566,694

12. Rotable spare parts, furniture and equipment, net

	Gross value		Accumulated depreciation		Net carrying value	
	At December 31, 2021	At December 31, 2020	At December 31, 2021	At December 31, 2020	At December 31, 2021	At December 31, 2020
Leasehold improvements to flight equipment	Ps. 5,328,605	Ps. 5,092,049	Ps. (2,696,788)	Ps. (3,354,166)	Ps. 2,631,817	Ps. 1,737,883
Pre-delivery payments*	5,224,632	4,920,126	-	-	5,224,632	4,920,126
Flight equipment	2,193,686	1,689,473	(1,330,958)	(1,223,560)	862,728	465,913
Construction and improvements in process	545,941	53,545	-	-	545,941	53,545
Constructions and improvements	153,485	175,407	(127,845)	(148,391)	25,640	27,016
Office furniture and equipment	60,362	67,035	(34,596)	(35,309)	25,766	31,726
Computer equipment	28,813	49,945	(24,693)	(42,126)	4,120	7,819
Workshop machinery and equipment	22,679	20,574	(8,243)	(7,641)	14,436	12,933
Communications equipment	12,049	14,803	(7,453)	(9,038)	4,596	5,765
Motorized transport equipment platform	11,542	15,247	(3,358)	(7,924)	8,184	7,323
Electric power equipment	11,011	20,448	(5,057)	(12,773)	5,954	7,675
Service carts on-board	9,216	9,216	(6,874)	(6,112)	2,342	3,104
Workshop tools	8,664	27,727	(7,516)	(24,398)	1,148	3,329
Allowance for obsolescence	-	(3,000)	-	-	-	(3,000)
Total	Ps. 13,610,685	Ps. 12,152,595	Ps. (4,253,381)	Ps. (4,871,438)	Ps. 9,357,304	Ps. 7,281,157

*During the years ended December 31, 2021 and 2020, the Company capitalized borrowing costs of Ps.143,966 and Ps.384,038, respectively. The amount of this line is net of disposals of capitalized borrowing costs related to sale and leaseback transactions of Ps.84,273 and Ps.401,862, respectively.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

	Flight equipment	Constructions and improvements	Computer equipment	Office furniture and equipment	Electric power equipment	Workshop Tools	Motorized transport equipment platform	Communica-tions equipment	Workshop machinery and equipment	Service carts on-board	Allowance for obsolescence	Pre-delivery payments	Construction and improvements in process	Leasehold improvements to flight equipment	Total
Net balance as of December 31, 2019	Ps. 733,250	Ps. 40,950	Ps. 13,071	Ps. 36,660	Ps. 9,012	Ps. 4,852	Ps. 9,634	Ps. 5,777	Ps. 10,209	Ps. 2,121	Ps. (3,000)	Ps. 4,507,770	Ps. 474,240	Ps. 1,540,788	Ps. 7,385,334
Additions	668,376	128	1,648	733	-	851	-	-	-	1,541	-	2,185,902	176,607	646,219	3,682,005
Disposals and transfers	(861,761)	-	-	-	-	-	-	-	-	-	-	(1,755,724)	(354,146)	-	(2,971,631)
Borrowing costs, net*	-	-	-	-	-	-	-	-	-	-	-	(17,822)	-	-	(17,822)
Other movements	-	2,317	713	101	36	-	222	1,083	4,273	-	-	-	(243,156)	235,509	1,098
Depreciation	(73,952)	(16,379)	(7,613)	(5,768)	(1,373)	(2,374)	(2,533)	(1,095)	(1,549)	(558)	-	-	-	(684,633)	(797,827)
As of December 31, 2020	465,913	27,016	7,819	31,726	7,675	3,329	7,323	5,765	12,933	3,104	(3,000)	4,920,126	53,545	1,737,883	7,281,157
Cost	1,689,473	175,407	49,945	67,035	20,448	27,727	15,247	14,803	20,574	9,216	(3,000)	4,920,126	53,545	5,092,049	12,152,595
Accumulated depreciation	(1,223,560)	(148,391)	(42,126)	(35,309)	(12,773)	(24,398)	(7,924)	(9,038)	(7,641)	(6,112)	-	-	-	(3,354,166)	(4,871,438)
Net balance as of December 31, 2020	465,913	27,016	7,819	31,726	7,675	3,329	7,323	5,765	12,933	3,104	(3,000)	4,920,126	53,545	1,737,883	7,281,157
Additions	517,234	-	1,470	63	1,938	1,708	4,796	-	4,173	-	-	1,130,669	547,220	1,755,614	3,964,885
Disposals and transfers	(2,781)	(14)	(61)	(3,462)	(2,491)	(277)	(5,078)	(587)	(872)	-	3,000	(885,855)	(28,088)	-	(926,566)
Borrowing costs, net*	-	-	-	-	-	-	-	-	-	-	-	59,692	-	-	59,692
Other movements	-	14,899	522	3,010	-	-	3,579	431	130	-	-	-	(26,736)	4,313	148
Depreciation	(117,638)	(16,261)	(5,630)	(5,571)	(1,168)	(3,612)	(2,436)	(1,013)	(1,928)	(762)	-	-	-	(865,993)	(1,022,012)
As of December 31, 2021	862,728	25,640	4,120	25,766	5,954	1,148	8,184	4,596	14,436	2,342	-	5,224,632	545,941	2,631,817	9,357,304
Cost	2,193,686	153,485	28,813	60,362	11,011	8,664	11,542	12,049	22,679	9,216	-	5,224,632	545,941	5,328,605	13,610,685
Accumulated depreciation	(1,330,958)	(127,845)	(24,693)	(34,596)	(5,057)	(7,516)	(3,358)	(7,453)	(8,243)	(6,874)	-	-	-	(2,696,788)	(4,253,381)
Net balance as of December 31, 2021	Ps. 862,728	Ps. 25,640	Ps. 4,120	Ps. 25,766	Ps. 5,954	Ps. 1,148	Ps. 8,184	Ps. 4,596	Ps. 14,436	Ps. 2,342	Ps. -	Ps. 5,224,632	Ps. 545,941	Ps. 2,631,817	Ps. 9,357,304

a) On 2021, the Company acquired two NEO spare engines (based on the terms of the Pratt & Whitney purchase agreement FMP), which were accounted for a cost for a total amount of Ps.394,254 (US$19,082). The Company had identified the major components as separate parts at their respective cost. These major components of the engine are presented as part of the flight equipment and depreciated over their useful life.

b) During the years ended December 31, 2021, 2020 and 2019, the Company capitalized borrowing costs which amounted to Ps.143,966, Ps.384,038 and Ps.456,313, respectively (Note 23). The rate used to determine the amount of borrowing cost was 2.76%, 3.58% and 5.10%, for the years ended December 31, 2021, 2020 and 2019, respectively.

c) Depreciation expense for the years ended December 31, 2021, 2020 and 2019, was Ps.1,022,012, Ps.797,827 and Ps.587,849, respectively. Depreciation charges for the year are recognized as a component of operating expenses in the consolidated statements of operations.

d) In October 2005 and December 2006, the Company entered into purchase agreements with Airbus and International Aero Engines AG ("IAE") for the purchase of aircraft and engines, respectively. Under such agreements and prior to the delivery of each aircraft and engine, the Company agreed to make pre-delivery payments, which were calculated based on the reference price of each aircraft and engine, and following a formula established for such purpose in the agreements.

In 2011, the Company amended the agreement with Airbus for the purchase of 44 A320 family aircraft to be delivered from 2015 to 2020. The new order includes 14 A320CEO ("Current Engine Option Aircraft") and 30 A320NEO. Additionally, during December 2017, the Company amended the agreement with Airbus for the purchase of 80 A320 family aircraft to be delivered from 2022 to 2026. The new order includes 46 A320NEO and 34 A321NEO. Under such agreement and prior to the delivery of each aircraft, the Company agreed to make pre-delivery payments, which shall be calculated based on the reference price of each aircraft, and following a formula established for such purpose in the agreement.

In November 2018, the Company amended the agreement with Airbus to reschedule the remaining 26 fleet deliveries between 2019 and 2022. Also, in this amendment the Company used its rights on the Airbus Purchase Agreement to convert six A320NEO into A321NEO. In July 2020, the Company amended the agreement with Airbus to reschedule the 80 aircraft deliveries between 2023 and 2028. In October 2020, the Company amended the agreement with Airbus to reschedule the remaining 18 fleet deliveries between 2020 and 2022.

In 2021, the Company amended the agreement with Airbus for the purchase of 39 A320 family aircraft to be delivered from 2023 to 2029. The new order includes only A321NEO aircraft. Under such agreement and prior to the delivery of each aircraft, the Company agreed to make pre-delivery payments, which shall be calculated based on the reference price of each aircraft, and following a formula established for such purpose in the agreement. Also, in this agreement the Company used its rights on the Airbus Purchase Agreement to convert twenty A320NEO into A321NEO.

On August 16, 2013, the Company entered into certain agreements with IAE and United Technologies Corporation Pratt & Whitney Division ("P&W"), which included the purchase of the engines for 14 A320CEO and 30 A320NEO respectively, to be delivered between 2014 and 2022. This agreement also included the purchase of one spare engine for the A320CEO fleet (which was received during the fourth quarter of 2016) and six spare engines for the A320NEO fleet to be received from 2017 to 2022. In November 2015, the Company amended the agreement with the engine supplier to provide major maintenance services for the engines of sixteen aircrafts (10 A320NEO and 6 A321NEO). This agreement also includes the purchase of three spare engines, two of them for the A320NEO fleet, and one for the A321NEO fleet. In April 2021, the Company amended the agreement with the engine supplier to provide major maintenance services for the engines of two aircrafts A320NEO.

On May 12, 2020, the Company entered into certain agreements with IAE and United Technologies Corporation Pratt & Whitney Division ("P&W"), which included the purchase of the engines for 46 A320NEO and 34 A321NEO respectively, to be delivered between 2022 and 2028. This agreement also included the purchase of eleven firm spare engines for the A320NEO fleet to be received from 2022 to 2029.

In October 2021, the Company amended the agreement with the engine supplier to provide major maintenance services for the engines of thirteen aircrafts (all A320NEO). This agreement also includes the purchase of one spare engine for the A320NEO fleet.

The Company received credit notes from P&W in December 2017 of Ps.58,530 (USD$3.06 million), which are being amortized on a straight-line basis, prospectively during the term of the agreement. As of December 31, 2021 and 2020, the Company amortized a corresponding benefit from these credit notes of Ps.4,878 and Ps.4,878, respectively, which is recognized as an offset to maintenance expenses in the consolidated statements of operations.

During the years ended December 31, 2021 and 2020, the amounts paid for aircraft and spare engine pre-delivery payments were of Ps.1,130,669 (USD$55,639 million) and Ps.2,185,902 (USD$102.7 million), respectively.

The current purchase agreement with Airbus requires the Company to accept delivery of 132 Airbus A320 family aircraft during a period of nine years (from January 2022 to November 2029). The agreement provides for the addition of 132 Aircraft to its fleet as follows: thirteen in 2022, five in 2023, seventeen in 2024, sixteen in 2025, twenty-seven in 2026, twenty-one in 2027, nineteen 2028 and fourteen in 2029. Commitments to acquisitions of property and equipment are disclosed in Note 25.

During the years ended December 31, 2021, 2020 and 2019 the Company entered into aircraft and spare engines sale and leaseback transactions, resulting in gains of Ps.195,552, Ps.710,522 and Ps.284,759, respectively, these were recorded under the caption other operating income in the consolidated statement of operations, that represented only the amount of gains that relate to the rights transferred to the buyer-lessor. (Note 22).

d) During December 2017, the Company entered into an updated total support agreement with Lufthansa for 66 months, with an effective date on July 1, 2018. This agreement includes similar terms and conditions as the original agreement.

As part of this agreement, the Company received credit notes of Ps.28,110 (USD$1.5 million), which are being amortized on a straight-line basis, prospectively during the term of the agreement. As of December 31, 2021, 2020 and 2019, the Company amortized a corresponding benefit from these credit notes of Ps.5,230, Ps.5,230 and Ps.5,230, respectively, recognized as an offset to maintenance expenses in the consolidated statements of operations.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

e) On September 5, 2019, the Company acquired one previously leased A319 aircraft from the lessor, which was accounted for a cost for a total amount of Ps.392,076 (USD$19,600). This transaction did not generate any gain or loss in our consolidated statements of operations.

The Company identified the major components as separate parts at their respective cost. These major components of the aircraft are presented as part of the aircraft and depreciated over their useful life. During December 2019, the Company sold acquired aircraft engines in a sale and lease back transaction.

As of December 31, 2021 and 2020 the carrying amount of the remaining owned aircraft was Ps.7,859 and Ps.47,039, respectively, and for the years ended December 31, 2021, 2020 and 2019 the depreciation expense was Ps.39,179, Ps.5,946, and Ps.1,787, respectively.

13. Intangible assets, net

The composition and movement of intangible assets is as follows:

	Useful	Gross value		Accumulated amortization		Net carrying amount	
	Life	At December 31,					
	years	2021	2020	2021	2020	2021	2020
Software	1 – 4	Ps. 844,917	Ps. 704,257	Ps. (584,902)	Ps. (512,695)	Ps. 260,015	Ps. 191,562

Balance as of January 1st, 2020	Ps.	167,397
Additions		124,724
Disposals		-
Amortization		(100,618)
Exchange differences		59
Balance as of December 31, 2020		191,562
Additions		205,692
Disposals		(25)
Amortization		(137,212)
Exchange differences		(2)
Balance as of December 31, 2021	Ps.	260,015

The Company had implemented the SAP4HANA software. As a result of the analysis carried out, it was concluded that the Company controls the software, therefore it is the only beneficiary with respect to the configuration, since the settings made were customized according to the needs of the business. The costs directly attributable to the implementation were recognized as an intangible asset, the other costs different to the implementation were recognized in Net Income As of December 31, 2021, the capitalization for this implementation was Ps.90,187.

Software amortization expense for the years ended December 31, 2021, 2020 and 2019 was Ps.137,212, Ps.100,618 and Ps.87,667, respectively. These amounts were recognized in depreciation and amortization caption on the consolidated statements of operations.

14. Leases

As of December 31, 2021 and 2020 the most significant leases are as follows:

a) Aircraft and engines represent the Company´s most significant lease agreements. On December 31, 2021, the Company leases 100 aircraft (85 as of December 31, 2020) and 20 spare engines under lease agreements (18 as of December 31, 2020) that have maximum terms through 2033. These leases are generally guaranteed by either deposit in cash or letters of credits.

Composition of the fleet and spare engines, leases*:

Aircraft Type	Model	At December 31, 2021	At December 31, 2020
A319	132	3	3
A319	133	2	2
A320	233	39	39
A320	232	1	1
A320NEO	271N	39	24
A321	231	10	10
A321NEO	271N	6	6
		100	85

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

Engine spare Type	Model	At December 31, 2021	At December 31, 2020
V2500	V2524-A5	2	2
V2500	V2527M-A5	3	3
V2500	V2527E-A5	5	5
V2500	V2527-A5	4	2
PW1100	PW1127G-JM	5	5
PW1100	PW1133G-JM	1	1
		20	18

* Certain of the Company's aircraft and engine lease agreements include an option to extend the lease term period. Management evaluates extensions based on the market conditions at the time of renewal.

During the year ended December 31, 2021, the Company added fifteen new leased aircraft to its fleet (five A320 NEO´s acquired through sale and leaseback transactions under our existing Airbus purchase agreement and ten obtained directly from the lessor´s aircraft order book). Also, the Company extended the lease term of thirteen A320CEO (effective from 2022, 2023 and 2025) and two A319CEO (effective from 2021). All the aircraft incorporated through the lessor´s aircraft order were not subject to sale and leaseback transactions.

During the year ended December 31, 2021, the Company also incorporated two NEO spare engines. Such leases were not subject to sale and leaseback transactions. Also, the Company extended the lease term of three spare engines (two of them effective from February 2021 and the other from October 2021).

During the year ended December 31, 2020, the Company added seven new leased aircraft to its fleet (seven A320 NEO´s acquired through sale and leaseback transactions under our existing Airbus purchase agreement). Also, the Company returned three aircraft to their respective lessors.

During the year ended December 31, 2020, the Company also incorporated two NEO spare engines (based on the terms of the Pratt & Whitney purchase agreement FMP) and two CEO spare engines to its fleet. These four engines incorporated were subject to sale and leaseback transactions and their respective lease agreements were accounted for leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Aircraft leases	Spare engine leases	Land and building leases	Total
As of January 1st, 2020	Ps. 33,312,089	Ps. 677,198	Ps. 139,479	Ps. 34,128,766
Additions	4,876,071	362,081	15,222	5,253,374
Disposals	(17,742)	-	-	(17,742)
Foreign exchange effect	-	-	795	795
Depreciation on right of use assets	(4,763,928)	(210,079)	(74,969)	(5,048,976)
As of December 31, 2020	33,406,490	829,200	80,527	34,316,217
Additions	8,869,694	59,374	281,790	9,210,858
Modifications	1,221,718	42,267	140,514	1,404,499
Disposals	-	-	(5,536)	(5,536)
Foreign exchange effect	-	-	(5)	(5)
Depreciation on right of use assets	(5,124,774)	(235,732)	(102,119)	(5,462,625)
As of December 31, 2021	Ps. 38,373,128	Ps. 695,109	Ps. 395,171	Ps. 39,463,408

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
As of January 1st,	Ps. 44,130,542	Ps. 40,517,045
Additions	9,411,524	5,572,764
Modifications	1,370,795	-
Disposals	(5,898)	(231,566)
Accretion of interest	2,582,391	2,218,982
Foreign exchange effect	1,469,362	2,163,886
Payments	(9,308,477)	(6,110,569)
As of 31 December,	Ps. 49,650,239	Ps. 44,130,542
Current	Ps. 5,842,492	Ps. 6,484,092
Non-current	Ps. 43,807,747	Ps. 37,646,450

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

The Company had total cash outflows for leases of Ps.9,308,477 in 2021 (Ps.6,110,569 in 2020 and Ps.6,499,802 in 2019).

The Company applied practical expedients to leases in accordance with IFRS 16 guidance on lease modification accounting for rent concessions for those lease modifications arising as a direct result of COVID-19.

The net impact on the consolidated statements of operations for 2020 was Ps.190,811, which reflects the changes to lease payments that arose from such concessions. During the year ended of December 31, 2021, the Company have not rent concessions for lease modifications arising as a direct result of COVID-19.

For the years ended December 31, 2021, 2020 and 2019 the amounts recognized in profit or loss were as follow:

	For the year ended					
		December 31, 2021		December 31, 2020		December 31, 2019
Depreciation of right-of-use assets	Ps.	(5,462,625)	Ps.	(5,048,976)	Ps.	(4,702,971)
Interest expense on lease liabilities and aircraft and engine lease return obligation (Note 23)		(2,603,820)		(2,350,250)		(2,128,162)
Aircraft and engine variable expenses		(1,686,875)		(1,845,254)		(961,657)
Total amount recognized in profit or loss	Ps.	(9,753,320)	Ps.	(9,244,480)	Ps.	(7,792,790)

i) Return obligations

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 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 variable lease expenses 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. For the years ended December 31, 2021, 2020 and 2019, in relation with this provision the Company expensed as supplemental rent Ps.1,131,107, Ps.1,428,179 and Ps.680,964, respectively.

Extension options

Some lease contracts contain extension options, which the Company evaluates exercising once the lease period comes to its end based on the market conditions at such moment. The lease liabilities corresponding to leases on which it was decided to extend are remeasured for the period negotiated between the Company and the lessor.

For the leases which it was decided to exercise the extension options during 2021, resulted in an increase in the lease liability and corresponding right of use assets by Ps.1,376,005.

15. Accrued liabilities

a) The detail of current accrued liabilities as of December 31, 2021 and 2020 is as follows:

		2021		2020
Fuel and traffic accrued expenses	Ps.	1,819,353	Ps.	1,285,931
Salaries and benefits		432,596		337,467
Maintenance and aircraft parts accrued expenses		466,566		98,942
Sales, marketing and distribution accrued expenses		386,388		179,342
Accrued administrative expenses		196,856		122,729
Maintenance deposits		170,158		174,549
Deferred revenue from V Club membership		75,434		20,830
Others		45,987		86,374
Information and communication accrued expenses		40,899		35,359
Supplier services agreement		23,763		10,634
Benefits from suppliers		7,776		3,888
Advances from travel agencies		65		242
	Ps.	3,665,841	Ps.	2,356,287

b) Non-current accrued liabilities as of December 31, 2021 and 2020 is as follows:

		2021		2020
Supplier services agreement	Ps.	15,704	Ps.	45,270
Benefits from suppliers		9,071		16,847
Other		5,588		4,581
	Ps.	30,363	Ps.	66,698

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

16. Other liabilities

	Balance as of January 1, 2021		Increase for the year		Payments		Balance as of December 31, 2021	
Aircraft and engine lease return obligation (Note 1q and 2i)	Ps.	2,504,484	Ps.	1,422,133	Ps.	(38,828)	Ps.	3,887,789
Guarantee deposit (Note 1j)		250,000		-		(250,000)		-
Employee profit sharing (Note 17)		14,417		262,667		(15,969)		261,115
	Ps.	2,768,901	Ps.	1,684,800	Ps.	(304,797)	Ps.	4,148,904
Current maturities							Ps.	712,903
Non-current							Ps.	3,436,001

	Balance as of January 1, 2020		Increase for the year		Payments		Balance as of December 31, 2020	
Aircraft and engine lease return obligation (Note 1q and 2i)	Ps.	1,852,688	Ps.	2,126,401	Ps.	(1,474,605)	Ps.	2,504,484
Guarantee deposit (Note 1j)		-		250,000		-		250,000
Employee profit sharing (Note 17)		24,097		20,810		(30,490)		14,417
	Ps.	1,876,785	Ps.	2,397,211	Ps.	(1,505,095)	Ps.	2,768,901
Current maturities							Ps.	101,218
Non-current							Ps.	2,667,683

During the years ended December 31, 2021 and 2020 no cancellations or write-offs related to these liabilities were recorded. Since 2012, the Company holds a cobrand credit card agreement with Banco Invex, S.A., Institución de Banca Múltiple, Invex, Grupo Financiero Invex "Invex". Through this agreement, Invex pays certain commissions to Volaris related to the cobrand credit card and Invex's clients receive vouchers to be redeemed in different Volaris services under certain conditions. A portion of the voucher cost is paid by Volaris and the remaining amount by Invex. During the years ended December 31, 2021 and December 31, 2020, Invex prepaid certain commissions to Volaris, which were recorder in guarantee deposit as part of other liabilities.

17. Employee benefits

The components of net period cost recognized in the consolidated statement of operations and the obligations for seniority premium for the years ended December 31, 2021, 2020 and 2019, are as follows:

	2021		2020		2019	
Analysis of net period cost:						
Current service cost	Ps.	8,611	Ps.	8,449	Ps.	8,214
Interest cost on benefit obligation		2,585		2,630		1,872
Net period cost	Ps.	11,196	Ps.	11,079		10,086

Changes in the defined benefit obligation are as follows:

	2021		2020	
Defined benefit obligation on January 1,	Ps.	50,627	Ps.	38,151
Net period cost charged to profit or loss:				
Current service cost		8,611		8,449
Interest cost on benefit obligation		2,585		2,630
Remeasurement losses in other comprehensive income:				
Actuarial changes arising from changes in assumptions		9,279		2,651
Payments made		(1,452)		(1,254)
Others		12,023		-
Defined benefit obligation on December 31,	Ps.	81,673	Ps.	50,627

The significant assumptions used in the computation of the seniority premium obligations are shown below:

	2021	2020	2019
Financial:			
Discount rate	7.84%	7.04%	7.18%
Expected rate of salary increases	5.50%	5.50%	5.50%
Annual increase in minimum salary	19.00%/4.50% *	4.00%	4.00%

*19.00% applies to the General Zone and 4.50% to the Border Zone

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

Mortality [1]	EMSSA 09, CEPAL* 2010 EL SALVADOR, CEPAL*2010 COSTA RICA	EMSSA 09, CEPAL* 2010 EL SALVADOR, CEPAL*2010 COSTA RICA	EMSSA 09, CEPAL* 2010 EL SALVADOR, CEPAL*2010 COSTA RICA
Disability [2]	IMSS-97	IMSS-97	IMSS-97

[1] Mexican Experience of social security (EMSSA), Economic Commission for Latin America and the Caribbean (CEPAL for its Spanish acronym).
[2] Mexican Experience of Instituto Mexicano del Seguro Social (IMSS).

Accruals for short-term employee benefits (included as part of other liabilities). As of December 31, 2021 and 2020, respectively, are as follows:

	2021		2020	
Employee profit-sharing (Note 16)	Ps.	261,115	Ps.	14,417

The key management personnel of the Company include the members of the Board of Directors (Note 7).

Sensitivity analysis

The reasonably possible variations at the date of the report, in one of the most significant actuarial assumptions, and assuming that the rest of the variables had remained constant, would have affected the benefit obligations defined as of December 31, 2021 in the amounts shown below:

		Present value of the defined benefit obligation (Thousands Mexican pesos)			
Assumptions		Increase		Decrease	
Discount rate:	50 basis points	Ps.	78,054	Ps.	85,856
Salary increase rate:	50 basis points	Ps.	82,294	Ps.	81,164

18. Share-based payments

a) LTRP

On November 6, 2014, the shareholders of the Company and the shareholders of its subsidiary Servicios Corporativos, approved an amendment to the current LTRP for the benefit of certain key employees, based on the recommendations of the Board of Directors of the Company at its meetings held on July 24 and August 29, 2014. For such purposes on November 10, 2014 an irrevocable Administrative Trust was created by Servicios Corporativos and the key employees. The new plan was restructured and named LTIP, which consists of a share purchase plan (equity-settled transaction) and SARs plan (cash settled).

On October 18, 2018, the Board of Directors of the Company approved a new long-term retention plan LTRP for certain executives of the Company, through which the beneficiaries of the plan, will receive shares of the Company once the service conditions are met. This plan does not include cash compensations granted through appreciation rights on the Company's shares. The retention plans granted in previous periods under LTRP will continue in full force and effect until their respective due dates and the cash compensation derived from them will be settled according to the conditions established in each plan.

b) LTIP

- Share purchase plan (equity-settled)

Under the share purchase plan (equity- settled), in November 2014 certain key employees of the Company were granted with a special bonus by an amount of Ps.10,831, to be used to purchase Company's shares. The plan consisted in:

(i) Servicios Corporativos granted a bonus to each key executive;
(ii) The bonus amount by Ps.7,059, net of withheld taxes, was transferred on November 11, 2014, as per the written instructions of each key employees, to the Administrative Trust for the acquisition of Series A shares of the Company through an intermediary authorized by the BMV based on the Administration Trust's Technical Committee instructions;
(iii) Subject to specified terms and conditions set forth in the Administrative Trust, the acquired shares were in escrow under the Administrative Trust for its administration until the vesting period date for each key executive, date as of which the key executive can fully dispose of the shares and instruct as desired.
(iv) The share purchase plan provides that if the terms and conditions are not met by the vesting period date, then the shares would be sold in the BMV, and Servicios Corporativos would be entitled to receive the proceeds of the sale of shares.
(v) The key employees' account balance will be tracked by the Administrative Trust. The Administrative Trust's objectives are to acquire Series A shares on behalf of the key employees and to manage the shares granted to such key executive based on instructions set forth by the Technical Committee.

As the Administrative Trust is controlled and therefore consolidated by Controladora, shares purchased in the market and held within the Administrative Trust are presented for accounting purposes as treasury stock in the consolidated statement of changes in equity.

In November 2021, 2020 and 2019, the extensions to the LTIP were approved, respectively by the Company's shareholder's and Company's Board of Directors, respectively. The total cost of the extensions approved were Ps.104,698 (Ps.68,066 net of withheld taxes), Ps.92,132 (Ps.59,899 net of withheld taxes) and Ps.86,772 (Ps.56,407 net of withheld taxes), respectively. Under the terms of the incentive plan, certain key employees of the Company were granted a special bonus that was transferred to the Administrative Trust for the acquisition of Series A shares of the Company.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

As of December 31, 2021, 2020 and 2019, the number of shares into the Administrative Trust associated with the Company's share purchase payment plans is as follows:

	Number of Series A shares
Outstanding as of January 1st, 2019	3,553,295*
Purchased during the year	2,694,600
Granted during the year	-
Exercised/vested during the year	(959,614)
Forfeited during the year	(173,090)
Outstanding as of December 31, 2019	5,115,191
Purchased during the year	3,159,763
Granted during the year	-
Exercised/vested during the year	(2,142,426)
Forfeited during the year	(327,217)
Outstanding as of December 31, 2020	5,805,311*
Purchased during the year	1,849,417
Granted during the year	-
Exercised/vested during the year	(2,612,575)
Forfeited during the year	(551,732)
Outstanding as of December 31, 2021	4,490,421*

*These shares are presented as treasury shares in the consolidated statement of financial position as of December 31, 2021, 2020 and 2019.

The vesting period of the shares granted under the Company's share purchase plans is as follows:

Number of Series A shares	Vesting period
2,408,277	November 2022
1,485,802	November 2023
596,342	November 2024
4,490,421	

In accordance with IFRS 2, the share purchase plans are classified as equity-settled transactions on the grant date. This valuation is the result of multiplying the total number of Series A shares deposited in the Administrative Trust and the price per share, plus the balance in cash deposited in the Administrative Trust.

For the years ended December 31, 2021, 2020 and 2019, the compensation expense recorded in the consolidated statement of operations amounted to Ps.89,464, Ps.75,040 and Ps.49,659, respectively. All shares held in the Administrative Trust are considered outstanding for both basic and diluted earnings (loss) per share purposes, since the shares are entitled to dividend if and when declared by the Company.

During 2021, 2020 and 2019, some key employees left the Company; therefore, the vesting conditions were not fulfilled. In accordance with the terms of the plan, Servicios Corporativos is entitled to receive the proceeds of the sale of such shares, the number of forfeited shares as of December 31, 2021, 2020 and 2019, were (551,732), (327,217) and (173,090), respectively.

- SARs (cash settled)

On November 6, 2014, the Company granted 4,315,264 SARs to key employees that entitle them to a cash payment and vest as long as the employee continues to be employed by the Company at the end of each anniversary, during a three - years period. The total amount of the appreciation rights granted under this plan at the grant date was Ps.10,831.

Fair value of the SARs was measured at each reporting date. The carrying amount of the liability relating to the SARs as of December 31, 2019 was Ps.1,901. The retention plan granted in previous periods expired in November 2020.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

The compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits over the service period. During the years ended December 31, 2021, 2020 and 2019, the Company recorded an expense (benefit) of Ps. 0, Ps. (1,901) and Ps.2,964, respectively, in the consolidated statement of operations.

The fair value of these SARs was estimated at the grant date and at each reporting date using the Black-Scholes option pricing model, taking into account the terms and conditions on which the SARs were granted.

During the year ended December 31, 2019, the Company made a cash payment to key employees related to the SARs plan in the amount of Ps.2,395.

Such payment was determined based on the increase in the share price of the Company from the grant date to the exercisable date.

During the year ended December 31, 2021 and 2020 the Company did not make a cash payment to key employees related to the SARs plan.

c) MIP

- MIP I

In April 2012, the Board of Directors authorized a MIP for the benefit of certain key employees, subject to shareholders' approval. On December 21, 2012, the shareholders approved the MIP consisting of: (i) the issuance of an aggregate of 25,164,126 Series A and Series B shares, representing 3.0% of the Company's fully diluted capital stock; (ii) a grant of options to acquire shares of the Company or CPOs having shares as underlying securities for which, as long as certain conditions occur, the employees will have the right to request the delivery of those shares (iii) the creation of an Administrative Trust to deposit such shares in escrow until they are delivered to the officers or returned to the Company in the case that certain conditions do not occur; and (iv) the execution of share sale agreements setting forth the terms and conditions upon which the officers may exercise its shares at Ps.5.31 (five Mexican pesos 31/100) per share.

On December 24, 2012, the Administrative Trust was created, and the share sale agreements were executed. On December 27, 2012, the trust borrowed Ps.133,723 from the Company and immediately after; the trust paid the Company the same amount borrowed as purchase price for the shares.

The share sale agreements provide that the officers may pay for the shares at the same price upon the occurrence of either an initial public offering of the Company's capital stock or a change of control and as long as they remain employees until the options are exercised, with a maximum term of ten years. Upon payment of the shares by the officers to the Management Trust, it must pay such amount back to the Company as repayment of the loan, for which the Company charges no interest.

The MIP has been classified as equity-settled, by which, the grant date, fair value is fixed and is not adjusted by subsequent changes in the fair value of capital instruments. Equity-settled transactions are measured at fair value at the date the equity benefits are conditionally granted to employees. The total cost of the MIP determined by the Company was Ps.2,722 to be recognized from the time it becomes probable the performance condition will be met over the vesting period. Total cost of the MIP related to the vested shares has been fully recognized in the consolidated statements of operations during the vesting years.

This cost was determined by using the improved Binomial valuation model from Hull and White, on the date in which the plan had already been approved by the shareholders and a shared understanding of the terms and conditions of the plan was reached with the employees (December 24, 2012, defined as the grant date), with the following assumptions:

	2012
Dividend yield (%)	0.00%
Volatility (%)	37.00%
Risk–free interest rate (%)	5.96%
Expected life of share options (years)	8.8
Exercise share price (in Mexican pesos Ps.)	5.31
Exercise multiple	1.1
Fair value of the stock at grant date	1.73

The expected volatility reflects the assumption that the historical volatility of comparable companies is indicative of future trends, which may not necessarily be the actual outcome. Under the methodology followed by the Company, at the grant date and December 31, 2012, the granted shares had no positive intrinsic value.

In 2019, the key employees exercised 2,780,000 Series A shares. As a result, the key employees paid to the Management Trust Ps.14,773 corresponding to the exercised shares for the year ended December 31, 2019. During 2020, there were no exercised shares under the MIP. For the year ended December 31, 2021, the key employees exercised 7,653,981 Series A shares. As a result, the key employees paid to the Management Trust Ps.40,668 corresponding to the exercised shares for the year ended December 31, 2021.

Thereafter, the Company has received from the Management Trust the payment related to the exercised shares by the key employees as a repayment of the loan between the Company and the Management Trust.

Movements in share options

The following table illustrates the number of shares options and fixed exercise prices during the years 2021 and 2020:

	Number of share options	Exercise price in Mexican pesos	Total in thousands of Mexican pesos
Outstanding as of December 31, 2019	Ps. 7,653,981	Ps. 5.31	Ps. 40,668
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Outstanding as of December 31, 2020	7,653,981	5.31	40,668
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	(7,653,981)	5.31	(40,668)
Outstanding as of December 31, 2021	Ps. -	Ps. -	Ps. -

As of December 31, 2021 all the share options were exercised. As of December 31, 2020, 7,653,981 share options pending to exercise were considered as treasury shares.

- MIP II

On February 19, 2016, the Board of Directors of the Company authorized an extension to the MIP for certain key employees. Such extension was modified as of November 6, 2016. Under MIP II, 13,536,960 share appreciation rights of our Series A shares were granted to be settled annually in cash in a period of five years in accordance with the established service conditions. In addition, a five-year extension to the period in which the employees can exercise MIP II once the SARs are vested was approved.

Fair value of the SARs is measured at each reporting period using a Black-Scholes option pricing model, taking into consideration the terms and conditions granted to the employees. The amount of the cash payment is determined based on the increase in our share price between the grant date and the settlement date.

The carrying amount of the liability relating to the SARs as of December 31, 2021 and 2020 was Ps.115,508 and Ps.177,770, respectively. The compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits over the service period.

During the years ended December 31, 2021 and 2020, the Company recorded a (benefit) expense of Ps.(62,262) and Ps.107,204, respectively, in the consolidated statement of operations. No SARs were exercised during 2021 and 2020.

The (benefit) expense recognized for the Company's retention plans during the years 2021, 2020 and 2019 is shown in the following table:

	2021	2020	2019
(Benefit) expense arising from cash-settled share-based payments transactions	Ps. (62,262)	Ps. 105,303	Ps. 40,724
Expense arising from equity-settled share-based payments transactions	89,464	75,040	49,659
Total expense arising from share-based payments transactions	Ps. 27,202	Ps. 180,343	Ps. 90,383

d) Board of Directors Incentive Plan (BoDIP)

Certain members of the Board of Directors of the Company receive additional benefits through a share-based plan, which has been classified as an equity-settled share-based payment and therefore accounted under IFRS 2 "Shared based payments".

In April 2018, the Board of Directors of the Company authorized a Board of Directors Incentive Plan "BoDIP", for the benefit of certain board members. The BoDIP grants options to acquire shares of the Company or CPOs during a five - year period with an exercise share price at Ps.32.23, Ps.9.74 and Ps.16.80 for the years ended 2021, 2020 and 2019, respectively, which was determined on the grant date. Under this plan, no service or performance conditions are required to the board members for exercise the option to acquire shares, and therefore, they have the right to request the delivery of those shares at the time they pay for them.

For such purposes on August 29, 2018 the Fideicomiso Irrevocable de Administración número CIB/3081 was created by Controladora Vuela Compañía de Aviación S.A.B de C.V as trustee and CIBanco, S.A., Institucion de Banco Multiple as trustor. The number of shares held as of December 31, 2021 and 2020 available to be exercised is 4,589,726 and 5,233,693, respectively.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

19. Equity

As of December 31, 2021, the total number of the Company's authorized shares was 1,165,976,677; represented by common registered shares, issued and with no par value, fully subscribed and paid, comprised as follows:

	Shares		
	Fixed Class I	Variable Class II	Total shares
Series A shares [1]	10,478	1,108,452,326	1,108,462,804
Series B shares [1]	13,702	57,500,171	57,513,873
	24,180	1,165,952,497	1,165,976,677
Treasury shares (Note 18)	-	(9,904,197)	(9,904,197) [1]
	24,180	1,156,048,300	1,156,072,480

[1] The number of forfeited shares as of December 31, 2021 were 551,732, which are include in treasury shares.

As of December 31, 2020, the total number of the Company's authorized shares was 1,165,976,677; represented by common registered shares, issued and with no par value, fully subscribed and paid, comprised as follows:

	Shares		
	Fixed Class I	Variable Class II	Total shares
Series A shares [1]	10,478	1,077,914,326	1,077,924,804
Series B shares [1]	13,702	88,038,171	88,051,873
	24,180	1,165,952,497	1,165,976,677
Treasury shares (Note 18)	-	(19,020,202)	(19,020,202) [1]
	24,180	1,146,932,295	1,146,956,475

[1] The number of forfeited shares as of December 31, 2020, were 327,217, which are include in treasury shares.

On December 20, 2021, one of the Company´s shareholders concluded the conversion of 30'538,000 Series B Shares for the equivalent number of Series A Shares. This conversion had not impact either on the total number of outstanding shares nor on the earnings-per-share calculation.

On December 11, 2020, the Company announced the closing of an upsized primary follow-on equity offering in which the Company offered 134,000,000 of its Ordinary Participation Certificates (Certificados de Participación Ordinarios), or CPOs, in the form of American Depositary Shares, or ADSs, at a price to the public of USD11.25 per ADS in the United States and other countries outside of Mexico, pursuant to the Company's shelf registration statement filed with the Securities and Exchange Commission. In connection with the offering, the underwriters exercised their option to purchase up to 20,100,000 additional CPOs in the form of ADSs. Each ADS represents 10 CPOs and each CPO represents a financial interest in one Series A share of common stock of the Company.

The net proceeds of USD$164,419,000 (after the deduction of the underwriters´ commission and expenses payable by the Company) obtained from the offering for general corporate purposes. The increase in capital stock amounted Ps.3,272,832.

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 shareholders' resolution. The Company's revolving line of credit with Santander and Bancomext limits the Company's ability to declare and pay dividends if the Company fails to comply with the payment terms thereunder. Only Series A shares from the Company are listed.

During the years ended December 31, 2021, 2020 and 2019 the Company did not declare any dividends.

a) Earnings (loss) per share

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

Diluted EPS (LPS) amounts are calculated by dividing the earnings (loss) attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares, if any), by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (to the extent that their effect is dilutive).

The following table shows the calculations of the basic and diluted earnings (loss) income per share for the years ended December 31, 2021, 2020 and 2019.

	As of December 31,					
	2021		2020		2019	
Net income (loss) for the period	Ps.	2,120,551	Ps.	(4,293,791)	Ps.	2,639,063
Weighted average number of shares outstanding (in thousands):						
Basic		1,165,977		1,021,561		1,011,877
Diluted		1,165,977		1,021,561		1,011,877
EPS – LPS:						
Basic	Ps.	1.819	Ps.	(4.203)	Ps.	2.608
Diluted	Ps.	1.819	Ps.	(4.203)	Ps.	2.608

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

b) In accordance with the Mexican Corporations Act, the Company is required to allocate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued until the legal reserve reaches 20% of capital stock. As of December 31, 2021, 2020 and 2019, the Company's legal reserve was Ps.291,178, or 8.5%, 8.5% and 9.8% respectively of our capital stock.

For the years ended December 31, 2021, 2020 and 2019, we did not allocate any amount to our legal reserve fund. As of December 31, 2021, 2020 and 2019 the Company's legal reserve has not reached the 20% of its capital stock.

c) Any distribution of earnings in excess of the net tax profit account (Cuenta de utilidad fiscal neta or "CUFIN") balance will be subject to corporate income tax, payable by the Company, at the enacted income tax rate at that time. A 10% withholding tax is imposed on dividends distributions to individuals and foreign shareholders from earnings generated starting January 1, 2014. Dividends paid will be free of Income taxes if they come from the ("CUFIN"). Dividends that exceed the CUFIN and the CUFINRE will cause a tax equivalent to 42.86%. Dividends paid that come from profits by the ISR will not be subject to any withholding or additional payment of taxes.

d) Shareholders may contribute certain amounts for future increases in capital stock, either in the fixed or variable capital. Said contributions will be kept in a special account until the shareholders meeting authorizes an increase in the capital stock of the Company, at which time each shareholder will have a preferential right to subscribe and pay the increase with the contributions previously made. As it is not strictly regulated in Mexican law, the shareholders meeting may agree to return the contributions to the shareholders or even set a term in which the increase in the capital stock must be authorized.

20. Income tax

a) In accordance with the MITL, the Company and its Mexican subsidiaries are subject to income tax and each files its tax returns on an individual entity basis and the related tax results are included in the accompanying consolidated financial statements. The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on Adjusted assets values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

(i) Based on the approved law, corporate income tax current rate for 2021, 2020 and 2019 and thereafter is 30%.
(ii) The tax rules include limits in the deductions of the exempt compensation amount certain items, as follows: Wages and benefits paid to workers 47% of income paid to workers and in certain cases up to 53% (holiday bonus, savings fund, employee profit sharing, seniority premiums) will be deductible for employers. As a result, certain wage and salary provisions have difference between tax and book values at year-end.
(iii) The MITL sets forth criteria and limits for applying some deductions, such as: the deduction of payments which, in turn, are exempt income for workers, contributions for creating or increasing provisions for pension funds, contributions to the Mexican Institute of Social Security payable by the worker that are paid by the employer, as well as the possible non-deduction of payments made to related parties in the event of failing to meet certain requirements.
(iv) Taxable income for purposes of the employee profit sharing is the same used for the Corporate Income Tax except for certain items.
(v) A 10% withholding tax is imposed on dividends distributions to individuals and foreign shareholders from earnings generated starting January 1, 2014.

The income tax rates for 2021, 2020 and 2019 in Guatemala, Costa Rica and El Salvador are 25%, 30% and 30%, respectively.

b) For the years ended December 31, 2021, 2020 and 2019, the Company reported on a combined basis taxable income of Ps.1,224,156, Ps.302,029 and Ps.938,304, respectively, which was partially offset by tax losses from prior years.

In accordance with the MITL and Costa Rican Income Tax Law (CRITL), tax losses may be carried forward against taxable income generated in the succeeding ten and three years, respectively. Carryforward tax losses are adjusted based on inflation.

In accordance with Guatemala Income Tax Law (GITL) and El Salvador Income Tax Law (ESITL), tax losses cannot be carried forward against taxable income generated.

c) An analysis of consolidated income tax expense for the years ended December 31, 2021, 2020 and 2019 is as follows:

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

Consolidated statements of operations

		2021		2020		2019
Current year income tax expense	Ps.	(347,803)	Ps.	(90,609)	Ps.	(281,491)
Deferred income tax (expense) benefit		(246,125) [1]		1,496,793 [2]		(813,340) [3]
Total income tax benefit (expense)	Ps	(593,928)	Ps.	1,406,184	Ps.	(1,094,831)

[1] Includes translation effect by Ps. (2,015)
[2] Includes translation effect by Ps.2,035
[3] Includes translation effect by Ps. (2,278)

Consolidated statements of comprehensive income

		2021		2020		2019
Deferred income tax related to items recognized in OCI during the year						
Net (loss) gain cash flow hedges	Ps.	(5,655)	Ps.	46,835	Ps.	(74,820)
Remeasurement gain of employee benefits		2,850		794		3,058
Deferred income tax recognized in OCI	Ps.	(2,805)	Ps.	47,629	Ps.	(71,762)

d) A reconciliation of the statutory corporate income tax rate to the Company's effective tax rate for financial reporting purposes is as follows:

The Company´s using domestic tax rate

	2021	%	2020	%	2019	%
Statutory income tax rate	814,344	30.00%	(1,709,992)	30.00%	1,120,168	30.00%
Amendment tax return effects and other tax adjustments	93	(0.01%)	(53,192)	0.92%	(18,770)	(0.51%)
Inflation on furniture, intangible and equipment	(48,751)	(1.79%)	(17,442)	0.29%	(17,839)	(0.48%)
Inflation of tax losses	(41,375)	(1.52%)	(13,512)	0.23%	(8,018)	(0.21%)
Foreign countries difference with Mexican statutory rate	2,609	0.10%	3,509	(0.06%)	4,143	0.11%
Annual inflation adjustment	(167,294)	(6.16%)	51,768	(0.91%)	(1,882)	(0.05%)
Recorded deferred taxes on tax losses	(9,123)	(0.34%)	74,597	(1.29%)	10,025	0.27%
Non-deductible expenses	43,425	1.60%	258,080	(4.51%)	7,004	0.19%
	593,928	21.88%	(1,406,184)	24.67%	1,094,831	29.32%

Mexican income tax matters

For Mexican purposes, corporate income tax is computed on accrued basis. MITL requires taxable profit to be determined by considering revenue net of tax deductions. Prior years' tax losses can be utilized to offset current year taxable income. Income tax is determined by applying the 30% rate on the net amount after tax losses utilization. For tax purposes, income is considered taxable at the earlier of: (i) the time the revenue is collected, (ii) the service is provided or (iii) the time of the issuance of the invoice. Expenses are deductible for tax purposes generally on accrual basis, with some exceptions, once the requirements established in the tax law are fulfilled.

Central America (Guatemala, Costa Rica and El Salvador)

According to Guatemala Corporate Income tax law, under the regime on profits from business activities, net operating losses cannot offset taxable income in prior or future years. For the years ended December 31, 2021, 2020 and 2019, our subsidiary in Guatemala generated net operating losses of Ps.664, Ps.1,835 and Ps.1,085, respectively. According to Costa Rica Corporate Income tax law, under the regime on profits from business activities, net operating losses can offset taxable income in a term of three years. For the years ended December 31, 2021, 2020 and 2019, our subsidiary in Costa Rica generated net operating losses for an amount of Ps.122,427, Ps.55,751 and Ps.50,246, respectively, for which no deferred tax asset has been recognized. According to El Salvador Corporate Income tax law, under the regime on profits from business activities, net operating losses cannot offset taxable income in prior or future years. For the year ended December 31, 2021, 2020 and 2019, our subsidiary in El Salvador generated net operating losses for an amount of Ps.53,550, Ps.16,619, Ps.32,494 respectively.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

e) An analysis of consolidated deferred taxes is as follows:

	2021		2020	
	Consolidated statement of financial position	Consolidated statement of operations	Consolidated statement of financial position	Consolidated statement of operations
Deferred income tax assets:				
Lease liability	Ps. 13,969,589	Ps. 730,335	Ps. 13,239,254	Ps. 1,084,140
Unearned transportation revenue	201,436	(1,032,225)	1,233,661	436,598
Extension lease agreement	1,073,547	300,104	773,443	314,100
Tax losses available for offsetting against future taxable income	100,472	(475,950)	576,422	272,452
Intangible	395,752	(25,156)	420,908	(25,941)
Allowance for doubtful accounts	131,486	69,921	61,565	47,476
Employee benefits	10,432	(7,609)	15,191	2,934
Derivative Financial instruments	2,293	-	7,948	(22)
Employee profit sharing	1,870	(2,453)	4,323	(2,904)
Non derivative financial instruments	-	473,242	(473,242)	(477,471)
	15,886,877	30,209	15,859,473	1,651,362
Deferred income tax liabilities:				
Right of use asset	9,552,956	(739,797)	10,292,753	55,824
Supplemental rent	1,303,975	(574,890)	1,878,865	171,916
Rotable spare parts, furniture and equipment, net	1,270,758	563,666	707,092	(177,384)
Provisions	539,911	448,658	91,253	442,598
Inventories	87,592	4,190	83,402	(6,885)
Other prepayments	22,907	13,121	9,786	(17,942)
Prepaid expenses and other assets	431,241	563,703	(132,462)	(311,523)
	13,209,340	278,651	12,930,689	156,604
	Ps. 2,677,537	Ps. (248,442)	Ps. 2,928,784	Ps. 1,494,758

Reflected in the consolidated statement of financial position as follows:

	2021	2020
Deferred tax assets	Ps. 2,907,879	Ps. 3,128,555
Deferred tax liabilities	(230,342)	(199,771)
Deferred tax assets, net	Ps. 2,677,537	Ps. 2,928,784

A reconciliation of deferred tax asset, net is as follows:

	2021	2020
Opening balance as of January 1,	Ps. 2,928,784	Ps. 1,386,397
Deferred income tax (expense) benefit during the current year recorded on profits*	(248,442)	1,494,758
Deferred income tax (expense) benefit during the current year recorded in accumulated other comprehensive income (loss)	(2,805)	47,629
Closing balance as of December 31,	Ps. 2,677,537	Ps. 2,928,784

*Includes the tax effect of the discontinuation of the hedging reserve by 473 million.

On December 31, 2021 and 2020 the table shown above includes deferred income tax asset recognized by Comercializadora (2021 and 2020) for tax losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

According to IAS 12, *Income Taxes*, a deferred tax asset should be recognized for the carry-forward of available tax losses to the extent that it is probable that future taxable income will be available against which the available tax losses can be utilized. In these regards, the Company has recognized on December 31, 2021, 2020 and 2019 a deferred tax asset for tax losses of Ps.100,472, Ps.576,422 and Ps.303,970 respectively.

During 2020, the Company recognized a deferred tax asset for the carry-forward of available tax losses of Concesionaria and Comercializadora, based on the positive evidence of the Company to generate taxable profit related to the same taxation authority against which the available tax losses can be utilized before they expire. Positive evidence includes Concesionaria's actions to increase its aircraft fleet in the following years, increase in flight frequencies, and routes, inside and outside of Mexico; the profit of Comercializadora, is derived directly from Concesionaria's operations.

The temporary differences associated with investments in the Company's subsidiaries, for which a deferred tax liability has not been recognized in the periods presented, aggregate to Ps.157,422 (2020: Ps.150,683). The Company has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The Company has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Company. The Company does not anticipate giving such consent at the reporting date. Furthermore, the Group's joint venture will not distribute its profits until it obtains the consent of all venture partners.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

An analysis of the available tax losses carry-forward of the Company at December 31, 2021 is as follows:

Year of loss	Historical Loss	Inflation adjusted tax loss	Utilized	Total remaining amount	Year of expiration
2017	Ps. 1,067,836	Ps. 1,278,913	Ps. 1,278,913	Ps. -	2027
2018	1,142	1,142	-	1,142	2021
2019	4,922	5,568	-	5,568	2029
2019	30,918	30,918	-	30,918	2022
2020	863,847	943,026	883,401	59,625	2030
2020	103,541	103,541	-	103,541	2023
2021	122,427	122,427	-	122,427	2031
2021	11,324	11,684	-	11,684	2024
	Ps. 2,205,957	Ps. 2,497,219	Ps. 2,162,314	Ps. 334,905	

A breakdown of available tax loss carry-forward of Controladora and its subsidiaries on December 31, 2021 is as follows:

	Historical loss	Inflation adjusted tax loss	Utilized	Total remaining amount
Comercializadora	Ps. 54,101	Ps. 58,580	Ps. -	Ps. 58,580
Concesionaria	1,875,180	2,160,330	2,160,330	-
Viajes Vuela	258,028	258,028	-	258,028
Vuela Aviación	18,648	20,281	1,984	18,297
	Ps. 2,205,957	Ps. 2,497,219	Ps. 2,162,314	Ps. 334,905
Unrecognized NOLs				-
				Ps. 334,905
Tax rate				30%
Deferred income tax				Ps. 100,472

f) At December 31, 2021 the Company had the following tax balances:

	2021
Adjusted contributed capital account (Cuenta de capital de aportación or "CUCA")	Ps. 4,946,422
CUFIN*	4,151,805

*The calculation comprises all the subsidiaries of the Company.

21. Operating Revenues

As of December 31, 2021, 2020 and 2019, the revenues from contracts with customers is described as follows:

Revenue recognition as of December 31, 2021	At the flight time		At the sale		Total Revenues
	Domestic	International	Domestic	International	
Passenger Revenues					
Fare Revenues	Ps. 17,466,759	Ps. 8,236,385	Ps. -	Ps. -	Ps. 25,703,144
Other Passenger Revenues	14,376,043	3,049,608	135,992	32,580	17,594,223
	31,842,802	11,285,993	135,992	32,580	43,297,367
Non-Passenger Revenues					
Other Non-Passenger revenues	1,546,600	11,492	-	-	1,558,092
Cargo	231,653	9,549	-	-	241,202
Total	Ps. 33,621,055	Ps. 11,307,034	Ps. 135,992	Ps. 32,580	Ps. 45,096,661
Non-derivative financial instruments					(434,522)
					Ps. 44,662,139

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

Revenue recognition as of December 31, 2020	At the flight time		At the sale		Total Revenues
	Domestic	International	Domestic	International	
Passenger Revenues					
Fare Revenues	Ps. 8,455,647	Ps. 4,417,527	Ps. -	Ps. -	Ps. 12,873,174
Other Passenger Revenues	6,920,141	1,536,206	124,450	32,601	8,613,398
	15,375,788	5,953,733	124,450	32,601	21,486,572
Non-Passenger Revenues					
Other Non-Passenger revenues	875,610	6,750	-	-	882,360
Cargo	196,349	5,532	-	-	201,881
Total	Ps. 16,447,747	Ps. 5,966,015	Ps. 124,450	Ps. 32,601	Ps. 22,570,813
Non-derivative financial instruments					(411,222)
					Ps. 22,159,591

Revenue recognition as of December 31, 2019	At the flight time		At the sale		Total Revenues
	Domestic	International	Domestic	International	
Passenger Revenues					
Fare Revenues	Ps. 15,833,878	Ps. 7,296,113	Ps. -	Ps. -	Ps. 23,129,991
Other Passenger Revenues	7,531,725	2,865,555	119,466	52,462	10,569,208
	23,365,603	10,161,668	119,466	52,462	33,699,199
Non-Passenger Revenues					
Other Non-Passenger revenues	888,353	9,233	-	-	897,586
Cargo	221,375	7,461	-	-	228,836
Total	Ps. 24,475,331	Ps. 10,178,362	Ps. 119,466	Ps. 52,462	Ps. 34,825,621
Non-derivative financial instruments					(72,949)
					Ps. 34,752,672

Transactions from unearned transportation revenues

	2021	2020
January 1,	Ps. 5,850,917	Ps. 3,679,926
Deferred	43,703,458	23,657,563
Recognized in revenue during the year	(43,297,367)	(21,486,572)
December 31,	Ps. 6,257,008	Ps. 5,850,917

The performance obligations related to contract liability are recognized over the following 12 months and are related to the scheduled flights and other passenger services purchased by the client in advance.

22. Other operating income and expenses

An analysis of other operating income is as follows:

	2021	2020	2019
Gain on sale and leaseback (Note 12)	Ps. 195,552	Ps. 710,522	Ps. 284,759
Loss on sale of rotable spare parts, furniture and equipment	(2,571)	(2,604)	(8,954)
Other income	24,857	22,415	51,403
	Ps. 217,838	Ps. 730,333	Ps. 327,208

An analysis of other operating expenses is as follows:

	2021	2020	2019
Administrative and operational support expenses	Ps. 752,434	Ps. 632,041	Ps. 581,181
Technology and communications	431,855	383,648	381,055
Passenger services	76,107	87,850	65,477
Insurance	74,499	53,507	74,661
Others	1,897	194	10,553
	Ps. 1,336,792	Ps. 1,157,240	Ps. 1,112,927

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

23. Finance income and cost

An analysis of finance income is as follows:

		2021		2020		2019
Interest on cash and equivalents	Ps.	58,269	Ps.	93,122	Ps.	201,191
Interest on asset backed trust notes		5,714		6,342		6,525
Interest on recovery of guarantee deposits		7,595		2,047		83
	Ps.	71,578	Ps.	101,511	Ps.	207,799

An analysis of finance cost is as follows:

		2021		2020		2019
Interest expense on lease liabilities and aircraft and engine lease return obligation	Ps.	2,603,820	Ps.	2,350,250	Ps.	2,128,162
Derivative financial instruments loss		-		448,559		-
Interest on asset backed trust notes		115,578		116,240		80,314
Cost of letter credit notes		61,549		73,141		49,856
Bank fees and others		4,574		3,707		3,607
Interest on debts and borrowings*		14,222		16,368		1,660
Other finance costs		32,246		10,219		6,230
	Ps.	2,831,989	Ps.	3,018,484	Ps.	2,269,829

* The borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of the asset (Note 12). Interest expense not capitalized is related to the short-term working capital facility from Citibanamex.

		2021		2020		2019
Interest on debts and borrowings	Ps.	158,188	Ps.	400,406	Ps.	457,973
Capitalized interest (Note 12)		(143,966)		(384,038)		(456,313)
Net interest on debts and borrowing in the consolidated statements of operations	Ps.	14,222	Ps.	16,368	Ps.	1,660

24. Components of other comprehensive (loss) income

a. An analysis of the other comprehensive (loss) income for the years ended December 31, 2021, 2020 and 2019 is as follows:

		Remeasurements of employee benefits		Derivative and non-derivative financial instruments		Exchange differences on the translation of foreign		Total
Other comprehensive (loss) income:								
Balance as of December 31, 2019	Ps.	(6,798)	Ps.	104,772	Ps.	18,266	Ps.	116,240
Comprehensive (loss) income of the year		(2,651)		(1,747,686)		23,970		(1,726,367)
Deferred Tax effect		794		46,835		-		47,629
Balances as of December 31, 2020		(8,655)		(1,596,079)		42,236		(1,562,498)
Comprehensive (loss) income of the year		(9,279)		1,596,327		(4,021)		1,583,027
Deferred Tax effect		2,850		(5,655)		-		(2,805)
Net balances as of December 31, 2021	Ps.	(15,084)	Ps.	(5,407)	Ps.	38,215	Ps.	17,724

b. An analysis of the derivative financial instruments other comprehensive income (loss) for the years ended December 31, 2021, 2020 and 2019 is as follows:

		2021		2020		2019
Derivative and non- derivative financial instruments:						
Extrinsic value of changes on jet fuel Asian call options	Ps.	11,997	Ps.	(11,993)	Ps.	11,148
Extrinsic value of changes on jet fuel Zero cost collars		9,657		(143,224)		256,515
Loss gain of the matured foreign currency forward contracts		-		-		(14,241)
Loss of the interest rate Cap		(2,800)		(900)		(4,023)
Non derivative financial instruments*		1,577,473		(1,591,569)		14,096
Total	Ps.	1,596,327	Ps.	(1,747,686)	Ps.	263,495

*As of December 31, 2021, includes the effect of the discontinuation of the hedging strategies by Ps.2,251,442 as described in note 3b (i).

25. Commitments and contingencies

Aircraft related commitments and financing arrangements

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 thousands of U.S. dollars		Commitment expenditures equivalent in thousands of Mexican pesos [1]	
2022	US$	114,563	Ps.	2,358,108
2023		314,660		6,476,797
2024		903,776		18,602,869
2025		981,657		20,205,930
2026 and thereafter		4,362,996		89,805,726
	US$	6,677,652	Ps.	137,449,430

[1] Using the exchange rate as of December 31, 2021 of Ps.20.5835.

All aircraft acquired by the Company through the Airbus purchase agreement through December 31, 2021, have been executed through sale and leaseback transactions.

In addition, we have commitments to execute sale and leaseback over the next two years. The estimated proceeds from these commitments are as follows:

	Aircraft sale prices estimated			
	in thousands of U.S. dollars		In thousands of Mexican pesos [1]	
2022	US$	705,500	Ps.	14,521,659
2023		108,000		2,223,018
	US$	813,500	Ps.	16,744,677

[1] Using the exchange rate as of December 31, 2021 of Ps.20.5835.

For future aircraft deliveries the Company will review the lease and financing structure applicable based on the then current market conditions.

The future lease payments for these non-cancellable sale and leaseback contracts are as follows:

	Aircraft leases			
	In thousands of U.S. dollars		In thousands of Mexican pesos [1]	
2022	US$	40,589	Ps.	835,464
2023		75,098		1,545,780
2024		79,244		1,631,119
2025		79,244		1,631,119
2026 and thereafter		676,748		13,929,842
	US$	950,923	Ps.	19,573,324

[1] Using the exchange rate as of December 31, 2021 of Ps.20.5835.

Purchase of additional A320 New Engine Option ("NEO") family aircraft

On December 28, 2017, the Company amended the agreement with Airbus, S.A.S. ("Airbus") for the purchase of additional 80 A320NEO family aircraft to be delivered from 2022 to 2026, which was further amended in July 2020 to reschedule the deliveries between 2023 and 2028. Additionally, in November 2021 the Company entered into a new amendment to the referred agreement to purchase 39 additional A32O New Engine Option family Aircraft to be delivered between 2023 and 2029, all to support the Company's targeted growth markets in Mexico, United States, Central America and South America.

Litigation

The Company is a party to legal proceedings and claims that arise during the ordinary course of business. Certain proceedings are considered possible obligations. Based on the plaintiffs' claims, as of December 31, 2021 and 2020, these possible contingencies amount to a total of Ps.163 million and Ps.125 million respectively.

(In thousands of Mexican pesos and thousands of U.S. dollars, except when indicated otherwise)

26. Operating segments

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

	2021	2020	2019
Operating revenues:			
Domestic (Mexico)	Ps. 33,754,354	Ps. 16,572,198	Ps. 24,594,797
International:			
United States of America, Central America and South America [1]	11,342,307	5,998,615	10,230,824
Non-derivative financial instruments	(434,522)	(411,222)	(72,949)
Total operating revenues	Ps. 44,662,139	Ps. 22,159,591	Ps. 34,752,672

[1] For the year ended December 31, 2021, the total revenue from international customers increased of Ps.5,343,692 compared to the year ended December 31, 2020.

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.

27. Subsequent events

Subsequent to December 31, 2021 and through April 12, 2022:

a. Conflict between Russia and Ukraine

Following the recent geopolitical crisis in Eastern Europe, as of February 21st, 2022, the Russian Federation recognized the independence of the Ukrainian separatist regions of Donetsk and Luhansk in the Donbas region. On the day after, the Federal Council of Russia authorized use of military force abroad, which triggered an invasion of Ukraine by the Russian Armed Forces on February 24th, 2022.

The invasion was widely condemned internationally with several sanctions being imposed against Russia and Belarus. As a result, the global markets reacted negatively, with the fuel prices touching the highest price since 2008, amid global concerns on the commodity supply.

The airline industry has been impacted by the price and availability of fuel. However, the airline industry and the Company are implementing strategies to mitigate these effects.

b. On April 1st, 2022, the Company entered into an agreement with JSA International U.S. Holdings, LLC, which provides financing for pre-delivery payments in connection with our purchase of four A320 family aircraft.

c. At April 12, 2022, the Company has obtained financing for the pre-delivery payments with certain lessors in respect of 18 aircraft (including the four aircraft referenced in b) above) to be delivered in the years 2023 and 2024.

About this report

NAME
About this report

GRI
2-2, 2-3, 2-4, 2-5

About **this report**

We present Volaris Integrated Annual Report 2021 (“the Report) for the period between January 1st and December 31st, 2021. The previous Report for the calendar year 2020 was published in 2021. The information presented in the Report corresponds to our operations in the countries where we have a presence, such as Mexico, the United States, and Central American countries.

The information in this Report contains the results of the management of environmental, social, and corporate governance (ESG) impacts, in addition to the main financial results of our Company. It has also been prepared in accordance with the Global Reporting Initiative - GRI Standards, using the new Universal Standards 2021; and the Sustainability Accounting Standards Board (SASB) approach airline sector. Also, there is no restatement of information.

The external firm EY (Mancera, S.C.) audited our non-financial performance through our sustainability report, and the external firm KPMG (KPMG Cárdenas Dosal, S.C.) audited our financial performance through the consolidated financial statements.

This report reflects our commitment to transparency and accountability to our stakeholders on material issues. Consequently o Hence for a better reading of the Report, there are codes for the different metrics we use at the beginning of each section, starting with GRI and SASB abbreviations. Likewise, the specific index for both the GRI and SASB Standards are included at the end of the Report.

Materiality **analysis**

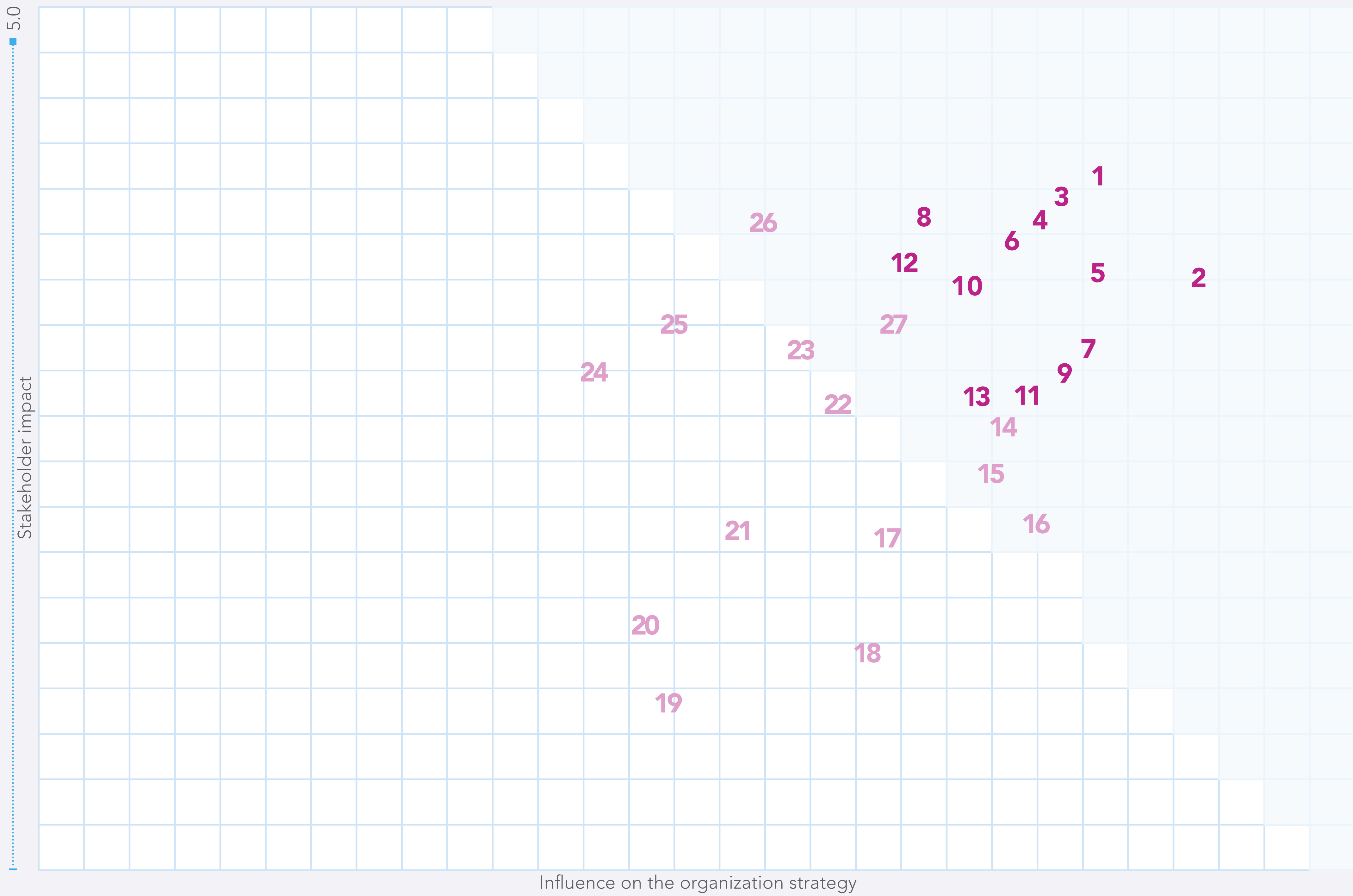
We updated our materiality analysis to identify relevant issues to our Company and our stakeholders; through this study, we also aim to reinforce our environmental, social and corporate governance strategy.

NAME

Materiality analysis

GRI

3-1, 3-2



Material topics

1 Operational safety
2 Risk, opportunity, and crisis management
3 Biosecurity
4 Customer satisfaction and experience
5 Regulatory compliance
6 Pandemic response and new normal
7 Economic/financial performance
8 Climate change strategy
9 Ultra-low-cost business model
10 Innovation and new technologies
11 Operational efficiency
12 Recruitment and retaining talent
13 Efficient fuel management

Relevant topics

14 Brand management
15 Cybersecurity
16 Destination network development
17 Sustainability corporate strategy
18 Governance
19 Collaboration in the construction of public policies
20 Supply strategy and relationship with suppliers
21 Involvement with stakeholders
22 Operational eco-efficiency
23 Labor practices
24 Diversity and inclusion
25 Training and development of Ambassadors
26 Human rights and involvement with the communities
27 Ethics and anticorruption

The steps to identify and prioritize the material issues are as follows:

1. Peer benchmarking assessed eight companies identified as relevant industry peers
2. Analysis of sectorial and internal documents and media monitoring. Among the most relevant, the Sustainability Yearbook 2021 - Airlines sector, SASB Transportation - Airlines, and GRI Airport Operations sector disclosures, among others
3. Directors' perspectives were gathered through interviews with 17 executives
4. Prioritization of the long list of topics through (i) focus groups with Volaris Ambassadors and (ii) surveys of different stakeholders such as suppliers, customers, Ambassadors, and partners, among others.
5. Development of the materiality matrix and confirmation of this with the Company's key executives.
6. Final materiality matrix and list of material issues

Methodology: The matrix was generated based on the average of the prioritization results of the two types of consultation. The (x,y) values for the graph are obtained from the weighted average for each subject evaluated.

List of material topics:

1. **Operational safety:** Protecting the security of our ambassadors and users through operational protocols, emergency response procedures, and rule-following, among others.
2. **Risks, opportunities, and crisis management:** Risk identification, monitoring and prevention policies and procedures
3. **Biosecurity:** Biosecurity and cleanliness protocols to protect people's health
4. **Customer satisfaction and experience:** Serving, solving, and delivering the best customer experience
5. **Regulatory compliance:** Compliance with national and international regulations
6. **Pandemic response and the new normal:** Monitoring the status of the pandemic in the various locations where we operate
7. **Economic/financial performance:** Optimizing costs and capital efficiency to improve financial performance indicators and profitability
8. **Climate change strategy:** Strategies or programs that are implemented to monitor, reduce, and offset greenhouse gas emissions
9. **Ultra-low-cost business model:** Highlight our ultra-low-cost model's competitive advantages and resilience.
10. **Innovation and new technologies:** Implementing strategies, policies, procedures, and trends in operations.
11. **Operational efficiency:** Resource optimization, cost reduction, and productivity increase.
12. **Recruitment and retaining talent:** Attraction of ideal people for Volaris, ensuring their satisfaction and permanence within the organization in the long-term, through welfare and professional development programs.
13. **Efficient fuel management:** Technologies and strategies that are implemented to improve fuel efficiency and reduce fuel consumption (e.g. through more efficient engines), including the transition to alternative or sustainable fuels.

GRI index

Statement of use

Volaris has reported in accordance with the GRI Standards for the period January 1 to December 31 of 2021

GRI 1 used

GRI 1: Foundation 2021

Applicable GRI Sector Estándar(s)

GRI Standard	Disclosure	Location	SDGs	Omission		
				Requirement(s) Omitted	Reason	Explanation
General disclosures						
GRI 2: General disclosures 2021	2-1 Organizational details	9				
	2-2 Entities included in the organization's sustainability reporting	180				
	2-3 Reporting period, frequency and contact point	180				
	2-4 Restatements of information	180				
	2-5 External assurance	180				
	2-6 Activities, value chain and other business relationships	9, 11, 12, 13, 115				
	2-7 Employees	74, 75	8, 10			
	2-8 Workers who are not employees				Not applicable	We do not have workers that are not employees
	2-9 Governance structure and composition	29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41	5, 16			
	2-10 Nomination and selection of the highest governance body	32	5, 16			
	2-11 Chair of the highest governance body	32	16			
	2-12 Role of the highest governance body in overseeing the management of impacts	34, 40, 41, 42, 43	16			
	2-13 Delegation of responsability for managing impacts	34, 40, 41, 42, 43, 46, 53				
	2-14 Role of the highest governance body in sustainability reporting	34, 43				
	2-15 Conflicts of interest	32, 34	16			
	2-16 Communication of critical concerns	34, 50, 51				
	2-17 Collective knowledge of the highest governance body	35, 36, 37, 38, 39, 43				
	2-18 Evaluation of the performance of the highest governance body	40				

GRI index

GRI Standard	Disclosure	Location	SDGs	Omission		
				Requirement(s) Omitted	Reason	Explanation
GRI 2: General discloures 2021	2-19 Remuneration policies	47, 48				
	2-20 Process to determine remuneration	47, 48				
	2-21 Annual total compensation ratio	47, 48				
	2-22 Statement on sustainable development strategy	4, 5, 6				
	2-23 Policy commitments	16, 17, 18, 19, 20, 48, 49, 50, 51	16			
	2-24 Embedding policy commitments	16, 17, 18, 19, 20, 48, 49, 50, 51				
	2-25 Processes to remediate negative impacts	50, 51, 52, 53, 54				
	2-26 Mechanisms for seeking advice and raising concerns	50, 51	16			
	2-27 Compliance with laws and regulations	51, 52				
	2-28 Membership associations	21, 52				
	2-29 Approach to stakeholder engagement	22, 23, 24, 25, 26				
	2-30 Collective bargaining agreements	74, 92	8			
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	27, 181, 182				
	3-2 List of material topics	27, 181, 182				
Regulatory compliance						
GRI 3: Material T opics 2021	3-3 Management of material topics	51, 52, 57, 69, 71, 72				
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	57, 69	16			
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	52	16			
	417-3 Incidents of non-compliance concerning marketing communications	52	16			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	71, 72	16			

GRI index

GRI Standard	Disclosure	Location	SDGs	Omission		
				Requirement(s) Omitted	Reason	Explanation
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	119				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	119	8, 9			
	201-4 Financial assistance received from government				Not applicable	We do not receive financial support from the government
Efficiency in the use of fuels						
GRI 3: Material Topics 2021	3-3 Management of material topics	103, 104				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	103	7, 8, 12, 13			
	302-2 Energy consumption outside of the organization		7, 8, 12, 13		"Information unavailable/ incomplete"	We do not monitor energy indicators of energy consumption outside the organization, but only those related to our assets and facilities
	302-3 Energy intensity	103, 104	7, 8, 12, 13			
	302-4 Reduction of energy consumption	103, 104	7, 8, 12, 13			
	302-5 Reductions in energy requirements of products and services		7, 8, 12, 13		"Information unavailable/ incomplete"	The organization does not manage the aforementioned indicator as part of its strategic approach
Climate change strategy / innovation and new technologies						
GRI 3: Material Topics 2021	3-3 Management of material topics	20, 99, 100, 101, 102				
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	99, 100, 101	13			

GRI index

GRI Standard	Disclosure	Location	SDGs	Omission		
				Requirement(s) Omitted	Reason	Explanation
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	106, 107	3, 12, 13, 14, 15			
	305-2 Energy indirect (Scope 2) GHG emissions	106, 107	3, 12, 13, 14, 15			
	305-3 Other indirect (Scope 3) GHG emissions				"Information unavailable/ incomplete"	We have not conducted a Scope 3 carbon emissions inventory for the purposes of this report
	305-4 GHG emissions intensity	105, 107	13, 14, 15			
	305-5 Reduction of GHG emissions	105, 106, 107	13, 14, 15			
	305-6 Emissions of ozone-depleting substances (ODS)				"Information unavailable/ incomplete"	We do not generate ozone-depleting substances in our operations or facilities
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions				"Information unavailable/ incomplete"	We do not keep track of indicators related to NOx and SOx emissions
Talent attraction and retention						
GRI 3: Material Topics 2021	3-3 Management of material topics	77, 78, 79, 80, 81, 82, 83, 84				
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	89				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	74, 76	5, 8, 10			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	91	3, 5, 8			
	401-3 Parental leave	82	5, 8			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	85, 86	4, 5, 8, 10			
	404-2 Programs for upgrading employee skills and transition assistance programs	87, 88, 89	8			
	404-3 Percentage of employees receiving regular performance and career development reviews	83	5, 8, 10			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	32, 33, 75, 80	5, 8			
	405-2 Ratio of basic salary and remuneration of women to men	91	5, 8, 10			

GRI index

GRI Standard	Disclosure	Location	SDGs	Omission		
				Requirement(s) Omitted	Reason	Explanation
Occupational safety, response to the pandemic and to the new normality and biosecurity						
GRI 3: Material Topics 2021	3-3 Management of material topics	93, 96, 97,				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	93, 94, 95	8			
	403-2 Hazard identification, risk assessment, and incident investigation	93, 94, 95	8			
	403-3 Occupational health services	93, 94, 95, 96, 97	8			
	403-4 Worker participation, consultation, and communication on occupational health and safety	94	8, 16			
	403-5 Worker training on occupational health and safety	94	8			
	403-6 Promotion of worker health	96, 97	3			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationshipss	94	8			
	403-8 Workers covered by an occupational health and safety management system	94	8			
	403-9 Work-related injuries	95, 96	3, 8, 16			
	403-10 Work-related ill health	96	3, 8, 16			
Customer experience						
GRI 3: Material Topics 2021	3-3 Management of material topics	57, 58				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	57, 58				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	58	12			

GRI index

GRI Standard	Disclosure	Location	SDGs	Omission		
				Requirement(s) Omitted	Reason	Explanation
Risk, opportunities, and crisis management						
GRI 3: Material Topics 2021	3-3 Management of material topics	53, 54				
Ultra-low-cost business model						
GRI 3: Material Topics 2021	3-3 Management of material topics	11, 12, 13, 14				
Operational efficiency						
GRI 3: Material Topics 2021	3-3 Management of material topics	11, 12, 13, 14				

SASB index

Material Topic	Thematic Standard	SASB Codes	Description	Page	Omission
Airlines Sustainability Accounting Standard					
Occupational safety	Accident & safety management	TR-AL-540a.1	Description of implementation and outcomes of a Safety Management System	55, 64, 65, 66, 67, 68, 69, 70,	-
		TR-AL-540a.2	Number of aviation accidents	55, 66, 67	-
		TR-AL-540a.3	Number of governmental enforcement actions of aviation safety regulations	52,55, 65, 66, 69, 70	-
Compliance	Competitive behavior	TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	-	There was no total amount of monetary loss to report during the reporting period as we have not been involved in any legal proceedings associated with anti-competitive behavior
Climate change strategy	Greenhouse gas emissions	TR-AL-110a.1	Gross global Scope 1 emissions	98, 105, 106, 107, 108	
		TR-AL-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	98, 99, 100, 101, 105, 106, 107, 108, 109, 110, 111	
		TR-AL-110a.3	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	98, 103, 104	
Operational efficiency	Activity metrics	TR-AL-000.A	Available Seat Kilometers (ASK)	42	
		TR-AL-000.B	Passenger load factor	13, 42	
		TR-AL-000.C	Revenue Passenger Kilometers (RPK)	57	
		TR-AL-000.D	Revenue Ton Kilometers (RTK)	57	
		TR-AL-000.E	Number of departures	42	
		TR-AL-000.F	Average age of fleet	42	
Talent attraction and retention	Labor practices	TR-AL-310a.1	Percentage of active workforce covered under collective bargaining agreements	74	
		TR-AL-310a.2	(1) Number of work stoppages and (2) total days idle	96	

Abbreviations Index

Name / Abbreviation	Description
$	Finance Expert
ADS	American Depositary Share
AFAC	Federal Civil Aviation Agency in Mexico *(Agencia Federal de Aviación Civil en México)*
Ambassador	Volaris' employee
APU	Auxiliary Power Unit
AQD	Aviation Quality Database
ASM	Available Seat Miles
BMV	Mexican Stock Exchange *(Bolsa Mexicana de Valores)*
BoDIP	Board of Directors Incentive Plan
BRM	Baggage Reference Manual
CAPS	Audit and Corporate Practices Committee *(Comité de Auditoría y Prácticas Societarias)*
CASM	Cost per Available Seat Mile
CCPA	California Consumer Privacy Act
CDMX	Mexico City
CEBUR	Stock Certificate
CEMEFI	Mexican Center for Philanthropy *(Centro Mexicano para la Filantropía)*
CEO	Chief Executive Officer
CNBV	National Baking and Stock Commission *(Comisión Nacional Bancaria y de Valores)*
CO_2	Carbon Dioxide
COB	Chair of the Board
COBIT	Control Objectives for Information and Related Technology
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
COSO	Committee of Sponsoring Organizations

Name / Abbreviation	Description
CPO	Ordinary Participation Certificates *(Certificados de Participación Ordinarios)*
CTA	Airport Traffic Control *(Control de Tráfico Aeroportuario)*
DJSI	Dow Jones Sustainability Index
EASA	European Union Aviation Safety Agency
EBITDAR	Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring or Rent Costs
EMS	Environmental Management System
ERM	Enterprise Risk Management
ESG	Environmental, Social and Corporate Governance
FAA	Federal Aviation Administration
FCPA	Foreign Anti-Corruption Practices Law (*Ley de Prácticas Anticorrupción en el Extranjero)*
FDA	Flight Data Analysis
FRMS	Fatigue Risk Management System
FTE	Full Time Equivalent
gal/ASM	Gallon/Available Seat Miles
gCO_2/RPK	Grams of Carbon Dioxide/Revenue Passenger Kilometre
GDPR	EU General Data Protection Regulation
(I)	Industry Experience
IASA	International Aviation Safety Assessment Program
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICGN	International Corporate Governance Network
IMPI	Mexican Institute of Industrial Property *(Instituto Mexicano de la Propiedad Industrial)*

Abbreviations Index

Name / Abbreviation	Description
IMSS	Mexican Social Security Institute *(Instituto Mexicano del Seguro Social)*
IOSA	The IATA Operational Safety Audit
ISR	Income Tax *(Impuesto Sobre la Renta)*
IT	Information Technology
ITESM	Technological Institute of Monterrey *(Instituto Tecnológico de Estudios Superiores de Monterrey)*
Kg/CO_2	Carbon Dioxid Kilogram
kWh	Kilowatt Hour
LA	Airport Law *(Ley de Aerupertos)*
LAC	Civil Aviation Law *(Ley de Aviación Civil)*
LFD	Federal Rights Law *(Ley Federal de Derechos)*
LFPDP	Federal Law on the Protection of Personal Data in Mexico *(Ley Federal de Protección de Datos Personales en Posición de los Particulares de México)*
LFRA	Federal Environmental Responsibility Law *(Ley Federal de Responsabilidad Ambiental)*
LFTAIP	Transparency and Access to Public Information Federal Law *(Ley Federal de Transparencia y Acceso a la Información Pública)*
LGCC	Climate Change Law *(Ley General de Cambio Climático)*
LGEEPA	General Law of Ecological Balance and Environmental Protection *(Ley General del Equilibrio Ecológico y la Protección al Ambiente)*
LGPIR	General Law for the Prevention and Comprehensive Management of Waste *(Ley General para la Prevención y Gestión Integral de Residuos)*
LIC	Quality Infrastructure Law *(Ley de Infraestructura de la Calidad)*
LVGV	Law of General Means of Communication (*Ley de Vías Generales de Comunicación)*
NACD	National Association of Corporate Directors

Name / Abbreviation	Description
NEO	New Engine Option
NPS	Net Promoter Score
NYSE	New York Stock Exchange
NYU	New York University
OCDE	Organisation for Economic Co-operation and Development
OMA	North Center Airport Group *(Grupo Aeropuertario Centro Norte)*
PHVA	Plan, Do Check, Act *(Planificar, Hacer, Verificar, Actuar)*
PROFECO	Federal Consumer Protection Office (*Procuraduría Federal del Consumidor)*
Ps.	Mexican Pesos
QMS	Quality Management System
(R)	Risk Expert
RBSIAA	Regulation for Search and Rescue and Air Accident Investigation *(Reglamento para la Búsqueda y Salvamento e Investigación de Accidentes Aéreos)*
RENE	National Emissions Registry *(Registro Nacional de Emisiones)*
REPLCCPTA	Regulations for the Issuance of Permits, Licenses and Capacity Certificates for Aeronautical Technical Personnel *(Reglamento para la Expedición de Permisos, Licencias y Certificados de Capacidad del Personal Técnico Aeronáutico)*
RLA	Regulation of the Airport Law *(Reglamento de la Ley de Aeropuertos)*
RLAC	Regulations of the Civil Aviation Law *(Reglamentos de la Ley de Aviación Civil)*
RNE	Regulation of the General Law on Climate Change of the National Emissions Report *(Reglamento de la Ley General de Cambio Climático del Reporte Nacional de Emisiones)*

Abbreviations Index

Name / Abbreviation	Description
ROA	Civil Aircraft Operation Regulations *(Reglamento de Operación de Aeronaves Civiles)*
RPK	Revenue Passenger Kilometers
RRAM	Regulation of the Mexican Aeronautical Registry *(Reglamento del Registro Aeronáutico Mexicano)*
RSMT	Regulation for the Transport Medicine Service *(Reglamento del Servicio de Medicina en el Transporte)*
RTK	Revenue Ton Kilometers
SAF	Sustainable Aviation Fuel
SDG	Sustainable Development Goal
SEC	Securities & Exchange Commission
SEMARNAT	*Environment and Natural Resources Ministry (Secretaría de Medio Ambiente y Recursos Naturales)*
SMS	Occupational Safety Management System
SOP	Standard Operating Procedures
STPS	Secretary of Work and Social Security *(Secretaria del Trabajo y Previsión Social)*
TCFD	Task Force on Climate-Related Financial Disclosures
TSA	Transport Security Administration

Name / Abbreviation	Description
TUA	Airport Use Fee *(Tarifa Única Aeroportuaria)*
ULCC	Ultra Low Cost Carrier
US	Unites States of America
USD	Dollar
VFR	Visiting Friends and Relatives
WG	Working Group
WTTC	World Travel and Tourism Council

Charts index

Av. Ejército Nacional 843-B
Antara Polanco
11520 Mexico, D.F.

Tel: +55 5283 1300
Fax: +55 5283 1392
ey.com/mx

Independent Limited Assurance Report

To the Board of Directors of de Controladora Vuela Compañía de Aviación, S.A.B. de C.V.:

Scope of our Work

We have been engaged by Controladora Vuela Compañía de Aviación, S.A.B. de C.V. ("Volaris" or the "Company" to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Volaris's selected performance indicators included and presented in the Annual Integrated Report (the "Report") and mentioned in the **Annex A**; as of December 31, 2021.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

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

In preparing the performance indicators, Controladora Vuela Compañía de Aviación, S.A.B. de C.V. applied the criteria set forth in the GRI & SABS Standards (Criteria). Such Criteria were specifically designed for the construction and reporting of non-financial information; As a result, the subject matter information may not be suitable for another purpose.

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

Controladora Vuela Compañía de Aviación, S.A.B. de C.V 's management is responsible for selecting the Criteria, and for presenting the Sustainability Report in accordance with that Criteria, in all material respects . This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the performance indicators included in Annex A based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'), and the terms of reference for this engagement as agreed with Controladora Vuela Compañía de Aviación, S.A.B. de C.V on July 6, 2022. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements , and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

EY
Building a better working world

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the performance indicators and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with personnel to understand the business and reporting process
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the subject matter during the reporting period
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Identified and testing assumptions supporting calculations
- Tested, on a sample basis, underlying source information to check the accuracy of the data

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the performance indicators as of December 31, 2021; for it to be in accordance with the Criteria.

Mancera, S.C.
A Member Practice of Ernst & Young Global Limited

Luis F. Ortega
Partner
Mexico City, July 1 8, 2022

Annex A Controladora Vuela Compañía de Aviación´s performance indicators

Disclosures

GRI / KPI / SASB	Disclosure title	Complience level GRI- SASB (Clauses)
2-9	Governance structure and composition	a, b, c (i, ii, iii, iv, v, vii, viii)
TR-AL-540a.1	Description of the implementation and results of a safety management system.	1, 2, 3, 4, 5, 6

Performance indicators

GRI / IP	Disclosure Title	Scope of the information	Complience level GRI-SASB (Clauses)	Reported information	Unit
2-7	Employees	All operations	a, b (i, ii),d	6.714	Total number of employees
				3.576	Total number of male employees
				3.138	Total number of female employees
				3.461	Total number of male employees (Mexico)
				3.054	Total number of female employees (Mexico)
				115	Total number of male employees (Central America)
				84	Total number of female employees (Central America)
				3.576	Total number of permanent male employees
				3.138	Total number of permanent female employees
				3.178	Total number of full-time male employees
				2.769	Total number of full-time female employees
				398	Total number of party-time male employees
				369	Total number of party-time female employees

GRI / IP	Disclosure Title	Scope of the information	Complience level GRI-SASB (Clauses)	Reported information	Unit
412-2	Employee training on human rights policies or procedures	All operations	a, b	3.683,5	Total number of hours dedicated to human rights training
				81	Percentage of employees who received human rights training in ECPAT e-learning course.
				85	Percentage of employees who received human rights training in ECPAT on boarding course.
IP[1]	Suppliers evaluated	All operations	-	117	Total number of suppliers evaluated
				17	Percentage of suppliers evaluated
2-27	Compliance with laws and regulations	All operations	a, b	31	Total number of significant cases of non-compliance with laws and regulations during 2021 - Cases for which monetary fines were imposed
				35,706,296.38[2]	Monetary value of fines for non-compliance with laws and regulations paid during 2021 (Total in pesos)
				44,361.5[3]	Monetary value of fines for non-compliance with laws and regulations paid during 2021 (Total in dollars)
302-1	Energy consumption within the organization	All operations	a., c., f.	36,356,736.88	GJ of fuel consumption
				609,227	kWh of total energy consumption
305-1	Direct (Scope 1) GHG emissions	All operations	a., d., e.	2,684,278.35	Tons of CO_2 equivalent
305-2	Energy indirect (Scope 2) GHG emissions	All operations	a., d., e.	257.70	Tons of CO_2 equivalent
306-3	Waste generated	Operations in Mexico	a., b.	37,581	Kg of hazardous waste generated
				14,315	L of hazardous waste generated
				1,393.6	Tons of non-hazardous waste generated
				3,981.94	Kg of paper subjected to destruction and recycling process
TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	All operations	1, 2, 3, 4, 5, 6	0	Total amount of monetary losses

[1]Controladora Vuela Compañía de Aviación's own indicator based on GRI.
[2]Value equivalent to the sum of the following monetary values of the fines imposed in pesos by the different authorities (26,886.00+40,000.00+808,803.00+34,821,752.00+8,855.38).
[3]Value equivalent to the sum of the following monetary values of the fines imposed in dollars by the different authorities (43,911.5+450.00).

Contact

Av. Antonio Dovalí
Jaime No. 70, 13th floor.
Tower B, Colonia Zedec
Santa Fe. C.P. 01210,
Mexico City

Sustainability Director
José Alfonso Lozano
volaris.corporativo@volaris.com

Finance and Investor Relations Sr. Director
Renato Salomone
+5255 52616444
ir@volaris.com

@viajaVolaris

@viajavolaris

@viajavolaris

Publication date: July 22nd, 2022